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First Edition

The  
Defeat of the Depression  
in New Zealand

(Begun 1932 : Complete 1933)



As recorded and related by  
An Auckland Barrister  
for the relief of distress



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## DEDICATION



To the bloke who is broke; to the worker who has lost his job; to the returned soldier who cannot find a place; to the landlord who cannot be paid his fair rent; to the tenant who cannot pay it; to the mortgagee who is being starved; to the mortgagor who cannot pay his interest; to the employer who is compelled to sack his capable employee; to the producer who cannot sell his goods; to the consumer who cannot buy; to the youth of the Dominion who are prevented from taking a part in the industry of their country; to the aged and infirm who are begrudged a proper share of our plenty; to all who are victims of "Sound Finance," these pages are sympathetically but hopefully dedicated.

## PREFACE

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### The Prince an Advocate for Shorter Hours and Better Distribution of Real Wealth

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(British Official Wireless.)

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RUGBY, July 31.

When the Prince of Wales visited the International Congress on Commercial Education in London, at which thirty-five nations were represented, the President, Mr. Charles Boisserrain, of Holland, introduced him as "the first commercial ambassador of the world."

In the course of the Prince's address, he said the hard lesson of adversity had taught them that **prosperity of all nations depended upon the prosperity of each**. In these days of swift transport and communication and interlocked commerce and finance it was increasingly true that the nations could not live for themselves alone.

"This truth is penetrating the minds and Government policies and actions of the nations in a growing measure," said His Royal Highness. "Recently it was demonstrated most happily at Lausanne. This international conference may well express its delight that at Lausanne the lamps of hope and confidence were lighted. The spirit of international co-operation and good will is burning more brightly than at any time within living memory.

"For this we may all be profoundly grateful. The world-wide trade depression and economic disturbance have been largely caused by the **maladjustment of distribution**. The potential output is far greater than ever before. If all employable labour were employed for a reasonable number of hours per week the world would have at its disposal a volume of commodities and services which would enable the entire population to live on a higher level of comfort and well-being than ever before was contemplated in the rosiest dreams of the social reformer.

"The urgent task is to bring consumption and production into proper relationship. It is not a simple task, but quite a possible one."

## PREFACE

### The Prince as Advocate for Liberty and Peace in the East

By the Prince of Wales

The Prince of Wales, in his capacity of Advocate for Liberty and Peace in the East, has been the subject of much discussion and controversy. His position is one of great importance, and his actions have been widely watched and commented upon. The Prince's role is not only that of a statesman, but also of a man of letters, and his views on the subject of liberty and peace are of great value to the world. His advocacy for liberty and peace is based on a deep understanding of the principles of justice and fairness, and his actions are guided by a sense of duty and responsibility. The Prince's efforts to promote liberty and peace in the East are a testament to his character and his commitment to the cause of humanity. His actions have inspired many people around the world, and his legacy will live on for generations to come.

# The Defeat of the Depression in New Zealand

(Begun 1932, Completed 1933)

As recorded and related by an Auckland Barrister  
for the Relief of Distress

## INTRODUCTION

MANY years ago a clever American writer gave to the world a book called "Looking Backward," which had an immense circulation, and which to-day is still being sold and read by those who are convinced that the state of poverty existing in a world prodigiously rich cannot be cured by ordinary methods or by merely waiting for the clouds to roll by. In "Looking Backward," Bellamy pictured the state of civilisation in the year 2000, and now nearly fifty years after the publication of his book there are indubitable signs that the world is ready to consider proposals that will result in raising the standard of living for the workers and prevent their exploitation for the benefit of the few. Bellamy showed that complete happiness among the people of the nation and among the nations of the world was easily managed without money; his idea was that money, being the root of all evil, should not be the incentive to human effort, and he showed how the evil of the world, as well as the misery and poverty, was entirely due to dependence on an imperfect money system. And so Bellamy pictured a moneyless world, and succeeded in painting a picture so beautiful that people said it was too good to be true or possible in a world where selfishness was the dominant motive of industry. To-day so many rich men have been ruined through circumstances entirely beyond their control, that they are among the first to condemn a money system that gives no lasting guarantee of security.

Though the world has not progressed so far as to be ready to adopt a moneyless system, there are unmistakeable signs that the principal countries are willing to confer with a view to the adoption of a better money system. New ideas on the creation and issue of money are being put forward by cultured and thoughtful men of all nations, and all agree that the basing of the issue on the amount of gold held by the banks is fundamentally unsound and largely the cause of the booms and depressions that so often plunge the world into financial confusion. Major C. H. Douglas, in his books on economics, shows that all the misery and poverty in a world teeming with riches are to be attributed to the continuance of our "Mad Money" system. Douglas Credit Associations have been formed in many of the principal countries of the world, and many able writers have endeavoured to explain the advantages of the new economics, and to show that the adoption of the principles of Major Douglas' scheme would put an end for ever to all poverty, which should never exist amongst plenty. It is the endeavour of the writer of these pages to show how New Zealand attained prosperity such as she had never known in the past by adopting a new system of money, which did no harm to the rich, but rendered poverty impossible.

Auckland,

Anno Domini, 1933.





## CHAPTER I.

## In the Midst of the Depression

PETER MELLOR had graduated from the Auckland University College with honours in English and Economics. His father, Joshua Mellor, a retired farmer in comfortable circumstances, was able to allow his son to continue his studies with a view to entering the legal profession. In due time Peter took his LL.B. degree. During his study of the law Peter had gained practical experience by working without salary as a clerk to one of the principal firms of solicitors in Auckland.

The Great Depression had by this time caused a serious diminution in Mr. Joshua Mellor's income, and it became necessary for Peter to make his way in the world. Consequently it was a great blow when he was informed that there was no opening in the law office in which he had gained his experience. He tried by every means to get a footing, but found that, instead of there being openings for highly qualified barristers and solicitors, men of long experience were being done without. The country was over-served with lawyers, as with every other profession, and even skilled manual workers were unable to keep their positions. Turn where he would, Peter could see no blue sky through the dense clouds. Peter's lot, however, was not nearly so bad as it might have been, for he had a good home. But Peter was not satisfied to be a burden on his father, and, besides, there was a greater reason why he should get busy and earn a man's income.

Her name was Alice Strong, a sweet girl graduate, whom Peter had known during his 'Varsity career. Both were tennis champions, and their association in the athletic activities of the College had led to more intimate acquaintance in their homes. She was indeed worthy of his regard. In the first blush of womanhood, Nature had endowed her lavishly, mentally and physically, and her University training had added to her beauty a becoming and unobtrusive dignity that made her a most delightful personality. Her deep blue eyes, healthy, full red lips forming a perfect mouth, and the faultless luxuriance of her figure suggested at once perfection of development, abounding physical vitality and feminine softness and delicacy.

Alice was the daughter of Robert Strong, managing director of the hardware firm of Robert Strong and Co., Ltd., one of the oldest concerns in Auckland. Strong himself had been left a considerable fortune by his father, the founder of the business,



but as he had grown up in his father's warehouse and was a man of great natural ability and energy, he continued to associate himself with the daily activities of the business, through which he had, indeed, added handsomely to his fortune.

Peter Mellor was handsome enough to attract the admiration not only of members of the opposite sex, but also of other men. Nearly six feet in height, his figure was well proportioned. As wing three-quarter for the 'Varsity Senior Fifteen, he played a sparkling game, to the delight of his club mates and of the spectators of both sexes. Nothing could be more natural than the mutual attraction of Peter and Alice, and their similar social position gave them many opportunities of meeting each other. Peter had long realised that his greatest happiness was in her company: the sound of her soft, sweet voice was as music in his ears, and her undisguised pleasure in his company gave him reason to hope that their acquaintance would some day become more than friendship.

The difficulty of obtaining employment, however, and his apparently hopeless prospects made Peter wonder whether he ought now to avail himself of the opportunities he had of meeting Alice. Was it fair to her to seek to gain her heart when she could claim the devotion of the most eligible of the young men of Auckland? Another circumstance that troubled Peter was the conviction that his political opinions (which were largely the result of his studies of economics and the dreadful state of industry in the land) might be wholly repugnant to Mr. Strong, who, as a successful business man in a private concern, would be entirely opposed to economic changes in the system under which his father and he himself had built up a goodly fortune.

As a welcome guest in Strong's home, Peter had never had any occasion to enter into the discussion of debatable subjects with Alice's father. Indeed, life had been so pleasant, that, until the time came when Peter could not get a position, there was nothing to suggest that there was anything wrong with the world. Strong was not blind to the fact that Peter and Alice were very happy together, and he himself liked to welcome the young man, whom everybody instinctively trusted, not only because of his fine personality, but because of his modesty, geniality, and fine intelligence.

But Strong could not now ignore the fact that Peter seemed to have no prospects, in spite of his brilliant scholarship and physical fitness. Strong knew only too well the terrible results of the depression: his company had suffered enormous losses in consequence of the collapse of the building industry and the fall in prices, and the firm's overdraft at the Bank increased so alarmingly, that it was necessary for Strong to meet the situation by depositing and pledging a number of securities that

formed the principal part of his private fortune. Strong's friends and business associates all began to carry an unaccustomed look of anxiety, for there was no sign of the depression lifting. Bankruptcies were of everyday occurrence, and the wholesale firms were being shaken to their foundations. It was a question of how long they could keep going before the Bank stifled them by calling up their overdrafts. Many of Strong's friends suffered in the economic storm, and this circumstance alone was sufficient to cause anxiety as to his own fortune. The wave of depression had shown no sign of passing; instead, it seemed to have become a permanent angry sea, threatening to overwhelm the strong as well as the weak. There was no known remedy, and the world's financial experts came to be regarded as pure theorists, for they all had different ideas of the cause of the slump, and no idea at all of the remedies. Some said it was because of there being too much gold in the United States of America; others, that it was through over-production; others, that it was through under-production or through war debts (which were not being paid), or because U.S.A. expected the huge debt to her to be paid when she had all the gold, and would not take the goods of the debtor nations. One thing was certain: prices began to fall, and it became apparent that New Zealand could not meet her obligations to her overseas creditors unless she got more for her butter and other exports. The experts said the only cure was to produce more butter; but they were ridiculed when it was found that there was no buyer for the extra butter. All the nations were restricting their imports, and seeking to enlarge their exports, which of course was impossible. And so it came to pass that men with new ideas were listened to, and conferences of the nations were held.

## CHAPTER II.

## A Gleam of Sunshine

ONE evening after dinner, when her father was seated in his favourite chair in his sanctum, Alice curled herself at his feet, as she often did; for Strong had long been a widower, and Alice was all he had to remind him of his beautiful wife, who had succumbed in the terrible epidemic of pneumonic influenza that had succeeded the Great War.

As he ran his fingers caressingly through the glory of her golden hair, Strong thanked God in his heart that the bad times could not take from him the blessing of his daughter's affection. What had the future in store for her? Had she set her heart on that fine young fellow, Peter Mellor, who, with all his advantages, could not get a job? That was the pity of it. He could not imagine a more suitable mate for her. What a pair they made! How she glowed in his company, and how tenderly respectful Peter always was, as if she were some precious thing, as indeed she was.

These were some of Peter Strong's thoughts as the smoke from his pipe curled around him and his eyes rested upon the picture of feminine loveliness at his feet.

The sound of a firm tread caused Alice to look up as the manly figure of Peter Mellor appeared at the open casement.

"Come in, my boy," said Strong, shaking hands warmly. And as Alice gave him her hand, Peter saw in her glad eyes that he was no unwelcome intruder.

"And how is the world treating you now, Peter?" asked Strong.

"I have some good news, Sir. I have been selected as the University candidate for the Auckland College. You will remember, Sir, that, under the new system of class Parliamentary representation, the University graduates are entitled to elect two members, one for each Island. So far it would seem that I shall be unopposed," said Peter.

"Congratulations, my lad. I cannot tell you how glad I am. I am sure you will do well. And what is to be the policy of the University members?"

"I am afraid, Sir, you will not approve of it, as it has been decided to hammer away at the reform of the money system, so that the country will be released from the stranglehold of the banking system," said Peter. "We have decided that the pro-



posals of Major Douglas are fundamentally sound, and that, if New Zealand will adopt them, she will show the world the way out of the whirlpool of depression."

"H'm! I have heard something about Douglas' proposals for currency reform, but I do not see how New Zealand can get away from England in the matter of finance. Surely we are absolutely dependent on England in money matters?" asked Strong.

"As things are at present, that is so," said Peter, "but there is **nothing to prevent our adopting in New Zealand a sane money system that will give our own people the means of purchasing the products of their own industry.** In the past we have entrusted the money business to private concerns called Banks, who have issued money or purchasing power in accordance with banking principles which are now known to be incapable of preventing booms and slumps, or, in other words, of controlling prices, so that there will always be sufficient purchasing power for the goods produced for consumption."

"Do I understand you to mean that **it is possible to stabilise prices,** so that the workers will always be provided with money sufficient to purchase the whole of what they produce?"

"That is the idea, Sir," said Peter, "and when you think of it, it is only right that the worker should not be robbed of any part of his industry because of a bad money system."

"But where does the capitalist come in?" asked Strong. "Surely, if you give the worker the means of purchasing all the product of his industry, there can be no provision for the profits of the employer."

"The new system of economics regards the interests of the employer and of the worker as identical. Both are engaged in production of something for use or consumption, and both are worthy of recompense, according to their share in the process. The employer's part is that of organiser or director, and his share of the product can be regulated and provided for in the prices and by State subsidy. It would take a long time to explain exactly how this would work out, but I can assure you, Sir, that **the new money system would not do any injury to the capitalist, who is regarded not as the enemy of the worker, but as his greatest friend, as the organiser of the industry which produces something for consumption,**" replied Peter.

"It all sounds very nice, but how are you going to manage when you find that the prices of our exports in England do not agree with the prices arranged in New Zealand?"

"That is where we have been foolish in the past," said Peter. "We have beggared our own people by making them pay in their own land of plenty the same price for their own butter as it

would fetch in a land of scarcity thousands of miles away. Prices in New Zealand of New Zealand products should be based on the cost of production in New Zealand, and not on the state of the British market. Because people are sick in England is no reason why we should become sick too."

"Gad! Peter, you have scored there," exclaimed Strong, who as a merchant had considerable experience of the havoc wrought by changing prices. In fact, he knew that there was a lot of luck in business, and that it was really impossible to avoid losses caused by our dependence on foreign prices. "But surely regulation of prices in New Zealand would mean interference with private enterprise, especially in the matter of exporting and importing?"

"The interference with private enterprise would be to the benefit of the employer as well as of the employee, for both would have the tremendous advantage of an assured income free from the risks of falling prices and the dreadful anxiety caused by diminishing trade. But the State would not dictate beyond controlling prices in New Zealand, and even that dictation would come from the best men the State could employ to ascertain the cost of production, and so estimate with accuracy the economic price for articles and goods. Having fixed the prices of New Zealand produce, the State would control the export of the surplus by buying it at the New Zealand price. Any loss on the sale abroad would then fall on all, and any gain would benefit the State; but foreign prices, if they were lower than New Zealand prices, would not cause us much concern, because the only result would be to curtail to that extent our imports, which would thus be kept within safe limits. We should not then be able to contract foreign debts, which we would have no earthly chance of paying. The State would exercise no other control over imports than to limit them to the amount of our credit balance after meeting our State obligations in the matter of interest on the foreign part of our national debt. Our foreign creditors would have no cause to complain so long as we made our surpluses available to meet their claims," replied Peter.

"Well, Peter, I believe that you are on the right track, and can do no harm, but I am sure you will meet with a lot of opposition, for the reason that we have muddled along in our own independent way from time immemorial, and, though many good men have gone to the pack, it must be admitted that the world has made splendid progress, and men have shown great enterprise and indomitable courage in pushing ahead in spite of adversity and bad luck. We must admit, though, that under present conditions of trade, there is too much wretchedness and poverty, and if we can prevent distress by better regulation of

commerce and industry, it is our duty to consider and adopt suitable means, and even to try experiments that have a reasonable chance of success. So good luck, my boy!"

Alice was a good listener, and, besides, she could not but be interested, not only because of her intimate knowledge of both men, but also because unemployment was the absorbing topic of conversation, and recent rioting in the city had caused much concern among those who had not as yet suffered privation. She rejoiced, too, that Peter should get such a good hearing from her father, who was not entirely without the narrow-mindedness of the successful business man. But the Great Depression had made all men alter many of their firm opinions, and Strong's huge losses rendered his mind more receptive, and he was ready to listen with more respect to any scheme that might change the general position. He remembered also that Peter was an honours man in Economics, and would not therefore be easily converted to any idea that would outrage the principles of that science.

And so the evening passed very happily for Peter and Alice.

### CHAPTER III.

## The Future will be Rosy

PETER was duly elected. Before proceeding to Wellington, he made up his mind that he ought to tell Strong of his feelings towards Alice, and endeavour to obtain his consent to his wooing. He chose an evening when Alice was attending a church function.

After they had played 500 up at billiards, which Strong had won, Peter broached the subject.

"I know I have no right to expect it, Sir, but I would beg your consent to my becoming engaged to Alice if she will have me."

"Peter, my boy, there is no man whom I would rather have as a son than you, but, the way things are, I do not think you would be wise to take on the responsibility of a wife. You are both young, and can afford to wait until the clouds are dispersed. I am sure you will do well in Parliament, and will soon obtain a position that will enable you to face the future with confidence. So, though you have my best wishes for your success as far as Alice is concerned, I would not think of trying to influence her in such a matter. If you can win her, you will have my blessing," replied Mr. Strong.

"Thank you, Sir. I love your daughter too much to seek to link her life to mine until I can protect her from every storm. But if she will have me, the future will be rosy."



Resuming their billiards, the men played on in complete harmony until Alice returned. Strong, like a good sport, made an early excuse to retire to his sanctum, and the evening being mild and moonlit, Peter and Alice found their way into the beautiful grounds and down the winding path that led to a seat near the lapping tide. The waters of the Waitemata gleamed in the silvery moonlight, and Rangitoto stood out in colossal grandeur as an eternal promise of protection and security. The spirit of enchantment was in the air, the only sound the gentle murmur of the waters as they caressed the pebbles on the beach. In the pale moonlight Alice seemed to Peter the goddess of the night, divinely beautiful, and as he held her soft hand in his, the witchery of her presence filled his soul with ecstasy. He drew her to him, and she came as to her mate and gave him her pure lips in sweet surrender. . . .

What mattered the Great Depression now? thought Peter. He had won the heart of the most beautiful of God's creatures, and nothing else would be impossible.

## CHAPTER IV.

### Mad Money

PETER made his mark in Parliament. His fine, manly presence, his modest demeanour, his rich, vibrating voice, his perfect English, and the melody of his sentences were alone sufficient to secure the respectful attention of the House and the full gallery of spectators. As Peter warmed to his subject in his maiden speech, his listeners became deeply absorbed in his arguments, which, being free from objectionable personalities, obtained for the speaker encouragement and applause, even from his political opponents. Dealing with unemployment, Peter first paid a just tribute to those private employers whose enterprise and ability had built up prosperous businesses and factories. He used their success itself to prove that **prosperity depended on organisation and co-operation**. Unemployment was largely due to a lack of organisation of the work of the country. Too many men wanted to do the job of the others: there was no one to direct their energies into profitable channels. Instead of profitable co-operation, there was too often destructive competition, with the result that the weaker or less fortunate failed and became a charge on the State. The Great War had caused such a tremendous speeding up of production, that **the work of the country could be done by fewer workers**. There was no longer the necessity for men to work long hours, for the simple reason that **machines were doing most of the laborious work**. The day should come when the work

of the nation would be done by machines as the slaves of men, and the people would be released from absurd drudgery. There was something tragic in the fact that man invented machines to do his work and then began to starve. This was, of course, due to the fact of permitting private ownership of machinery, which rendered the work of men unnecessary. **At present machinery competes against man; under proper conditions machinery would serve man. Those proper conditions could be created by the State, and by the State alone.** When a useful machine was invented, it was the duty of the State to purchase it for the nation, and the event should be an occasion for rejoicing that a further slave of man had been created, and not another enemy of the worker to compete against him. The old adage that labour was the lot of man should give place to the modern version that labour was the province of man's slave, machinery. Men to-day should be only the directors of work. The late Lord Leverhulme had estimated that such was the efficiency of machinery, that the people of Britain would not need to work more than half-an-hour per week to secure a comfortable existence. His experience as an organiser of work in the soap industry entitled his opinion to the greatest respect. Surely, then, it should be a matter of the greatest regret that society was so constituted that man has not sufficient time to develop what is wonderful and fascinating and delightful in him, and that **the true pleasure and joy of life are missed in the absurd struggle for existence.** With machines to do the work, men would have time for the beautiful things.

"You will say that this is a dream of the impossible; that men are too selfish to co-operate to drive poverty from our midst. I venture to say that a new spirit of comradeship is being born, and that **the peoples of the world are beginning to recognise that co-operation means peace and prosperity, and that competition means poverty and war.** What is the purpose of the increasing number of international conferences for disarmament, for monetary reform, and for peaceful trade relations? Surely it is to put an end to international competition and **to cease to play the barbaric game of "Beggar My Neighbour."** Surely, also, it is because the nations realise at last that the real object of foreign trade is merely to diversify consumption, not to hunt for buyers abroad of the goods we need at home. What can be greater folly than for a nation to ship overseas goods that its own people need and which other nations do not want to compete with their own industry? When shall we realise that **a nation's prosperity consists not in what it sends out, but in what it is able to consume,** and that exports are necessary only for the purpose of exchange?

"When we see that the nations are ready to recognise the principle of 'Live and let live,' surely **it is our duty to set our own house in order, and to banish destructive competition from our**

midst. To make a beginning, let us have a thorough overhaul of our money system, which we now know to be one of the chief causes of the dreadful position of such a large part of our able, willing and would-be industrious people. While great developments have taken place in recent years in the science of production and in the social structure, the science of money has lagged behind, and it is impossible to regard gold as an honest broker "when a debt contracted twelve years ago requires to discharge it, in commodities, from three to three and a-half times its original commodity value, apart altogether from the annual interest." (Introduction to the Annual Report of the London Chamber of Commerce, 1932). There is no need for us to wait for other countries to reform their money systems; the first nation to bring into existence an efficient internal money system will immediately assure to its people a prosperity which it has never before experienced. The great weakness of our present system is that it does not allow the currency to expand and contract automatically with the activity of business, and it never provides the consumer with the means of purchasing the product of his industry. Basing the currency on the amount of gold lying in the vaults of the banks is scientifically unsound, and, as we now realise, strangely late in the day, wholly insufficient to maintain equilibrium between wages and prices. Must the nation continue to entrust its destiny to an inefficient banking system? Surely it is not fair to our bankers to place so much responsibility on their shoulders. How can they be expected through banking practice, the only system they understand, to provide the sinews of commerce when it is not their job to estimate the value of production or to study wages and prices? How can bankers be expected to act in the interests of the nation when it is their job to reap the biggest harvest for their shareholders? Let me not be misunderstood to be bringing an indictment against our bankers. We know they are all honourable men, and they do their best in the interests of their employers. It is the system that is wrong and unsuitable to present-day conditions, which demand a currency based scientifically on the cost of production here, and not elsewhere. That is why we can adopt our own internal money system without waiting for England to give us a lead. We do not, as is so persistently maintained, depend on the money system of any other country for our internal prosperity. The only cause of poverty here should be a scarcity of the means of existence, food, clothing and shelter, and we know that there is a great abundance of all.

"As the House is aware, Monetary Reform Leagues have been established in all the principal cities of our country, and there is no lack of evidence that other countries are realising the necessity of a radical change. Sweden, I believe, has already adopted a new system, and with immediate beneficial result. It is to be



hoped, therefore, that the Government will immediately do what the country expects—that is, set up a Commission of experts and leading business men to investigate the Currency question, and to submit a scheme that will enable us to carry on the industry of the country in accordance with our own boundless resources, and not limited by conditions in other countries or by the amount of practically useless gold lying in our banks.”

Peter resumed his seat amidst hearty and prolonged applause. He had carried his audience with him, and few doubted that the Government would be foolish enough to postpone the investigation asked for. The speeches of other members who followed complimented the new member on the manner in which he had introduced the subject, and in particular that he had raised no cry against any class of the community. **The fact that the interests of Capital and Labour would be equally protected by a sane money system was stressed**, and it was pointed out that State issue of money under the control of a Currency Board composed of statisticians and business men would **enable the State to finance all the industry of the country without applying to London for the money tickets**. Money was not wealth, but merely the machinery for facilitating exchanges of commodities and services. The machinery was simple to produce, as paper and printing were available. It was necessary, of course, to provide, as now, against forgery, but there was **no need to worry about gold** for our internal currency, and gold was of little use for settling our external debts, because we could never obtain sufficient of it; and there could be little doubt that the nations of the world would before long refuse gold in exchange for their goods.

It was evident from the speeches of members that they were more conversant with economical questions, and that they had studied particularly the subject of the issue and control of money. They were unanimous that it should be the function of the State to provide the money for internal use, and that the operations of the banks should be restricted in the granting of loans to the legal tender represented by real deposits: that is to say, the banks should not be allowed to grant **overdrafts**, as they do now, by their system of bookkeeping, but **by real transfers of legal tender actually in their custody**.

## CHAPTER V.

# Prosperity Through a Sane Money System

AS a result of the Royal Commission set up to investigate the money system, a Currency Board was established, and a first issue of £10,000,000 of State money was made. The Post Office Savings Bank was authorised to allow its depositors to issue cheques on their credits, and this Bank became not only a savings bank, but a real convenience to small traders and the general public—in short, a People's Bank.

A New Zealand Mint was established for silver and copper coinage.

Trading Banks were required to hold £ for £ of State money as against their liabilities to current account depositors, and to surrender national debt securities pro tanto for cancellation.

The banks were forbidden by Act of Parliament from issuing loans out of fictitious deposits. All State notes and credits were required to be issued strictly against true deposits only.

All the gold in the Banks was to be available to the State as required for overseas adjustments. As we shall see later, New Zealand soon got rid of all her gold to save interest on her overseas debt, and to place her foreign trade on the only sound basis, the exchange of commodities.

The issue of £10,000,000 of new money made it possible for the Government to repeal much of the emergency legislation which had imposed such crushing taxation on the people, and to put into operation extensive public works, including the establishment of State factories, not in competition with private concerns, but to operate parallel with them, all prices being controlled by the Currency Board. Old Age Pensions were immediately raised and adjusted according to the circumstances to provide a comfortable and dignified existence for all over 60 years, and a scheme to provide National Superannuation was initiated on the principle that all deserving citizens were entitled to retire after 40 years of service as workers. The scheme provided for earlier retirement as soon as the finances of the State would permit. Sufficient sustenance allowances were immediately provided for all unable to be placed in full time employment, and gaol and hard labour was available for shirkers.

To improve the living conditions, the State established a Department of Housing, and slums were gradually removed and replaced by modern tenements, the rents from which provided interest and sinking fund to provide for repairs and replacement.

The immediate institution of National Superannuation had the natural effect of reducing the number of unemployed and permitting the employment of the thousands of youths who had been looking on while worn-out toilers did the work, and it was not long before there was **sufficient work for all who were capable and required for service.**

The work of the Currency Board in fixing prices not only prevented the exploitation of the people, but permitted legitimate trade to be carried on without anxiety or the risk of bankruptcy, for the prices were arrived at by most careful and exact calculations by statisticians, whose work included not only the collection of data of exportable produce, but also of the total production, as well as the total wages and salaries paid for work in the Dominion. **The wages tax imposed by a former Government was immediately abolished,** as it was admitted to be **most unfair in its incidence,** especially as regards the family man. It was part of the work of the Currency Board to **fix the rates of interest,** as this was closely related to the cost of production and to prices of consumable goods; and as it was a recognised principle that real service was what contributed most to prosperity, the rates of interest were very low, the example being set by the State in providing State Advances for farmers, workers' homes, all primary and secondary industries, including machinery and cattle purchases.

But the greatest change for the better that was incidental to National control of the issue of money was the State control of the exports, and consequently of the imports, of the Dominion. As to exports, the guiding principle was to export only surpluses or what could not be used or consumed in the Dominion. The folly of allowing gold to lie idle in the vaults was now realised, and it was soon got rid of to such of our foreign creditors as would accept it, though it was now noticeable that gold was losing its universality. As internal prices were fixed, it was found that it was more convenient for the State to purchase the whole of the exportable produce at the same price: this procedure prevented the ruin of farmers and other producers through falling prices abroad. They got their fair price in New Zealand currency for the whole of their output. What the foreign price was did not matter so much now, as the only effect of falling prices abroad was to restrict the volume of our imports, and not, as in the bad old times, to spread ruin and starvation in our bountiful land. **Higher prices in foreign countries had no effect on our prices, as**



any advantage therefrom was rightly a State and not a private gain, just as lower prices abroad caused no private loss, but only a restriction in the national imports.

The necessity for external borrowing had now almost completely disappeared, as our exports were always in excess of our imports, and were sufficient to provide for the more rapid extinction of our overseas National Debt, which had been considerably reduced by the decision of the creditor nations to wipe out all War debts. This decision had been forced upon the creditor nations by sheer common sense and a realisation, late in the day, that they were ruining their own peoples by impossible attempts to obtain payments from financially impoverished nations. The creditor nations possessing four-fifths of the gold of the world could not possibly be paid in that commodity, and the acceptance of goods even to the extent of interest on the debt caused unemployment in the creditor countries, which also added the Gilbertian touch by erecting tariff walls, which effectually prevented imports and so completely put the debtor nations out of action in the matter of payment. There was only one sensible thing to do, and that to cancel the debts. This allowed international trade to be put, for the first time, on a proper basis—that is, of amicable exchanges of surpluses. The cause of war incidentally disappeared, and, instead of competition among the nations, there was the co-operation that is born of necessity, the need of one to obtain some of the surplus of another, and as there was no scarcity there was no territorial jealousy. The causes of war in olden times were founded in scarcity and the necessity of obtaining booty; modern wars, it was now realised, were due entirely to the rivalry among nations to obtain markets for their surplus goods, and this rivalry was the result chiefly of unnecessary production and a lack of organisation of industry. The use of machinery, instead of reducing the hours of labour, had caused such stupendous production, that the world's markets were not able to cope with the goods on offer, and improvements in agricultural methods produced huge surpluses of food. The piteous spectacle of wheat being burned to keep up the price in the United States of America, while millions of its citizens were on starvation rations, failed to rouse Government interference until it was alarmed at the menace of the huge population of unemployed and its own failure to balance its budget. The existence of famine conditions amidst such plenty as the world had never before experienced in every civilised country could be explained only by a belated indictment of the means of distribution—that is, of the money systems of the world. The Ottawa Conference of the British nations, called primarily for the purpose of devising ways and means of putting an end to slump conditions within the Empire, proved to the world that the defective money systems of

the nations were the chief cause of the distress, and led to a conference of all the nations to devise a satisfactory international system of finance. The beneficial results of these conferences are now known, and the evil result of violent fluctuations in the rate of exchange is now a thing of the past. No longer is it possible for the monsters of finance to "bear" the market, and suicides of unfortunate speculators are unknown, for the simple reason that international trade is carried on with as little rise and fall in prices as is the business of the unit nations forming the Confederation. For it was found that the national system of regulating prices could be applied in international trade because of the similarity of methods of production, the universal use of machinery, and the adoption of shorter working hours.

## CHAPTER VI.

### God's Own Country

PETER MELLOR'S career in Parliament did not disappoint those who, hearing his maiden speech, prognosticated great things of him. His knowledge of Economics particularly fitted him for a position in the service of the State, and it was not long before he was offered an important office in the Statistical Department. This, of course, necessitated his retirement from politics, but assured him of permanent and remunerative employment.

There was now no obstacle to his marriage to his beautiful lady-love, who, though courted by wealthy and eligible suitors, had never wavered in her allegiance. Her letters to Peter during his absence in Wellington were as food to the hungry, and he received many encouraging messages from Robert Strong, whose business had begun to prosper again, as the building industry was stimulated by the new money properly used in the construction of workers' tenements and the improvement of housing conditions throughout the province. Like other business men and trading companies, Strong was relieved of the nightmare of uncertainty as to when the Banks would call up their overdrafts; for one of the effects of the issue of new money by the State was to cause the Banks to change their policy of extreme conservatism to one of co-operation in the furtherance of legitimate trade. Another circumstance that assisted the trader was the substantial reduction in the rate of interest on overdrafts, the rate being fixed by the Currency Board, and not, as in the bad old past, by the Banks themselves.

Peter's marriage to the beautiful daughter of one of Auckland's most popular and well-known business men brought to the happy pair the heartiest congratulations from many friends and

well-wishers. No happier bride ever gave herself to the man of her choice than Alice Strong, and no man ever faced the future with more confidence than Peter Mellor, who, with the best of women for his help-mate, and the firm promise of lasting prosperity for his country, was well-equipped to continue his journey through life as a worthy citizen of a land that deserved, now for the first time, its blessed name of "God's Own Country."



## Appendices

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Extracts from the Macmillan Report (June, 1931).

"During the War, and ten years afterwards, currency notes for £1 and 10/- were issued by the Treasury entirely at the discretion of that Department."

The period was one of great industrial activity and national prosperity; no unemployment.

"The gold held by the creditor countries in January, 1931, was 1,564 millions, or 74.5 per cent. of all the gold in the world; the debtor countries held only 531 millions, or 25.5 per cent."

The creditor countries: U.S.A., Great Britain, France, Belgium, Holland, Switzerland, Sweden.

The debtor countries: All the rest, except Russia and Spain, which were classed as neither.

"The efforts of the debtor countries to meet their debts by contracting their imports and expanding their exports may even have the effect of making their position worse through its adverse effect on the prices of their exports. The above figures emphasise the impossibility of the debtor countries as a whole meeting their obligations otherwise than out of new loans or by selling more goods at better prices. For the creditor countries to fail in taking steps to relieve this stringency would be exceedingly shortsighted, having regard to their own creditor position." (See pp. 27, 134, 313.)

"It is the simultaneous reluctance of the creditor countries neither to lend nor to buy from the debtor countries which is the cause of the crisis."

"The decline of new enterprise has reacted adversely on profits and prices, and the low level of profits and prices stands in the way of new enterprise. It is for this reason that some of us think that in the domestic field it may be necessary to invoke Governmental enterprise to break the vicious circle" (p. 136).

"We are convinced that the Bank of England ought to be transformed into a public corporation" (Sir Thomas Allen and Mr. Bevin, p. 240).

"The failure of private enterprise to keep the workers fully employed" (p. 239).

"Private enterprise having proved totally unable to lift the country out of the morass in which it is, there seems no alternative but for the State to grapple with the problem, and for large measures of State planning" (p. 240).



"The standard of life is governed by productivity" (p. 235).

"**The only possible policy** is to try to raise the wholesale price level, and to maintain or improve the standard of life" (p. 209).

"It seems an insanity to keep a large part of the building trade out of employment when much of the industrial housing is of an age only fit to be demolished" (p. 207).

Extracts from "Money and Credit," by C. J. Melrose (1921).

"The misfortune is that, so far, man has yet failed to provide an exchange medium that does not frequently go wrong" (referring to the changes in value of gold).

"As evidence of human incapacity, blundering and chicanery, the history of money provides a plentiful crop. With few striking exceptions, the orthodox teachers of Economics have pinned their faith to the 'gold standard'; but this standard has manifestly gone wrong with the rest. **Is this blundering to continue ad infinitum?**" (Mr. Melrose wrote these words when England was foolishly adhering to the gold standard. Subsequent events have proved that Mr. Melrose was justified in his attacks on gold as a faulty means of exchange.)

"**Man produces nothing, but only renders services**, manual or mental. Nature alone does the producing. Hence, in a human sense, all service is production, all production is service."

What is meant by making a profit? Does it mean that the buyer gives more to the seller than the seller gives to the buyer? No; this is the proper definition of "profiteering."

What the seller gets in excess of the cost is the remuneration for his services; this is properly "profit."

"Internationally there is no profiteering, for nations merely exchange equivalents; any other international dealing would be impracticable.

"The notion of profiteering has made mankind see a topsy-turvy image of the economic reality. **Men conceive of industry as a game of 'Beggar My Neighbour.'**

"**No one can profiteer without damaging someone else**" (Montaigne).

"Workmen must be made to realise that wages are a share of the total product, and that if they produce less than they might, there is inevitably less to share out."

The bulk of mankind measure prosperity by the volume of the exports, not as an index to possible imports, but as a means of making profits. We are to labour and sweat, so that the foreigner may consume the products of our labour, and we are to get profits—in money! **But what is the money to do for us?** Why, of course, to buy products. But where from? Apparently from

what remains at home after we have sent away a huge volume for other nations to consume. **In the words of Bernard Shaw, this is indeed the Economics of Bedlam.**

The conclusion, the only conclusion we can come to, is that, if there are any profits on balance (which there is no reason to assume, since the foreigner is no fool), **it is the imports which are the profits, not the exports.**

"It is astonishing that the mercantile theory of wealth still remains the economic conception of the bulk of mankind, and that no economist has so far set himself the task of demolishing this stupid fallacy, root and branch. We must realise that **industry must be a world co-operation** if we are to get the best out of nature, and not a game of 'Beggar My Neighbour.' Only thus can the world recover from the terrible despond in which it has been plunged."

Extracts from "Money Madness," an article in "Nash's Magazine," March, 1932, by Oliver Baldwin, son of the great Parliamentarian.

"The English nation has gratuitously handed to the Bank of England the monopoly of credit and currency issue. The Bank lends the nation's money at so much per cent. The only money available is for production only; none for consumption. Therefore, there is never sufficient purchasing power."

"The other day the Commonwealth Government asked its own Bank, the Commonwealth Bank of Australia, for a loan, but the terms were so stiff that they could not be accepted. Strange that the more prosperous the people, the less prosperous the Banks, and the less prosperous the people, the more prosperous the Banks."

"The ignorance of the people is the greatest ally of the continuance of an inefficient money system. Why our reverence for such words as 'slumps,' 'booms,' 'economic blizzard,' 'mysteries of high finance' (why should there be any mystery about finance when we are all vitally concerned with money matters?), 'inviolable laws of economics' (when we know nothing at all about economics, that being a neglected part of our education)?

"**Basing a medium of exchange on a metal basis, irrespective of actual or potential production, is another phase of our money madness.**

"Why must we go on believing that only bankers know what's what? Did they not tell us that a return to the gold standard would put us on our feet?"

"There is another joke that must be mentioned in connection with 'Money Madness,' and that is 'Thrift.' **Thrift stops the circulation of money, causes depression.** Say you have a pound in



hand and are wondering whether to buy a pair of boots or invest it. Say you invest it in some industrial firm. The firm may close down for lack of orders. On the other hand, if you buy a pair of boots, think of the good your pound will do. Consumption is much more important than you thought. **Thrift is preached under the shadow of the workhouse.**"

(Baldwin prophesies that the winter will see 3,000,000 unemployed in Britain, and that **the eyes of a distressed people will turn to Russia.** He refers to the amazing ignorance of our rulers when it is a question of economics. **Mathematics should be used to solve our money troubles; or do we really want disaster?**)

#### Extracts from Oscar Wilde's "Soul of Man Under Socialism."

"The chief advantage that would result from the establishment of Socialism is, undoubtedly, the fact that Socialism would relieve us from the sordid necessity of living for others, which in the present condition of things presses so hardly upon almost everyone. In fact, scarcely anyone at all escapes."

"The proper aim is to try to reconstruct society on such a basis that poverty will be impossible. Under Socialism **the security of society will not depend, as it does now, on the state of the weather.** If a frost comes, we should not have 100,000 men out of work, tramping the streets in a state of disgusting misery, or whining to their neighbours for alms, or crowding round the doors of loathsome shelters to try and secure a hunch of bread or a night's unclean lodging. Each worthy member of society will share in the prosperity and happiness of the nation, and if a frost comes, no one will practically be anything the worse."

"Charity, the poor feel to be a ridiculously inadequate mode of partial restitution, or a sentimental dole, usually accompanied by some impertinent attempt of the sentimentalist to tyrannise over their private lives. Why should they be grateful for the crumbs that fall from the rich man's table?"

"**Sometimes the poor are praised for being thrifty.** But to recommend thrift to the poor is both grotesque and insulting. **It is like advising a man who is starving to eat less.**

"A poor man who is ungrateful, unthrifty, discontented and rebellious is probably a real personality, and has much in him. He is at any rate a healthy protest. **As for the virtuous poor, one can pity them, of course, but one cannot possibly admire them.** They have made private terms with the enemy, and sold their birthright for very bad pottage. **They must be extraordinarily stupid.**

"One's regret is that society should be constructed on such a basis that man has been forced into a groove in which he cannot freely develop what is wonderful and fascinating and delightful

in him, in which, in fact, he misses the true pleasure and joy of living. **Nothing** should be able to harm a man except himself. **Nothing** should be able to rob a man at all. What a man really has is what is in him. What is outside of him should be a matter of no importance. What are called criminals to-day are not criminals at all. Starvation, and not sin, is the parent of modern crime. Our criminals are as a class what ordinary, respectable, commonplace people would be if they had not enough to eat.

"What is a practical scheme? Either a scheme that is already in existence or a scheme that could be carried out under existing conditions. But it is the existing conditions that one objects to. The systems that fail are those that rely on the permanency of human nature, and not on its growth and development. The only thing that one really knows about human nature is that it changes. The State is to make what is useful: the individual is to make what is beautiful.

"At present machinery competes against man. Under proper conditions, machinery will serve man. **Human slavery is to-day unnecessary.** On mechanical slavery, on the slavery of the machine, the future of the world depends. **Then scientific men will have delightful leisure in which to devise wonderful and marvellous things for their own joy and the joy of everyone else."**

**Extracts from Douglas' Social Credit Manuals and from  
New Zealand Newspapers.**

Viscount Snowden, quoted by the "New Zealand Herald," 7th June, 1932:—"The World Menace": "The world cannot go on acting as it is acting to-day," said Lord Snowden in a recent speech. "If it goes on much longer, complete world economic collapse must come, and the recognition of that, I think, will sooner or later create public opinion, the weight of which will overcome private vested interests. Countries are trying to reduce their imports and at the same time to increase their exports. This absurd, one might almost say insane, and certainly ruinous, policy is blind to the fundamental nature of international trade. It does not realise the essential fact that trade is a reciprocal advantage; it benefits the man who buys and the man who sells. This world depression is not an ordinary trade cycle—those periods of depression which soon run their course and are succeeded by a boom in trade. In my opinion, it is something fundamentally different. It is the culmination of the fiscal policy which nearly all the nations of the world have been following for generations past."

"New Zealand Herald," 19th December, 1931: "The political world offers a pathetic spectacle of statesmen striving to adjust constitutional procedure suited to the ancient days of self-contained nations and empires to an age which must achieve the unity of a world state or perish."—Canon C. Raven.

The author of the immortal "Lorna Doone" makes John Ridd say: "The excess of price over value is the true test of success in life." We seem to have made some advance in humanitarian principles since, but there is still too much truth in John Ridd's remark.

"Under a rational money system, the interests of Labour and Capital are identical. The so-called capitalist—the employer of labour—being an organiser of work, is entitled to be remunerated in accordance with the service he renders, and there can be no doubt that the employer renders very great service indeed, just as does the general of an army. The capitalist has no objection to paying high wages so long as it does not hinder him from selling his goods quickly and at remunerative prices—that is, at prices that will give him a fair return for his enterprise and organising ability. These prices can be obtained only under stable conditions—that is to say, under proper money conditions."

"Under proper money conditions, **whatever the community produced it would be able to pay for**; consequently, trade and industry could go full steam ahead as long as any economic want remained unsatisfied. **Cycles of good and bad trade would disappear**, since human wants, however much they may change, **do not wax and wane** in conformity with such cycles. . . . We should not require foreign markets—that is, there would be no compulsion for us to hunt for buyers abroad in order to keep things running, since we should have all the buyers we require at home; but, having acquired a liking for foreign commodities, there is no reason why we should not indulge in it; and, of course, there would have to be a reciprocal export of goods to pay for them. The real object of foreign trade is to diversify consumption, not to 'beggar my neighbour.'" **International competition in trade is the cause of war.** "The State, through its statistical experts, should regulate retail prices on the basis of the nation's production and consumption."



## The Argument for Inflation

MAJOR-GENERAL SIR ANDREW RUSSELL, and other students of the New Economics, in recommending measures of controlled inflation to arrest the devastation which threatens to destroy the very foundations of our social system, is not advocating a wild orgy of new money creation, but the adoption of such measures as will result in the **restoration of prices** within the Dominion to the level which will make it possible for debts to be discharged in a currency as nearly as possible the same as the currency in which they were contracted. Millions of mortgages and much of our National debt were loaned in the depreciated money, and repayment will be impossible unless prices and values of commodities and property are raised or restored by a **deliberate policy of reflation**. Of the two processes, inflation and deflation, there can be no dispute as to which causes the greater hardship. Just as a balloon becomes buoyant and bounds upward through inflation, so deflation causes it to sink, and finally to collapse utterly; and so it is with the fortunes of a nation; inflation of the currency causes business to boom and makes it possible for debtors to settle their liabilities, while deflation spreads ruin and desolation throughout the land, and may lead to the complete collapse of the social system. The first visible result of inflation is a gradual rise in prices and, of course, in wages, which are the prices of services; the invisible results are that creditors lose to the extent of the rise in prices, while debtors gain. Surely there can be no question that there would be no injustice to creditors if inflation were carried to a degree which would **make it possible for their loans to be re-financed and discharged**.

The favourite argument against inflation is that it will raise foreign exchanges against us. Well, what matter if it does? We shall still be able to dispose of our good things abroad for the best prices we can get, and we shall receive payment for them, as we always do, in the foreign currency, which will be available, as now, for the purchase of our imports. We do not obtain New Zealand money in foreign countries, nor do we bring foreign money to New Zealand. As the Right Honourable Reginald McKenna ex-Chancellor of the Exchequer, and now an eminent banker, has written, "Money is incapable of migration; the title to money may change, but the change of ownership does not remove the money, which necessarily remains, and can be expended only where it was created . . . and export trade is only barter, as it always has been."

And so, why worry about exchange? We shall barter our goods just the same, and our money system will not worry those who want our produce. What matter if the prices of foreign



goods in New Zealand are raised, we shall have more money to pay them with, for everything else will be higher—wages, salaries, and dividends—and we shall hold our heads higher, too.

There are many methods of beginning a controlled reflation of our prices and values, but the most popular would be the creation of new money by the State under the disinterested guidance of a Currency Board, and its use in paying a living wage to those who have to be provided with new State employment, sufficient sustenance for those who cannot be employed, the abolition of wage cuts and unemployment tax, the raising of Old Age Pensions to the dignity of National Superannuation, the subsidising of producers and industry requiring assistance, the organisation of State industry to provide remunerative employment for all who should be expected to work, the reduction of the hours of work to give effect to the principle that machines should be the slaves of man to increase his leisure, and not to bring about his impoverishment, and, in brief, to make possible the management of the industry of the country for the general welfare without taking from anyone anything that is his, but ensuring that each shall have a proper proportion of the product of his own industry without the risk of being an innocent victim of "Sound Finance."

If the proposals of the new economists were adopted, we should never need to borrow any more from England (except for the purposes of converting an existing loan), and it would be possible to stabilise prices to prevent booms and depressions which are inseparable characteristics of an imperfect money system. The functions of the Currency Board would include the regulation of prices by the restriction of the issue of currency, or by its expansion, in accordance with the needs of industry ascertained by the collection of data and complete statistics of the production and trade of the country. The issue of State paper money, and the New Zealand minting of silver and copper coinage, would itself result in great National saving of unnecessary expenditure, and permit of an increased distribution of the real wealth of the land among its worthy people.

## NATIONAL SUPERANNUATION.

SIR,—Superannuation is at present confined to civil servants, in which term we include all who work for the State or municipal corporations, and whose salaries are provided out of the taxation levied principally on the incomes of non-State workers. The superannuation fund is provided partly from deductions from the salaries of civil servants and partly from annual contributions from the Consolidated Fund; but, in reality, all the superannuation money is the result of taxation of the people, most of whom are not civil servants. This circumstance alone naturally raises the question, "Why are not all workers permitted to retire on superannuation after 40 years' of honourable service?" There can be no doubt that many thousands of workers who render service to the State not as employees of the State, but as equally honourable and useful citizens, are not, as a result of their long and faithful service, in a position to retire after 40 years' service, and, indeed, most of them are compelled to work until prevented by old age and infirmity. The utmost assistance they can then demand from the State is the miserable pittance known as the old age pension, whereas a civil servant who has been capable of only menial work is provided with a comfortable competency up to the last day of his life. The non-provision by the State of suitable superannuation for all its honourable and useful workers is undoubtedly one of the causes of unemployment of the young, for by necessity old men and women are compelled to continue working long after they have reached the retiring age; and this circumstance obviously blocks or closes the avenues to the employment of younger and more vigorous workers. National superannuation would clearly do a great deal toward curing the evil of unemployment of the young; indeed, there can be little doubt that it would be a complete solution of the unemployment problem. The additional taxes now being raised to relieve unemployment would, it is submitted, be sufficient and better used for the purposes of national superannuation, for such use would incidentally solve the problem of unemployment and

add immensely to the general happiness and contentment of private workers whose service to their country has been at least as valuable as that of civil servants to whom superannuation is rightly allowed but illogically confined. To put the matter in another way, the State should be equally solicitous for the welfare of all its worthy citizens, and should organise accordingly. As to the amount payable to national superannuitants, some initial difficulty would have to be met, but it should not be impossible to decide upon an irreducible minimum, with additional allowance according to the responsibilities of the annuitant.

BARRISTER.

## ENORMOUS HOARD.

FRENCH GOLD, £647,793,536.

(Received 11.30 a.m.)

LONDON, June 17.

The "Daily Telegraph" financial editor says that France is now in the remarkable position of having a bank note circulation covered to the extent of nearly 100 per cent. American bankers view with satisfaction the removal of the last of the French dollar holdings in New York, but it is doubtful if the French bankers are equally pleased, as the influx of gold has not improved the economic situation.

The gold hoard of France is now £647,793,536.

## CREDIT.

SIR,—The correspondence on the subject of credit may perhaps be better understood if we consider two aspects of it, viz., financial credit, which is that issued by the banker and which is merely the ability to deliver valid money as required, and real credit, which is the ability to produce and deliver goods and services as when and where required. Taken together, these two kinds of credit are regarded as the credit of the whole community, and should, therefore, be administered for the benefit of the individuals of the community. An element of real credit that is forgotten

and not taken into account is our natural reserves, discoveries, inventions, industrial processes, and all productive capacity the knowledge of which has developed through the centuries, and which is, therefore our cultural heritage or legacy from our forefathers. This cultural heritage belongs beyond all doubt to the community, and no class can claim a monopoly thereof. It follows, therefore, that a large share of the real credit of the nation (or of the world) belongs by inheritance to all the people, and should be controlled by them through their representatives. The exponents of the new economics complain that the real credit of the nation is controlled, not by the people, but by the select few known as bankers. As the chairman of the Midland Bank, in his address to the shareholders, said, "They who control the credit of the nation direct the policies of Governments and hold in the hollow of their hands the destinies of the people." The new economists claim that this control of a nation by its bankers has proved itself a crazy system, and has indeed resulted in the dreadful condition of the world to-day; for the national credit is managed through the control of financial credit, not to prevent poverty in the midst of plenty, but quite properly under our system to make as much profit as possible for the shareholders of the banks. The new economists therefore claim with reason that the only means of extricating the world out of its financial chaos is to place the control of its credit with the people; that the first nation to do this will have solved the problem of the removal of poverty and distress in the midst of plenty and happiness, and will speedily be followed by other nations. And so our topsy-turvy money system will be used by the nation for the nation, and the banks will be the servants and not the masters of the nation. There is no business so essentially the national business as the creation and control of money; to make it depend on gold lying in the vaults of banks is to ignore to take into account the real basis of issue, viz., the industry and production of the people.

BARRISTER.

(Herald, 1/8/32.)

## MANIPULATION AND INFLATION.

"We are met with certain curious obsessions immediately we announce or suggest a policy of raising commodity prices; we are told that we are trying to create prosperity by currency manipulation," said Sir Robert Horne, M.P., in a recent speech. "But currency manipulation is no crime. It is carried on every day by the Bank of England. The fact is that there is a deep-seated view in people's minds that currency has been created by Providence, and that it is sacreligious to touch it. Manipulation is not bad, but you may manipulate it badly, and then the whole world suffers. There are other obsessions. The word inflation is a perpetual deterrent to the just consideration of these problems. People who tell you that you must not inflate can very seldom give you any reason why you should not do it. In the last resort they are forced to say that you must never begin it, because you cannot stop it. They are like people who refuse a drop of brandy to a man with a heart attack in case he should take to drink."

(Herald, 1/8/32.)

## THREAT TO CIVILISATION.

"In my belief it is really a serious threat that civilisation is facing unless we display more intelligence, national and international, than we have succeeded in displaying in the last five or ten years," said Sir Basil Blackett, in a recent speech. "The collapse, in whatever form it comes, will, of course, come in some unexpected form, and it will not, perhaps, come quickly. We are more likely to have a series of ups and downs, always ending up a little further down than when we started, but gradually declining, rather than a sudden collapse. That is what is going to happen unless, somehow or other, we can be intelligent about it. Nothing that has been done is preventing the collapse. On the contrary, we have been hastening it. . . . At the present moment, there is one obvious



fact that is known to everybody who is connected with the questions of reparations and inter-allied debts, and that is, broadly speaking, that **no one is ever going to pay anyone any more.** That does not preclude the possibility of some comparatively small payments. In relation to the enormous totals at issue, that statement can be made as a statement of fact. It is obvious to anybody. Simply to wipe off reparations means a good deal of inequality of sacrifice. That is the danger of the present position. I believe Ottawa is an opportunity which will not recur of doing something intelligent over the next few decades, before civilisation crashes, of checking those booms and slumps and slumps and booms which arise through the violent fluctuation of prices. Above all, what is needed at Ottawa is leadership of Britain in the matter of currency."

The fact that the worker under existing conditions is not able to purchase his proper share of the product of his own industry is not owing to the fault or greed of his employer, but is entirely due to our defective money system. Capital and Labour are both victims of inefficient money, the capitalist often to a greater and more distressing degree than the worker, for the capitalist is a worker just as much as, and often a great deal more, than the ordinary worker. Very often the capitalist loses the whole fruits of his enterprise, expenditure, and industry, whereas it is only in very bad cases of bankruptcy that the ordinary worker loses his wages. An efficient monetary system would maintain such equilibrium between prices and wages that there would be no bankruptcies, which are due (except in cases of fraud) chiefly to prices and wages not changing in unison.





## The Scheme in a Nutshell

1. New Zealand Currency to be under the control of a Currency Board composed of expert statisticians and economists, free from political interference, as are Supreme Court Judges.
  - (a) The issue of new money to be based on the cost of production.
  - (b) Banks to hold £ for £ of State money as against their liabilities to current account depositors, and to surrender National debt securities pro tanto, which would be cancelled.
  - (c) Banks to discontinue issuing loans out of fictitious deposits, i.e., State notes and banking credits to be issued strictly against true deposits only.  
(This would maintain an equilibrium between currency and goods on offer for currency.)
  - (d) The Post Office Savings Bank to be made a National People's Bank, receiving and paying by cheque (but not making loans, which function would remain with the commercial banks).

### Paper Currency, with N.Z. Minting of Silver and Copper.

2. An immediate issue of New Money of such amount as would in the judgment of the Currency Board be sufficient to restore prices and wages to a level that would make it possible for existing debts (especially mortgages) to be re-financed or discharged: to permit of proper sustenance allowances for those who could not be fully employed: to raise Pensions to provide comfortable existence for all who could not be expected to work.
3. National control of industry to be extended under the direction of business men of proved ability. Prevention by the State of destructive competition by State regulation of prices through the Currency Board, but no interference with private enterprise that is functioning to the welfare of all concerned without injury to the general welfare.
4. Reduction of the number of hours of labour and utilisation to the full of labour-saving devices, the State to purchase all new machinery that would render human labour unnecessary and to increase general leisure accordingly.
5. A scheme of National Superannuation to be put immediately into operation to allow all over 60 to retire, and so permit the immediate employment of the young who have finished their schooling.

6. Purchase by the State of all exportable produce, including gold, at the price settled by the Currency Board, the prices being arrived at through data collected regarding costs, wages, and salaries, the worker to receive in wages and salaries sufficient to maintain an equilibrium between currency and goods on offer for currency. Importation to be restricted to the value of the surpluses created by the sale of our exports abroad. No further foreign borrowing except for conversion of existing foreign loans.
7. Complete Nationalisation of the medical, dental, and education services. Slums to be eradicated by the erection of State tenements with modern equipment. State factories to be established where necessary to supplement private concerns, but not to compete against them; prices of products from either to be the same. (This principle is already in operation in connection with life, fire, and accident insurance.) An honourable existence to be assured to all who "do their bit," and for those who, through infirmity or inherent incapacity, are not able to look after themselves.
8. Parliament to be composed of representatives of all classes of workers, and not of districts. (Workers includes producers.)

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**12 NOV 2007**

**12 NOV 2009**

PAM	Gatenby, William Joshua,
338.542099	1863?-1950.
3	Defeat of the depression in New
GAT	Zealand (begun 1932, complete
1933	1933) / [as recorded and related by An Auckland Barrister].



