

Give The People Money

By

PROFESSOR WALTER MURDOCH

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*Sir Walter Murdoch KCMG, 1874-1970, was the founding Professor of English and later Chancellor of the University of Western Australia. A very popular academic, he was an essayist famous for his intelligence, wit and humanity. In 1970, just prior to his death, Western Australian's second university "Murdoch University" was named after him.

I have often heard people say that this Major Douglas scheme, in which I believe, is quite impracticable because it is so complicated that no one can understand it. It isn't so bad as that, but it is complicated, and it must be complicated for a very plain reason: that the present money system, which it seeks to modify, is complicated. If you think the present system, under which you and I live, is easily understood, depend upon it you don't understand it.

Most of us have grown up in a world in which it was not urgently necessary that we should understand what money really meant; we took it for granted, in the happy days before circumstances forced us to become economists. I look back with dismay and some shame at the absurdity of my own delusions about money a few years ago.

In a recent article in the "Contemporary Review," the Archbishop of York remarks: "I was taught some political economy at Oxford, including certain propositions about money. What is perfectly plain is that money is not what they told me it was."

Well, I was not taught economics at Oxford or anywhere else; I simply took for granted those propositions about money which everybody around me seemed to be taking for granted. I now know that those propositions were none of them true; that money is not at all what I thought it was; that the banks don't act in the way I imagined they acted, but very far otherwise.

But I have also learned that the intricacy and delicacy of the money machine can be greatly exaggerated, and that when you apply common-sense to it certain simple facts do emerge; facts which explain why the machine has so appallingly broken down, facts which make it plain that no patching will ever set the old machine running again, and that the world will never get out of the slough into which it has fallen until we have the courage to undertake a reform at least as radical as that which Major Douglas demands.

Circumstances have forced people to do a lot of thinking in the last few years, and the result of this reflection is that certain statements which would have been violently disagreed with a few short years ago may now be taken for granted in any discussion.

One of these is that the world is suffering from an unexampled depression, in the midst of unexampled wealth. The world's inhabitants are in the position of persons dying of thirst on a raft in the middle of a fresh-water lake. I don't need to insist on that, at this time of day; there are few persons who will not agree that the age of scarcity is over, and that we live in an age of plenty. The problem which has puzzled the world from immemorial ages—the problem of how to produce enough food and other necessities of existence for the needs of the world's population—has been solved once for all.

Within the last fifty years the world has been transformed. Science has wrung so many secrets from nature; man's inventive faculty has harnessed so much energy to his uses, that the world is wealthier to-day than ever before, wealthy beyond the dreams of the Utopian dreamers of a century ago. The world is full of destitution and of wealth.

This is an age of plenty; there is plenty of everything people can want in the way of material goods. I don't merely refer to necessities, but to what we are accustomed to call luxuries. A motor-car is, I suppose, a luxury; well, the world now possesses sufficient factories, machines, power, material and, men to supply a motor-car to every household in the world. Well, then, why does not every household in the world possess a

motor-car? Because the majority can't afford it. They have not the wherewithal; that is to say they have not enough money.

Remember that the capacity to produce motor-cars is wealth; and if you apply that to everything else you will understand what an enormous mountain of wealth the world now contains, wealth that we must not touch because we can't afford it; because we have not the money.

An invention which enables a machine to do the work of men obviously throws men out of work; so that what the scientists and inventors thought to be a blessing they were conferring upon mankind turns out to be a heavy curse. You would say off-hand, wouldn't you, that it would be an entirely blessed thing if we could have machines to do all the dirty work necessary, all the beastly drudgery, and set men free for better and pleasanter activities ?

Not at all ; the machinery that does the dirty work for us throws men out of any sort of work and produces an unprecedented volume of misery.

Since with the coming of machinery there isn't enough work to go round, at first sight it would seem natural to say that men must work for shorter hours. Instead of employing 50 men for a 48- hour week, why not employ 100 men for a 24-hour week? To which the employer will very truly reply: I am quite willing to employ men for half time, but in that case, of course, I can only pay them half wages. I can't pay full wages for half time; I can't afford to do that.

I haven't the money,

What it comes to, then, is that between 30 and 40 million persons capable of work are unemployed to-day. The modern community will not, if it can help it, allow these people to starve to death. It just manages to pay them enough to keep them alive, in a way of life which cannot be happy, and which must in the long run be demoralising and degrading. The community would gladly pay them more if it could, but it can't afford to. It hasn't the money.

And so you get the spectacle which would make a visitor from Mars believe that he must be suffering from delirium tremens. In certain parts of the world to-day there is a famine, and people are actually dying for lack of bread; and elsewhere people are saying that there is too much wheat grown and that we must restrict our acreage.

The production of rubber and oil has already been restricted. In Brazil millions of bags of coffee have been burned; in the United States milk has been thrown into the rivers in such quantities that the fish have died of it; in Fiji they have been destroying sugar, and in Japan they have been destroying rice; and all the while there are millions of people who are not getting milk or coffee or sugar or rice.

There can be no over-production of any article so long as there is a continued demand for that article. For all the things I have mentioned there is still plenty of demand, not demand backed by money. The milk is badly wanted, but it is wanted by people who can't afford to pay such a price as would make it worth the dairyman's while. They haven't the money.

And if our visitor from Mars, watching the destruction of so much wealth, the burnt coffee and the spilt milk, were to rub his eyes—and he naturally might— and ask: “Am I mad, or are you?”—we should reply: “It must be you; we are sensible people, and this arrangement you are looking at is generally known as sane finance; and those who want to change it for another system are generally known as either cranks or criminals.”

Before I come to the remedies proposed by Major Douglas, I must mention one more paradox. That is the paradox of the so-called financial experts. These experts, who have learned the economics of an age of scarcity and have apparently learned nothing since, have only one piece of expert advice to give us: Economise!

To the persons dying of thirst on a raft in a freshwater lake their sage counsel is—Drink less! To people living in a world wealthier than ever before they say: “You must lower your standard of living.” Here in Australia they put their hands together and devise a plan for restoring prosperity by cutting down wages and diminishing the buying-power of the people, when any spark of common-sense should tell us that to lessen people’s power of buying could only result in an increase of unemployment and a deepening of the depression.

The result of the combined wisdom of the economists is that the world keeps getting more inextricably into the mire; and that is why I, for one, am not profoundly impressed when authorities tell me not to meddle in these matters that are too high for me, but to leave everything to the experts.

The key to the situation lies in an answer to the question: What is Money? What is this mysterious entity which people haven’t enough of, so that they can’t afford to get any good of the fact that they are living in an age of plenty?

Money simply means tickets for the exchange of goods. Whether printed or metal or on paper, money means tickets. Money is not a commodity, but a means of exchanging commodities, a very ancient device for doing away with the intolerable cumbersome of barter.

The world is not suffering from a lack of goods to-day, but from a lack of tickets for the exchange of goods. To give you a picture of what is happening in this world of ours I must ask you to imagine a village—not a poor village— but a very wealthy one—threatened with floods. All the villagers came in haste to the railway station, where as it happens there is a train large enough to accommodate all of them, with steam up ready to go. They rush on board, but the guard comes along and asks them to show their tickets. Rather impatient, because the waters are rising rapidly, they get out and rush to the ticket office, only to be told that unfortunately there are no tickets to be had; the last were sold yesterday, and no new supplies have come along. They all rush back to the train, where they find the engine-driver engaged in putting out the fires. “I’m very sorry,” says the station- master, “but I’m afraid you’ll have to drown. If it’s any consolation to you to know it, I shall have to drown with you. There’s no help for it. Obviously the train can’t carry passengers who haven’t got tickets. That has never yet been allowed.” So they all drown for lack of tickets.

What would you think of a railway company which, instead of printing tickets sufficient for the number of passengers it might be required to carry, limited the number of passengers and the number of trains to make them fit the number of tickets it had printed? That is what happens in the world today.

Instead of creating the right amount of money to carry on all the business possible in the world, we limit the business to make it fit the amount of money there is. We close factories, we limit production, we throw men out of work, we starve people, simply and solely for lack of money; and yet money is a thing we can create in precisely whatever quantities we choose.

Who does, in actual fact, create money? In old times it was created by governments, and by governments only; and any private person who tried to encroach on this prerogative of the king by making counterfeit coins or bank notes could be put in prison or, even in England not so very long ago, hanged.

With the invention of the cheque system—an admirable device in many ways —the power of creating and cancelling money passed, without the public noticing what was happening, out of the hands of the king into the hands of bankers.

Out of the total money in the world to-day a certain small amount consists of coins and banknotes; but most of the money consists of book entries in banks. Somewhere about 1.5 per cent, of the money in Australia consists of coins and notes; the rest is that form of money known as bank credit.

I am not quite certain of the exact figure ; to be on the perfectly safe side let us say that 3 per cent, of our money is created by the Government and 97 per cent, is created and controlled by the banking system. Governments make money out of gold or silver; what do banks make money out of? They make it out of

nothing, as all the leading authorities on banking are agreed. They create it with a pen, when and to what extent they please; and they destroy it when they please. Every time a bank grants a loan it creates money; every time it calls in a loan it destroys money.

The Banks, controlling the Volume and the Flow of Money, control the lives and destinies of Men; and Governments eat out of their hands.

Now, by every principle of right and justice, the total credit of the community belongs to the community, and not to a group of private individuals; and the first thing to do is to take the control of credit out of the hands of irresponsible individuals and put it in the hands of persons responsible to the community; that is, the Creation and Control of Money must be made a department of the national Government.

Having re-assumed control of the monetary system, the first task of government will be to deal with the present shortage of money, to bridge the gap between production and consumption.

One of the great services of Major Douglas was his discovery that with our present financial arrangement no industry can possibly pay out, in wages, salaries and dividends, enough money to pay the cost of the goods it produces, and that is true of all industries.

This is the famous A + B Theorem, of which the orthodox economists are so fond of exposing the fallacy; but the facts, as someone has noticed, continue to behave as if they were in the pay of Major Douglas.

Major Douglas proposes to finance the consumer, to bridge the disparity between production and the power of buying products, in two ways. First, by treating every man, woman and child as a shareholder in the national business and issuing to each a National Dividend, calculated on the real value of the nation's assets. Second, by enabling all goods to be sold below cost price, the loss being made good by issues of national money.

The problem is how to create more money without causing a drop in the value of money; and the answer is that money must be created in exact proportion to the real wealth in the community and that arrangements must be made not only for its issue, but for its cancellation. If you will take the trouble to look farther into this matter you will find that the Douglas Proposals contain in them no threat of inflation or deflation.

When I try to expound the scheme to friends they say: "I can't see the fallacy in your argument; but it's too good to be true. If what you say is true, then the empire of poverty is over at last, and within a few months the world will be entering on an era of universal plenty; no, we have heard of these Utopian dreams before; it's far too good to be true."

Now my reply to that is this : If, a century ago someone had announced that within 100 years the immemorial problem of production would be solved, and that man would possess the knowledge and the machinery to produce in abundance all the material goods he could need, most people would have laughed the prophet to scorn, and said : "It's too good to be true!" **But it is true**; everyone agrees that it is true.

And if someone else had prophesied, fifty years ago, that in fifty years the earth was going to be a planet on which misery and destitution would stalk abroad amid an unprecedented plenty of material goods, people would have said : "No, impossible; it's too bad to be true." **But it is true**; that evil dream has come true, as we all know if we keep our eyes open.

I regard it as the bounden duty of everybody to do what in him lies to awaken the world from this nightmare; and that is why I commend to your close attention these Proposals, which to the best of my belief would result in making money our invaluable servant, instead of, as at present, our despotic master.

If you know of any better scheme for lifting us out of this morass into which we have fallen, of removing the burden of poverty and the haunting fear of poverty by which so many lives are shadowed, and making the

way clear to economic freedom and economic abundance, by all means do what you can to forward that other scheme.

But I ask you to look patiently and carefully into these Proposals of Douglas before you declare them impracticable. Only Remember, the time is short, and the patience of men not inexhaustible.