WAR FINANCE

AND

THE WORKER

BY

FREDERICK TEMPLE,

Author of "Interest, Gold, and Banking."

Issued by F. J. STEPHENS,
Eddy Road, Chatswood, N.S.W.

Holland Print, 10 Gilbert Place.

1—WAR LOANS AND THE BANKS

When the War broke out at the beginning of August, 1914, the gold reserve of the Bank of England, which constituted the reserve of all the other banks, had fallen to about nine millions sterling. The Capitalist banking system hopelessly broke down, a moratorium was declared, and it would never up to now have been enabled to fulfil its obligations to its creditors had not the State come to its succour by providing it with legal tender paper money. The State was the one big thing.

Therefore, when about two months later, the State proceeded to apply to the bank for a loan of three hundred and fifty millions of money, the spectacle was enough to make the gods laugh. There has never been £350,000,000 of money in the country. Of course, the Bank of England had not got it. So the Directors said: "We will make an issue to the public"—knowing that the public had not got it. Subscriptions began to dribble in, but although the Press did its best, and suggested that the loan would be subscribed for two or three times over, those inside knew better, and it soon became obvious that the bank, in order to save its face, would be compelled to adopt some new expedient. And this it did. It issued circulars to city firms and business men, which contained a truly remarkable offer. One of these offers came to me. It set out that if I filled in an enclosed form of application for a portion of the War Loan, they would lend me the whole of the money (knowing that they had not got it). Had I applied, say, for £20,000 of War Loan Stock, I should have had to put up no margin, no money, and no securities. It would cost me a penny stamp for the covering envelope, and no more. Those who availed themselves of this offer were charged 3% for the accommodation. The State will ultimately pay them 4%, and the taxpayer is to pay this 4% to the State—this being the only real part of the transaction.

What, then, actually happened? Nothing but bookkeeping. The bank would debit me in its books with £20,000. On the other side I should be credited with War Loan Stock to that amount. Then the Treasury would have the right to draw cheques against the value of the War Loan Stock supplied to the bank. These cheques would be paid away to munition makers, contractors, and others, and in due course, passing through various banks, would reach the Bankers' Clearing House.

I will deal in a further chapter with the mechanism of that organisation—suffice it to say that it constitutes a most wonderful and effective device for carrying on banking without employing money. Money is employed to the extent of only about 2% in the total of the banking transactions of the day. In the year 1913 cheques were cleared—that, is, exchanges effected—without the employment of any money whatsoever, to the amount of not less than £16,436,000,000.

So that by this amazingly clever development of the modern banking system it became unnecessary, for the purposes of this transaction, to employ money. If, then, money was not provided, it must have been credit that was employed.

And now arises the question—Whose credit? Clearly not my credit, who had to put up neither margin, nor money, nor securities. Surely not the credit of the bank, for with little over £9,000,000 in its reserve it had had to seek succour from the State only two months before. How, then, could its credit be good for £350,000,000.

Obviously, the only credit employed was the credit of the taxpayer. It was the assurance that for this bit of bookkeeping the taxpayer would pay by way of interest at the rate of £14,000,000 a year to the bookkeepers.

So that the taxpayer pays the bookkeepers not for the use of *their credit. He pays them for the use of his own credit.*

Later on came the £600,000,000 War Loan. Again it became evident that the public were not "coming in" sufficiently. So this time, instead of issuing circulars offering "a little bit for you," a block of £200,000,000 was applied for by the London banks. It is impossible to discover from the recently issued balance sheets of these banks that they put up either money or securities. Why should they? Bookkeeping alone would suffice, and there would be no risk. So on that little transaction the taxpayer—all of whose wealth comes from labour—will have the privilege of paying the bookkeepers £9,000,000 a year by way of interest for the pledging of *his own credit.*

No wonder that the "Financial News," commenting on this little deal, chortled in its glee and said: "The banks and financiers, once supposed the very quintessence of selfishness, are found the bulwarks of Imperial freedom in its hour of need. And money itself, for thousands of years the scorn of every cheap philosopher, and even of better minds, is at least coming into its own." They were not selfish, you see; they did it in the cause of Imperial freedom, so please pay up and lie down.

One great fact emerges; it is this. If the bank, instead of being run on behalf of its shareholders, the Stock Exchange, and a whole horde of parasitic loanmongers—more numerous than ever after this War, claiming the right to live free, whilst rendering no necessary personal service in return, and doing for the State nothing but what the State can do equally well for itself—had been run by and for the State, *there would be no one to pay interest to.*

Sir Robert Balfour says that if the War goes on for another year the War debt will be four thousand millions. With interest at 5% that means a toll on the tapayer of two hundred millions a year. In, say, twenty-five years, the interest alone amounts to five thousand millions sterling, all to be provided by labour. This terrific toll could be obviated if the State did the bookkeeping. All else, the drawing the cheques and passing them through the Clearing House would proceed in the usual way, *but no toll would be levied on labour for interest.*

An example of the power of the State is to be found in the plan adopted by Mr. Fisher, the Labour Premier, in establishing the Commonwealth Bank of Australia. Not a penny of borrowed money was provided—only bookkeeping. At the end of the first six months the books showed a debit balance of £46,000, carrying no interest. At the end of the second six months a large portion of this was cleared off, no interest being paid. In the second year the debit balance had disappeared, and now there is instead a steadily increasing reserve fund, and the bank is surely and steadily climbing up. The British plan would have been to create a huge body of shareholders, constituting a permanent charge upon the undertaking.

This, then, is the lesson. That with a sufficiently powerful backing, whether of the State or, may I add, of the Trade Unions and the Co-operative Societies—themselves a nation within a nation—no banking system need or ought to pay toll to the shareholder.

Note.—In May, 1916, the Bank of England—with a Lloyd George guarantee on behalf of the taxpayer behind it—is advancing £95 against War Loan Stock, whose price on the market is £87 10/-. The buyer instructs his broker to purchase the stock, the broker takes the Stock to the bank and receives £95 for every £100 of nominal value, pays £87 10/- to the seller, and hands the buyer £7 10/-. In a case known to the writer £50,000 worth of stock has been bought on the market at a discount, and the full par value has been advanced by the bank. These advances are in the nature of a loan, re-payable in 1918. The recent bankruptcy proceedings of a certain noble duke showed that he had adopted this expedient as part of his means of livelihood. Who will pay up, the taxpayer or the Duke?

2—SOMETHING FOR NOTHING

Let us be clear upon one point. If the Bank of England were a State bank, and acted for the State, it could, for the purpose of financing the War, open a credit for, say, five thousand millions sterling, and this credit would entitle the Treasury to proceed to draw cheques upon it up to that amount. These cheques would pursue a course identical with that ordained now by custom. A minute percentage, say, 2% or 3% of the sums paid out by the Treasury, would require to be paid in cash—that is to say, in currency notes provided by the Treasury, but no issue of War Loans would be necessary.

Certainly, cheques covering amounts up to at least 95% of the five thousand millions would require the employment of no cash whatsoever, as they would be passed through the Bankers' Clearing House. By the adoption of this course the Treasury would avoid the necessity to pay interest upon the War debt created by the credit of five thousand millions standing in the books of the bank. Taxes would be levied to pay the debt, but none to pay interest upon it.

Let us then examine, by way of illustration, and in order that no doubt may remain, the course taken by a particular cheque. Suppose the Treasury draws a cheque upon the Bank for £1,000, making it payable to Cammell, Laird & Co., of Sheffield. Upon receiving the cheque, the firm pay it into their bank, which we will assume to be a branch of the London City and Midland. The cheque is then remitted by the branch to the head office of the bank in London, Cammell, Laird & Co. having meanwhile been credited in the books of the branch with £1,000, and given a title to draw cheques against that amount. In due course, the branch is credited by its head office with £1,000 also, and in the same way the head office is credited with £1,000 in the books of the Bank of England. In neither case does any money pass. Nothing happens but bookkeeping.

Now, in order, whilst charging for the use of money, to obviate the necessity to employ it, there came into being the Bankers' Clearing House. These Clearing Houses exist in most important industrial centres, but the one in which the bulk of the transactions take place is in London. It began in a small way, and its original purpose was to save the various banks the trouble of sending messengers to every other bank, by constituting a common rendezvous, and this rendezvous was entitled the Clearing House. In course of time it was found convenient to admit the Bank of England as a member, as that bank was the banker of the other banks. The institution now comprises the Bank of England and rather over a dozen of the other leading banks. All the other banks keep their balances with the Bank of England. Each day, during certain hours, messengers from the head offices of the Clearing Banks wend their way to the Clearing House, carrying with them bundles of cheques. These cheques have usually been received by post by the banks that morning or else across the counter on the previous day. All the cheques sent by Lloyds are drawn upon other banks. All the cheques, sent by the National Provincial are drawn upon other banks. All the cheques, in fact, sent by any one of the banks are drawn upon other banks. So that it becomes a simple way to effect the exchanges represented in these transactions by crediting in the books of the Bank of England, say Lloyds, with all the cheques sent by Lloyds, and debiting or charging up these cheques against the banks on which they are drawn, and so on with every bank in turn. And at the end of the day, every bank has had cheques credited to it, and every bank has had cheques charged up against it. And so nearly do these debits and credits balance each other, that on an enormous number of transactions it is found at the end of the day that no money has passed, and that nothing more serious has happened than that the bookkeeping balance in the books of the Bank of England of each of the other banks has been increased or decreased by a relatively fractional amount.

Suppose there are fifteen men in a room, and each man gives an I.O.U. for £1 to every other man. Suppose they then ask the shop foreman to say how much in cash they have to pay to each other to settled their liabilities. He would simply laugh at them, and would point out that those scraps of paper balanced each other. That is, in effect, something like what the Bankers' Clearing House is. No wonder, then, that the Banks, having found out so excellent a plan, have developed it to such a degree that the London Clearing House turnover for 1913 represented an increase of over eleven thousand millions sterling upon the corresponding amount of 1871.

Suppose a member of Lloyds' marine institution obtains from his bank an overdraft of his business account for £5,000. He would not be paid that sum in cash, but a right would be conferred upon him to draw cheques against it. His cheques would pass though the Clearing House, where they would be paid in by other banks. But his bank would also pay in cheques drawn against these other banks, and these cheques would balance each other—or, at any rate, the totality of the cheques so paid in for the day would do so approximately. Of course, the bank to-day would charge its customer 6%, or £300, for interest on the amount of his overdraft, upon the assumption that money was employed, but in reality the cost to the bank would be an insignificant trifle, just the cost of the bookkeeping.

These, then, are the transactions in which money is not employed, though it is paid for. "Money," says Sir Felix Schuster, "is rarely employed now in banking. It is only necessary as till-money." So that the present-day methods of banking, whereby what is charged for is not necessarily given, seem to imply that "something for nothing" is often a not inappropriate designation to apply to them.

To what extent, then, is money actually necessary? Hardly at all, except for the payment of weekly wages. And the money so employed finds its way from the worker to the Capitalist bank forthwith. *It is the worker who finances the Capitalist.* The money used to pay wages in a given area is for the most part the very money used to pay the worker again in the following week, but in the intervening period it has been coltrolled by the bank and used by it to finance the Capitalist system. Without the workers' money the Capitalist system could not go on. If the workers, through their own bank, retained control over their wage moneys, the Capitalist system would speedily be held up.

These considerations show that it is the control, and not the ownership, of the supply of money—relatively small and approximately fixed in amount—which constitutes the banks as the mechanism for the control of industry, and for the control of national finance upon a basis having usury as its mainstay. Acting for their shareholders, the moneylenders and shareholders generally, they impose a toll upon every incident in the production, distribution, and exchange of wealth. They claim the power to fetter succeeding generations with a usurious burden such as is calculated to make life for the average man a worthless thing in the near future. For these purposes the Treasury is good enough to supply them for the smoother working of the scheme with State backed legal tender currency notes. Not "State money for the State," but "State money for the moneylenders," is the modern motto.

War finance is a rock upon which the scheme will split. Presently its methods will be understood, and at the end of the war the crisis will come. But the workers must make ready. Soon for them will arise an opportunity to take such steps as will enable them to throw off the mammoth burden of interest thus cast upon them, and to take the road which will lead them to economic freedom, or else, in the alternative, to allow themselves to sink further down into a hopeless and degrading form of slavery such as the world has not hitherto known.

3—LLOYD GEORGE'S PAPER MONEY

This is a tale of woe. It tells of a Truly Great Man, and of how he fell among bankers, and of how they stripped him.

Only once before had the British Government issued paper money. This was in 1697, when notes were issued for £5 by the State direct to the public without the intervention of the bankers. These notes were not backed by gold, but were expressed upon the face of them to be legal tender in payment of taxes. The one in the possession of the present writer was used in that manner, having been so tendered, and its cancellation in receipt of taxes is endorsed upon it.

If you receive a banknote which has been issued by an ordinary bank, you know that it is issued by an organisation which only exists by lending out other people's money, and it would be natural for you to want to know what exactly is the backing for that note. You expect it to be backed by gold, and you are quite right, for that backing constitutes your protection. But there is a great difference between such a banknote and one which is issued by the State and is expressed to be legal tender in payment of debt. Such a note, whether described as a banknote, a Treasury note, a currency note, or what not, has all the backing, all the assets, and all the authority of the State behind it, and it needs no other backing whatsoever.

And so, from 1697, we take a long leap, and come to 1914, when the time came again for the State to make and issue its own paper money. This was not because the State had gone wrong, but because the banks were bankrupt; and being afraid to open their doors they turned to the State for help—that State over which they held and still hold "the clutching hand."

On August Bank Holiday, therefore, an interview took place between about half-a-dozen bankers, led by the governor of the Bank of England, and Mr. David Lloyd George, as Chancellor of the Exchequer. They simply called upon him to tell him what to do, and he did it. The Chairman of a great bank has since said, "He did everything that we asked him to do." You will please to bear in mind that HE on this occasion occupied the position of Trustee for and on behalf of the nation. It must have been a pretty scene. On the one hand, a group of desperate men representing the "clutching hand" against the nation. On the other, the man who was virtually their prisoner, for so great was still their power that had he failed to do their bidding he would have ceased to be Chancellor of the Exchequer within a fortnight. He had hastily taken counsel with a man who had changed his name from Isaacs to Reading, and who had qualified for so momentous a consultation by having had an early experience on the Stock Exchange, which the "Morning Post" has described as having been "short but disastrous."

His visitors did not like Mr. George; they had, in fact, said very hard things about him in the City within the previous two years. But this time they knew they had "got him." And, behold, it was so.

In the end he doubtless told them that by the Friday following he would be able to use up some postage stamp paper—the only paper for the purpose that he had in stock—and by putting a bit of printing on it and calling it money (for what the State says is money IS money) he would be able to put it at their disposal on purely nominal terms. That they would have to keep their doors closed meanwhile, but that the Press would see that the public were kept well in hand—even the Anti-Socialist City Editor of the "Daily Citizen" wouldn't "blow the gaff," and he didn't—and that all the man in the street could say was, "What a funny thing it is to see four bank holidays all in a row, isn't it?"

But in order that Shylock should have his pound of flesh, it was essential that the Chancellor should be tied up to the stupid dictum that this new paper money would not be good money without being specifically backed by gold. Presumably the Chancellor thought that by this means it would be possible for the Treasury to collect for itself the gold in the pockets of the people, and to supplant it by Treasury notes. That this supposition is warranted is borne out by the well-known fact that shortly afterwards official notices appeared in the windows of the banks, and in the windows of every Post Office in the United Kingdom, adjuring the public, as a patriotic duty, to pay in all their gold to the banks and the post offices, so that the State might be enabled to employ it in remedying the Foreign Exchange.

Now, at the present time, Treasury notes have been issued to an amount of over one hundred and sixteen millions sterling. These notes have undoubtedly taken the place of gold in the pockets of the people. And you, Mr. Henry Dubb, who paid in your gold as a patriot, naturally expect to be told that this hundred and sixteen millions of gold has been employed in remedying the Foreign Exchange, and so helping to keep down the prices of commodities.

But how could the Treasury keep its double engagement? How, in fact, could it keep the gold in hand in order to give the notes a gold backing, and at the same time pay it away to the United States to remedy the Foreign Exchange? You, Mr. Henry Dubb, are surely entitled to ask the State what methods it has adopted to keep the promise it made to you when it asked you to pay in your gold. And where is the gold? Well, twenty-eight and a half millions is locked up at the Bank of England at the disposal of the Treasury, and serving no more useful purpose than that of affording an unnecessary backing for the notes. That, at any rate, has not been employed in remedying the Foreign Exchange.

But this constitutes the only gold backing for a hundred and sixteen millions' worth of notes. So, according to the theory upon which the Chancellor apparently proceeded, he is forced to the ridiculous conclusion that out of a hundred and sixteen millions' worth of issued Treasury notes, twenty-eight and a half millions of them are good money, and the remaining nearly ninety millions of them are bad money.

But where did the bankers come in? You had better ask Mr. Lloyd George that—he knows *now*. All the banks are entitled to be supplied at the Bank Rate with Treasury Notes to an amount not exceeding twenty per cent. of the sum standing in their balance sheets as representing deposit and current accounts. This enables the Banks to obtain State money to an amount which is hugely in excess of their normal requirements. Then they proceed to collect the gold. For the State, No; for themselves.

Whilst, therefore, to you, Mr. Henry Dubb, it was a patriotic duty to pay over the gold in exchange for the currency notes, a plan was devised whereby the banks could obtain the currency notes without necessarily paying over the gold. And at this moment the State, in order to obtain the whole of the gold which found its way from your pocket to the banks, pays to the banks in exchange for gold *interest bearing Treasury bills.*

(By the way, does anybody happen to know whether such a thing as a Labour Party has been picked up on the floor of the House of Commons?)

To employ State money and State credit for State purposes is one thing. But that is not being attempted. Far better is it in the opinion of the Labour Members to bolster up by the use of the State credit a banking system which is in direct conflict with the interests of the workers. At any rate, they all stood by, very humbly and respectfully, whilst the bankers stripped Lloyd George as the trustee on behalf of the nation.

4—WAR LOANS AND THE WORKERS

No serious effort to examine into the finance of the war from the standpoint of the worker has been made by the Labour Party in Parliament, or by any Socialist or Trade Union organisation. Yet it is admitted on all hands that when the war is over, and upon Labour is to be imposed the task of paying not only the debt but the interest upon it, this will become the paramount question. Upon this the issue will be joined. The late Joseph Chamberlain once used these words:—

"If the workers of this country should ever determine to repudiate the National Debt, in my opinion they will be justified in doing so, for they never had any voice in its creation."

This statement may have been true at the time it was made, but it is not true of the things which are happening to-day. Many Trade Unions and Co-operative Societies have subscribed to the War Loans, and to the extent to which they have done so it is idle to disguise the fact that they will, rightly or wrongly, have fettered their course of action in the time to come, should they then endeavour to escape, on behalf of those whom they represent, the burden of interest. This applies equally to every worker who has responded individually to the appeals from high quarters in a similar way. To point out, as has been done in the preceding chapters, that there was no necessity on the part of the Government to borrow money at all, is beside the point. The course followed by the Treasury has been to undertake to pay interest to the bookkeepers, who did for the State only what the State could do for itself, and also to those of the public who subscribed their savings. These are the simple facts. It is no part of the purpose of the present writer to ask the workers in the interest of their class, to refrain from lending their moneys to the State. That is their business.

Professor Boyd Dawkins, of Manchester, however, in a letter to the "Morning Post," gives reasons why, in his opinion, they should be induced to subscribe, and in order, therefore, that the readers of this article may be in a position to see his point of view, it may be well to quote the exact words of the learned professor. He says:—

"There is another and far more important reason for welcoming the loan, so far as it affects the working man. In the settlement after the war, when our politics and our parties go into the melting pot, the democracy will be more conscious of its power than it is now, and will make itself felt more and more in the counsels of the nation. The practice of thrift is of itself an education, apart from the money question, and the feeling of having a vested interest in the country makes a solid backing of patriotism. Among other advantages the loan will tend to break down the unfortunate antagonism between Labour and Capital, based upon the fallacy that Labour has no money and upon the following telepathic colloquy.

Upon reading these words I endeavoured to put myself into telepathic communication with Professor Boyd Dawkins, in order, if possible, to obtain from him a fuller interpretation of his meaning. After putting myself into proper psychic condition, I entered upon the following telepathic colloguy.

I give the questions as I put them, and the answers as they seemed to dawn upon my intelligence:—

Question—Do you really believe, Professor, that after the war, "the democracy will be more conscious of its power than is now?"

Answer—Certainly I do. That is the thing we have to dread. That is the thing we have to prepare for. The masses have hitherto been like dumb, driven cattle, always willing to do our behests. They are that to-day. We have only to flatter and cajole them, and see that they get plenty of the halfpenny papers which we provide, and then they never fail to serve our purposes. But-presently, when life has become so bitter to them, and only lockouts take place, and no strikes, and the price of food has become prohibitive, what is deeply to be feared is that they may at last, for the first time in history, become conscious of their power.

Question—You think, then, that that power may make itself felt in the counsels of the nation?

Answer—Yes, that is what I said. But that is not the most serious aspect of the matter, for we should probably be able, as is usual, to modify that, by putting some of their leaders into positions of responsibility and emolument. Others of their leaders, again, might be induced to accept a Privy Councillorship, and to take an oath whereby in case of trouble they become the friends of constituted authority, when it is in conflict with the people. By this means such men do not change their character—only from that moment they begin to exert a soporific influence upon their erstwhile followers. The great peril looming ahead is that the workers may get out of hand. They may, for instance, take it into their heads to adopt the hitherto discredited programme of Mr. Hyndman and the Social Democratic Party to repudiate the interest on the National Debt, and where should we be then?

Question—But you think that this risk might be minimised if we could create among the workers the feeling of having a vested interest in the country?

Answer—That is what I mean. I understand that in Glasgow there are 240,000 people living in one room per family. I want these people to "practice thrift as an education," by putting their money in the War Loan. In Dublin there are 104,000 people living in 21,000 rooms. Let them do the same. Let the slum folk of all the great cities be canvassed from house to house for this purpose. We must stop discontent. Begin low down, make everyone a Capitalist, and the whole problem is solved.

Question—That, then, is what you mean by saying that "the loan will tend to break down the unfortunate antagonism between Labour and Capitalism."

Answer—What else can I mean? When every man is a Capitalist where, then, is the antagonism between Capital and Labour? I go further. I say that if we can only induce a substantial percentage of the workers to invest in the War Loan, we split 'em up into sections. How can a man who has a fiver in the National Debt talk about repudiating it? I tell you he will begin to look askance at any Socialist orator from that moment. A new light will have come into his eye—a new dignity into his walk, and when he has climbed to his fourth floor room in the Cowcaddens he will sleep the sleep of sweet content. We must settle these differences between Capital and Labour, and the only way to do it is to make the Labourer believe he is a Capitalist, and the Capitalist believe he is a Labourer.

Question—Is that what you mean then when you speak of "the fallancy that Labour has no money, and that Capital does no work?"

Answer—Yes. We must get rid of the nonsense that Labour has no money, and the only way to get rid of it is to get them to hand it over to us. We must never forget the story of the bundle of sticks. If we are to keep the workers from repudiating the interest on the War Debt, depend upon it there is only one way—we must split 'em up. Nothing has been more gratifying than the way in which, in their ignorance, of the true position, their Societies have invested in these loans. They are tieing themselves up every time. The bookkeepers at the banks know best how to play the game. Every pound sent up by the workers simply adds to the certainty that Capital will always be sure of its own.

Question—When you refer to the fallacy that Capital does no work, you probably have in mind the hard-working shareholder?

Answer—Capital to-day, in the main, *is* the shareholder. Of course, when I say these people work, I don't mean what you mean. There is the work that the worker does, and the work that the shareholder does—quite different, of course, in character. Many of these latter are Magistrates, or belong to country families, or live in the West-End of London, and in Pall Mall clubs. But these poeple have their responsibilities—that is what I mean by the work that Capital does. It is their high mission to "keep the wretch in order." Do not imagine that the worker keeps them—it is they who keep the worker.

Question—So that, for every afterwards, Labour will have to lie down contented at a condition whereby not only does it not get for itself the value which it produces, but it will have to pay interest upon that portion of its earnings of which it has been deprived, and that is how you think that the workers may help to "break down the unfortunate antagonism between Labour and Capital?"

Answer—Put that way, I confess it does not look quite right. What I meant was that it would break down any antagonism between Labour and Capital as far as *we* are concerned. The Capitalists will be quite contented. The great point gained is that so far as working-class organisations can be persuaded to subscribe to the War Loans, to that extent they perpetuate the subjection of the workers. And all the while the Treasury could just as easily open its own bookkeeping credits, and so make it unnecessary to borrow any money for the war. Don't you think it a clever scheme? We call it Patriotism, you know?

* * * *

I was about to say to the Professor: "How very useful that word Patriotism is sometimes, isn't it?" when I realised that I was just awaking from a dream."

5—TRADE UNIONS AND THE BANKS

Prior to the month of August, 1914, interest was the toll levied by the Capitalist for the use—nominally or actually—of the money which he purported to provide for the purpose of enabling the industries of the nation to be carried out. It has been shown that so far as this money was provided by the banks, as constituting the mechanism for the control of industry, the actual amount of money employed was about 2% of the banking turnover in a given year, and that so great was the power which the banks were able to exercise that they levied tribute—upon the supposition that money was provided for each transaction—not only upon the 2% of an overdraft in which money was provided, but also upon the 98% in which their services consisted simply of bookkeeping.

No writer, with the exception of Karl Marx, has attempted to provide an exhaustive examination, from the point of view of the worker, of the manner and extent to which this great money factor has permeated and eaten into every phase and element of our economic life. To-day it is the supreme power whose exercise keeps the worker in subjection, whereby he is robbed of the greater part of the fruits of his labour. And since Karl Marx wrote, the position has become in a high degree accentuated. Based upon the fallacy that whilst Capital is admittedly necessary to production, the individual Capitalist is equally necessary, the claim of the Capitalist has become in course of time more presumptuous, more arrogant, and more brutal. The shareholder, that essentially inane modern product, who claims the right to live free at other people's expense, whilst rendering no necessary personal service in return, and for whom the banks operate as benign artificers (taking their toll by the way), is now the paramount product of the system of modern industrialism.

Karl Marx, writing to the General Council of the International Working Men's Association, in the year 1865, said:—

> "In your country the mechanism of payments is much more perfected than in any other country in Europe. Thanks to the extent and concentration of the banking system, much less currency is wanted to circulate the same amount of values, and to transact the same or a greater amount of business. For example, as far as wages are concerned, the English factory operative pays his wages weekly to the shopkeeper, who sends them weekly to the banker, who returns them weekly to the manufacturer, who

again pays them away to his working men, and so forth. By this contrivance the yearly wages of an operative, say of £52, may be paid by one single sovereign turning round every week in the same circle."

And again:—

"According to the best calculations I know, the yearly income of the working class in this country may be estimated at £250,000,000. This immense sum is circulated by about three million pounds."

These figures would not hold good to-day in respect of the amount of the workers' annual income, but the percentage of actual money employed with which to pay wages would probably be less instead of more.

In many of the Lancashire cotton factories, the money sent up to the mills on deposit by the workers and the small tradesmen around amounts to more than the whole of the capital otherwise invested in the cotton mill. In such a case the workers' moneys rank for dividend and security after and not before the moneys of the Capitalist. The worker cannot strike or enter upon any serious campaign for bettering his condition at the mill without hitting himself first.

There is here food for serious thought. According to Karl Marx, the worker, in order to hold up the Capitalist, does not need to hold back from Capitalist control the whole of his wages. The Capitalist only employs in actual money one fifty-second part of those yearly wages in order to keep the worker in subjection. So that what the worker has to do as a practical man is to see that when once he has earned his wages, those wages, or, at any rate, a sufficient percentage of them, do not find their way week by week through the Capitalist bank to the Capitalist. Let us take a typical worker. What, upon these statements, would be his first thought? Surely he would say—"If we could only stop this plan whereby our wages are used to finance the Capitalist system, that system would soon be in sore straits. But suppose," he might say, "the workers utilised a bank of their own for this purpose, and suppose such a bank acted also in respect of the funds of Trade Unions and the Co-operative Societies, what would be the remedy of the Capitalist? Would he not be able through his bank to obtain all necessary supplies of money from the Bank of England?" To this question the answer is No. For the past quarter of a century the reserve of the Bank of England has always hovered round about twenty-five millions. The price of gold in England being fixed by Parliament at £3 17/9 an ounce, the Bank can only obtain gold at that price unless by paying more it trades at a loss. It is therefore strictly limited as to the amount of money at its disposal. For the six months prior to the outbreak of war, much bullion came to England from the mines, but the Bank did not get it. Why? Because other countries, principally France and Russia, chose to offer a fraction of a penny per ounce more than the Bank of England could afford to pay. That is why on the August Bank Holiday the reserve of the Bank of England stood at about nine millions sterling, while the Bank of France held £165,000,000, the Bank of Germany £68,000,000, the Bank of Russia £172,000,000, and the United States Treasury £275,000,000. The only method available to the Bank of England whereby to increase its stock of gold is to raise the rate of interest for the supply of money, and so draw the gold from abroad by offering the foreigner an enhanced remuneration for its supply. But this process is one which penalises the British manufacturer, and so renders the Capitalist position not easier, but more difficult.

So that it really becomes possible, and not only possible but thoroughly practicable, for the workers through their own bank to abstract from the totality of the gold supply whereby the Capitalist system is maintained, not necessarily the whole of the wage fund, but a sufficient percentage of that fund to make the continued existence of the Capitalist system an impossibility. And, furthermore, if it be true that it is the control and not necessarily the ownership of the supply of money which carries with it all the other control necessary to enable it to dominate the industrial system, then it is not at all inconceivable that the workers themselves, by the development of the plan which is here outlined, may in due course come to be in control of industry and the masters of their own souls and bodies.

This is a new aspect of the future of the lives of the workers. Its potentialities are only faintly foreshadowed. There is one question which cannot be evaded. It is this:—WHY SHOULD THE WORKER CAPITALISE THE CAPITALIST? In those far days before the development of the cheque system and the bankers' clearing-house, when the Capitalist provided actual moneys with which to effectuate the exchanges, this problem had not emerged. It is because money is not sent out very much nowadays by the banks, except to pay wages, that the way to salvation for the worker has become straight and clear. To-day it is on the lines of FINANCE that the one practical and speedy solution of the problems which confront Labour at every turn is to be found. The outlook for Labour in the near future is not bright. The worker is being driven steadily to the wall. Many of the profiteers are openly boasting that after making their pile in the war they are going to "strafe" the worker.

The great industrial upheaval which is near upon us will be a war of munitions—in other words, of money. Upon the occasion of the last great struggle the London banks are said to have passed a resolution to afford no accommodation to Trade Unions. The Miners, with between two and three millions of securities, were definitely refused accommodation. The National Union of Railwaymen discovered that when they required money they had to realise securities, which to the extent of 25% consisted of railway stocks, whose market value they were depreciating by their action, so that they could only realise at a loss. On which side upon the next occasion will be the control of the money required to carry on the struggle? If the banks have got it, then the workers will be "strafed." If, on the other hand, the workers have got it in their own bank, there can be only one conceivable result. The workers will win. It is for them to decide. Not for their Parliamentary leaders, but for themselves. The late Sir Wilfrid Lawson once said that the leaders of a political party were like the leaders in a stage coach. They only go when they are driven. Men, the workers of Britain, trust yourselves. Talk about this question, and act individually and through your societies. "Who would be free, themselves must strike the blow." The WORKERS' BANK is the plain and practical way to "get a move on." There is no other way in sight. To let things slide is the plan of every helpless derelict. To do nothing is to discover when too late that it is Labour and not Capital which is held up and left without remedy or hope.

There remains to be determined how far the State is to be permitted to continue to supply the banks with paper money for their private profit when the only credit employed in the transaction is that of the taxpayer. Should the State upon the occasion of the next industrial crisis come to the rescue of the banks in this manner, then the issue will be clearly joined. The gravity of an unprecedented international crisis would no longer avail as a defence. It would be equivalent to an act of common burglary, and the Ministry responsible for it would be swept from power. Upon such an issue, the workers, being in an overwhelming majority, and aggravated by their wrongs, would unite in the demand that for the future State credits should be by and for the State alone, and in that event again it is the Capitalist who would discover his position to be no longer tenable, for the Co-operative Commonwealth would have been ushered in.

Holland Print, 10 Gilbert Place, Adelaide.