

# THE RICH GET RICHER

Facts of the Growth of Monopoly  
in the Economic Structure of Australia  
Before and During the War

By

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## BIRD'S EYE VIEW OF OUR MONOPOLISTIC SOCIETY

MOST of Australia's principal industries are monopolised. That is to say, they are operated by a single rich company or combine, or a few great companies, whose operations may have the effect of a true monopoly because of their dividing market-territory between them. Such industries are close preserves. Where a firm of mighty capital is well established over a whole industry, nobody else can get in.

What does this mean to the community at large? ARE monopolies necessarily a Bad Thing?

Part of the answer must be a demonstration that monopolies do exist in Australia. The following pages give ample evidence of this, and of their widespread and wider-spreading character. The other part of the answer is sketched now.

**WHY MONOPOLY IS AN EVIL** ABOVE all, the objection to the private business monopoly, especially a whole system of monopolies so extensive that it justifies the application of the term "a monopolistic society," is that it tends to bring about an economic subjugation, from which follows a social subjugation, of the people and the nation to powers which have been imposed upon them, not set up by them. The consequences are detrimental to the community. So serious a matter is this that it is necessary to say that where a *system* of monopolies governs essential industry, as in this country, progressive reduction of living standards, and limitation of the economic opportunities of most people, take place. What has happened to living standards, to economic prospects for the many, to social and political institutions, in Nazi Germany, is of a kind with what Monopoly is bringing about here. Certainly the process has not been carried nearly so far, yet, in Australia. But, economically, we are on the road. The road is called Monopoly; the terminus, Fascism.

Take first some immediate manifestations of the working of Monopoly. Every year, millions of pounds of profits go to

shareholders in monopolistic organisations. Neither producers, nor would-be investors outside the charmed circle, share in these gains from the efforts of producers. For within the closed corporation which is a monopoly, the accumulation of wealth is a snowball process. Those *inside* find their share in quickly-increasing assets also increasing by share issues made to them, and to them only. On advantageous terms—less than the market-price (par and premium issues), or even gratis (bonus issues). In Australia there is the additional important objection that this increasing share in the increasing wealth of the community goes largely to overseas shareholders, especially shareholding companies. The typical "Australian" monopoly is a local branch of an overseas monopoly which develops or exploits Australian resources in the interests, not of Australians, but of some monopolistic corporation with its headquarters far away in London or New York. Millions of pounds of profits go, every "normal" year when funds are exportable, to shareholders overseas. The effect is to reduce Australian balances overseas, consequently to limit the quantity of goods which we can import and pay for, and, as a further consequence, to prevent our standard of living from rising to that extent.

These effects of the operations of the monopoly system here point to the fundamental objection to Monopoly. This has to do with what monopolies exist for, the purpose for which they are organised. That purpose is the securing of a high and constant profit. It is to this end that competition is stifled or prevented by the overwhelming weight of Big Money. It is to this end that the interests of Monopoly, and not the interests of the Nation, shape public policy when it comes to a question of whether iron for armaments shall be shipped to Japan, or whether industries shall be decentralised and rural communities saved from bankruptcy, or, again, whether the Arbitration Court shall cut "real" wages in denial of its own principle.

In the last resort it is always the monopolies that guide and limit the national economy. They determine Government's economic policy. This goes for peacetime as well as wartime, though it is true that in wartime, Monopoly like other business has for self-preservation's sake to submit to certain harassing controls. But it makes the best of things, by itself furnishing Government with the personnel to administer the controls.

Well, then Monopoly removes from the elected representatives of the community their proper economic functions of measuring what people need and of directing production, by directing the flow of public and private investment, in accordance with the people's requirements. Because monopoly intervenes, the people, as consumers, suffer. As producers, they suffer, under this monopolistic society, by being relegated to a semi-servile status, by being, in the main, deprived of a full range of economic opportunity. In both roles, as producers and as consumers, they suffer because the credit which their labor creates is taken out of their hands by Monopoly, which directs Government. An instance of this was the handing over of the Commonwealth Bank to private control by the Bruce-Page tory Government in 1924. Civil servants, answerable to a Minister and to Parliament, had run "the People's Bank" with outstanding success for its first dozen years. This was threatening, so Monopoly took the Bank out of their hands, and placed it under a board of directors, the majority taken from the executive ranks of private business. The chairman of the board to-day is Sir Claude Reading, made available to Australia by its third-biggest monopoly, the international tobacco combine.

Attitudes of some members of the present Labor Government of the Commonwealth illustrate the strength of Monopoly groups too strong, because too well established in command of vital community resources and services, to be resisted by any Government tolerating capitalism. For example, Mr. Forde, before he became Minister for the Army and Deputy Prime Minister, could say that when Labor should come to office, it would nationalise the B.H.P. But after Labor came to office, no more was heard of this. Charged as Minister for Labor and National Service with the uncongenial duty of conscripting men and women for industry, Mr. Ward could say that monopolies must be nationalised, as a complement of the policy towards Labor. But Mr. Ward's governing party has taken no steps in this direction.

#### AUSTRALIA HAS A TRADITION OF MONOPOLY

THIS power of Monopoly is no new thing in Australia. Monopolies have been well entrenched for very many years. In the days when Australia was primarily a hewer of wood and drawer of

water for more highly industrialised nations, overseas capitalists held the commanding position in the principal industry of the country. This was (and is) the pastoral industry. Again, at the end of last century came a sudden large development of base metals mining: the mining of lead, copper, zinc and the like. Overseas capitalists acquired, and retain, a major interest in this industry, which to-day, covering refining and smelting as well as mining operations, engages more capital than any other area of public company investment except banking. In both cases—wool broking and the metal industries—overseas capital organisations started with a vast advantage over local enterprise because of their large accumulations of capital available for investment; and their technical resources.

With the present century, and particularly after the 1914-18 war, came a great development of secondary industry, manufacturing. An Australian heavy industry came into being with the advent of the B.H.P., with 80 per cent. British capital, in heavy industry in 1915. The steel industry, with its concomitants of industrial chemicals, non-ferrous metals, motors, aircraft and similar production, went ahead rapidly in the twenty years between the wars, and in all of these fields and in neighboring fields of effort Monopoly, usually overseas-owned monopoly, played a dominant part.

The consequence is that to-day almost every profitable industry in this country is dominated by monopolistic organisations.

Yet we in Australia could provide all the capital we need for the maximum productive effort of all our available labor. This very year we are finding £600,000,000 to finance the war and war works: a sum far greater than ALL the money invested; at the outbreak of war, in ALL the private industrial and other non-banking undertakings operating in Australia and New Zealand. We—we and to some extent "our" monopolies—can muster this great sum, out of earnings and savings, in a single year! What could we not do, if only private monopolies were not already in command of our most valuable resources, did not have a lien on our economic future as well as control of the economy to-day?

Now see how large the monopoly element bulks in our national life, and how Monopoly stands in the way of that "new order" which we all look to as an aftermath of the war.

## MONOPOLY STANDS IN THE WAY OF POST-WAR RECONSTRUCTION

MONOPOLY is the worm in the bud of the common man's future in Australia. There is no "century of the common man" before us unless the people of Australia, through their Governments, restrain the small group of irresponsible business organisations which dominate the national life. There is no prospect of social security in Australia, while our Governments continue to burk the issue of control of business monopolies. On the contrary, as things are shaping now, opportunities for the private enterprise of unprivileged citizens will be narrower and fewer after the war, than they were before it. At present, while Monopoly continues unrestrained, planning by the Ministry of Post-war Reconstruction is no more than mental exercise for the university graduates who form the departmental staff. The planners may have plans, but they have not the power to carry out those plans.

It is doubtful whether any Government or any political party is in deadly earnest about *obtaining* powers for the planners. The reason for this is above all the profound respect in which Governments and party managers hold the monopolies. Translated into terms of the interests of Ministers as individuals, this attitude of respect could provide a strong motive for inaction. For it would take courage to tackle the monopolies. Except the forces of nature, monopolistic business counts for more in Australia, counts for more in the whole human society of 1944, than any other power.

The political power is its creature, not less when Labor occupies the Treasury benches, than when Conservatism and Reaction, scarcely disguised, form Ministries. The military power depends on the monopolies which supply and could withhold the materials of war.

Public opinion is only a potential weapon in this cause. To-day it is usually only a reflection of opinions which directors of monopolies wish voters to hold. There is no strong opposing influence in the schools and universities, because beyond the three R's the benefits of these institutions are not open to the mass of people in their formative years of adolescence. There is not sufficient corrective in newspapers, because monopolistic companies control most newspapers which most people read, and several newspapers which profess to condemn monopoly,

in fact buttress it by a careful technique of confusing the minds of their readers. The few "independent" newspapers hold no brief to attack capitalism, except for the purpose of improving it. Radio and film organisations, too, are in a few hands.

In short, it is fair to say that the political power, the military power, and the institutions for education and propaganda do not concern themselves with resisting the limitation of common men's opportunities which is imposed by the handful of rich business organisations that regulate the economic life of the community. Money can flow out of the community, Australia's wealth can be drained away, representatives of monopolies may bend the national policy—for example, the tariff policy, the industrial war policy—to their own purposes; and the powers that are in the community will not say them nay.

### THE COMMONWEALTH CONSTITUTION NEITHER SAFEGUARDS MONOPOLY

is there any effort of resistance based on the Constitutions of the Commonwealth and the States. The States are sovereign in theory and could legislate to restrain monopolies. They have not done so, and their efforts would be futile if they tried, because the typical monopolies sprawl over interstate borders; they are national, or, more usually, international, in their scope of their operations.

The old Constitution of the Commonwealth does not give the national Parliament power to restrain business monopolies. Indeed, the Commonwealth Constitution has been and remains a convenient instrument for Monopoly. The High Court of Australia is the guardian and spokesman of the Constitution, and by necessity or choice it has been the guardian and spokesman of Monopoly, too. For consider these extracts:—

*The Commonwealth and the Attorney-General of the Commonwealth v. the Australian Shipping Board and another, 39 Commonwealth Law Reports, 1926-27, 1.*

From the joint judgment of Knox C. J., Gavan Duffy, Rich and Starke J.J.:—

"The Parliament has only such power as is expressly or by necessary implication vested in it by the Constitution. *There is no power which enables the Parliament or the Executive Government to set up manufacturing or engineering businesses for general commercial purposes.* The Trade or Commerce

Power was referred to, but that is a power to regulate trade and commerce with other countries and among the States. The Naval and Defence Power, coupled with the incidental power conferred by Section 51 (xxxix.) was also relied upon. Extensive as is that power, still *it does not authorise the establishment of businesses for the purpose of trade and wholly unconnected with any purpose of naval or military defence . . .* Despite the practical difficulties facing the Commonwealth in the maintenance of its dockyard and works, the power of Naval and Military Defence does not warrant these activities in the ordinary conditions of peace, whatever be the position in time of war or in conditions arising out of or connected with war."

This decision stands, and it stands in the way of any effectual post-war reconstruction. It stands in the way of our future. *The Commonwealth Government—the public—may not produce and trade.* The only exception is production for war purposes; and most of this sort of production is administered by servants of private monopolies. Above all, Mr. Essington Lewis, director of many companies and the executive head of the basic steel monopoly, is also the executive head of *all* the Government's munitions, armaments and aircraft production. Public investment, the investment of all the citizens, is as securely in the grip of monopolistic interests as is private investment; the investment, characteristically, of a few men or organisations overseas.

Only one political party of wide influence, namely, the Australian Labor Party, has based its policies on an anti-monopoly text. The mildest wording of the historic "objective" of this party is Nationalisation of Monopolies. The current wording goes further, advocating socialisation of all the means of production, distribution and exchange. But this has not been of any practical significance. The 1943 Federal conference of the A.L.P. was careful to shelve proposals which were made to link post-war reconstruction with nationalisation of monopolies. (See Appendix for the A.L.P. "objective" in 1905 and now, and for 1943 Federal decisions.)

**HOW MONOPOLIES GO WELL, then, we assume, ABOUT THEIR BUSINESS** and presently it will be shown in some detail, that monopolistic organisations, unhindered, dominate the main fields of

ganda has implied—"we have 20,000 shareholders . . . 30,000 shareholders"—then the fact that the B.H.P. and its many satellite companies have a complete monopoly of steel making might not be wholly objectionable. If ownership of B.H.P. assets were spread widely among Australians, and if their votes as shareholders really counted in the control of this great organisation, then perhaps only irreconcilable opponents of the principle of private ownership of the means of production might cavil at the monopoly. But the facts are otherwise.

*Not a single B.H.P. share has ever been offered for public subscription.* The company started silver-lead mining 58 years ago, and steel production 29 years ago. In the beginning the "paid-up" capital was £320,000, of which only £18,000 was subscribed in cash, the rest being issued free to the promoters. When the steel enterprise was started in 1915, "paid-up" capital was still less than £500,000, of which less than £200,000 had been subscribed in cash, the balance being the "water" of bonus issues; shares given free to those who had got in on the ground floor. Nowadays, B.H.P.'s so-called paid-up capital is nearly £14,000,000, or about thirty times the 1915 capital. The whole of the enormous additional capital has been kept "in the family," except for about £1,300,000 issued to shareholders whose businesses, mostly overseas firms' branches, B.H.P. took over. All the rest went to companies or individuals already holding B.H.P. shares. They received some additional shares at par, that is, at £1 a share, the nominal value of shares worth perhaps double that amount on the market. They received other shares at a premium, that is, at a price above the face value but, nevertheless, less than the market value.

Well over £6,000,000 of the £14,000,000 capital of B.H.P. was issued *free* to shareholders, including a bonus issue of more than £4,000,000 made just before the outbreak of the present war.

That is how ownership of Australia's greatest monopoly was distributed. The general public enter the B.H.P. picture only when some B.H.P. shareholder disposes of shares on the stock exchange. B.H.P. shares being valuable possessions, with a prospect of being added to by bonuses, not much B.H.P. capital moves through the stock exchanges. Those who have B.H.P. scrip hold it if they can. *And those who hold B.H.P. scrip in quantity are a few rich Australians and Anglo-*

*Australians, some other Australian and Anglo-Australian companies, and rich English interests which early saw the prospect of huge profits in the Broken Hill silver-lead lodes, and with their accumulated weight of capital, their call on technical skills, and their ownership of refining plants, were in a position to overwhelm the handful of sheep station employees whose searches uncovered the mineral wealth of the Barrier long ago.*

B.H.P. keeps share registers in London and in Melbourne, and by spending a good deal of money, it would be possible to trace the ownership of great blocks of the company's shares. But this fact will do as an indication: in 1912, not long before B.H.P. switched "from silver to steel," 760,000 of B.H.P.'s shares (nominal value then 5/- a share) were held in London. (R. L. Nash: "Australasian Joint Stock Companies' Year Book," 1913-14.) That is nearly 80 per cent. Nearly all shares issued in the 30 years since then have been issued to individuals and companies already holding shares. So it is reasonable to suppose that the great bulk of B.H.P. capital is still held by overseas capitalists. The complicated ramifications of the Australian steel monopoly, through Australian, British and American company organisations, are of a kind to support this view of B.H.P.

**The Collins House Metals Combine.**—Again, a bird's eye view of the base metals monopoly associated with the B.H.P. steel monopoly, that of the Collins House Anglo-Australian companies, shows the "colonial," dependent nature of yet another network of industrial organisation in our country. There are many companies in the Collins House group, interlocked with each other and with overseas concerns in their directorates and shareholdings, and they, like B.H.P., have not given the general public opportunities of subscribing for their shares. They, too, are closed corporations, and they, too, are integral parts of British and American monopolistic organisations. B.H.P. itself is the centre of a group of subsidiaries, several of which are branches of British firms—e.g., Rylands Bros. (Australia) Ltd., Stewarts & Lloyds (Australia) Pty. Ltd., John Lysaght (Australia) Pty. Ltd., Lysaght Bros. & Co. Ltd., Lysaght's Newcastle Works Ltd. Another B.H.P. subsidiary, Commonwealth Rolling Mills, is a joint enterprise of B.H.P. and the British

steel monopoly, Guest, Keen, Baldwin Iron & Steel Co., and the American steel corporation, Armco. Yet another, Commonwealth Aircraft Corporation Pty. Ltd., is a joint enterprise of B.H.P., Collins House, I.C.I.A.N.Z. and the Orient Steam Navigation Co. Another, Commonwealth Steel Ltd., is a joint enterprise of B.H.P. and three Collins House companies.

And not only does Collins House investment crop up in the B.H.P. combine, but it appears also in the British metallurgical combination of Imperial Smelting Corporation, National Smelting Co., Amalgamated Metal Corporation and British Metal Corporation. Connections of this British non-ferrous metals ring, registered in London, have their Australian headquarters in Collins House and maintain directors who are also directors of the "native" Collins House companies which are registered in Melbourne. Collins House's aluminium company is owned by the British aluminium monopoly, the Canadian aluminium monopoly (which is associated with the British monopoly and is a subsidiary of the United States aluminium monopoly), and two Collins House companies—the British, Canadian and "Australian" organisations each holding one-third of the capital of Australian Aluminium Co. Pty. Ltd.

All the base metals except iron are the peculiar preserve of the Collins House group, which owns and controls mines and processing plants representing investment running into eight figures, an amount comparable with investment in B.H.P. and its direct subsidiaries.

Imperial Chemical Industries of Australia & New Zealand Limited, four-fifths of the capital of which is held by the parent combine centred in England, and its subsidiaries practically monopolise the vital chemicals industry. General Motors-Holdens and Goodyear Tyre & Rubber, each with the great bulk of its capital held by parent companies in the United States; Dunlop Rubber, with a similar connection with the English parent, are other outstanding examples. There is no widespread or indeed *any* considerable Australian investment in these monopolistic concerns, any more than there is in British Tobacco Co. (Aust.) Ltd., the Australian branch of the British-American tobacco combine, or a number of other companies, some registered in London and some purporting to be Australian organisations, which dominate several highly profitable industrial fields.

### £3,000,000 in Shares for £300,000 in Assets.—

The tobacco monopoly is one of the oldest in Australia. Practically the whole of the Australian tobacco manufacture has been monopolised by overseas interests for 40 years. There was an exception to British Tobacco's monopoly—another British-promoted concern, Carreras Limited, Melbourne, associated with Carreras Limited, London. British Tobacco took over this concern two years ago. At the time of the transaction, Carreras Limited, Melbourne, had assets worth less than £300,000. But the price paid by the senior monopoly, British Tobacco (Australia), was more than ten times as much—nearly £3,000,000 in British Tobacco shares. According to the "Herald," Melbourne, January 10, 1942, the market value of the shares ceded was £2,914,799; the value of Carreras' net tangible assets, only £292,513.

### C.S.R. Assets Increase 1,000-fold in 100 Years.—

The Colonial Sugar Refining Co. Ltd., one hundred years old, to-day has a complete monopoly of sugar refining in Australia, New Zealand and Fiji. Its present assets are worth nearly one thousand times as much as the assets of plant, etc., with which the company started about 1840. The high finance of this company, the make up of its so-called "paid-up" capital, is as spectacular an affair in its way as the extraordinary transaction between the British Tobacco Co. and Carreras, just mentioned. C.S.R. has "paid-up" capital of £11,700,000. Of this capital, no less than £9,275,000 is "water," the "water" of bonus issues made possible by great profits, the high rates of which have been due largely to Queensland and Commonwealth Governments' support of the monopoly. C.S.R.'s bonus issues were, indeed, even larger than this sum of £9,275,000, for C.S.R.'s total bonus and cash issues to its shareholders come to no less than £13,175,000, or nearly a million and a half of money more than the book value of its shares to-day, in 1944. But the company "returned" to its shareholders nearly £4,000,000, in cash, which they had never subscribed. The company had already given its shareholders nearly £4,000,000 in *free* shares. Then it gave them cash to compensate them for relinquishing shares for which they had never paid. That is one of the ways in which the rich get richer in Australia.

**"WHO OWNS THOSE  
BIG COMPANIES?"**

IT may be questioned whether these are not special cases, whether, over the broad field of industrial development of Australian resources, there is not in fact a widespread financial interest by way of very many Australian investors' shareholdings in public companies. Sydney Chamber of Commerce, in 1942, tried to establish that this was the case. This is how "Rydge's Journal," Sydney, June 1942 (page 354), described the attempt in an article entitled "Who Owns Those Big Companies?" The article was introduced by the following "explanation":—

"Sydney Chamber of Commerce recently asked its joint stock members to supply information, showing their ordinary capital, the number of shareholders who contributed to that capital, similar information in regard to their preference capital, the figures of their published reserves, the number of their employees, and salaries and wages paid. Some of the information supplied was incomplete, inasmuch as the ordinary or preference capital was given, but not the number of shareholders, mainly because this information was not available in Australia."

In brief, some companies could not give the number of their shareholders, because the share register, like the shareholders, was overseas. Some companies did give the particulars asked for, but the data supplied did not answer the question, "Who Owns Those Big Companies?" The sum of the information given on shareholdings was that 71 companies, operating in New South Wales, showed £62,250,000 of ordinary capital and £6,000,000 of preference capital, held by 132,019 and 14,187 shareholders respectively.

But the statement that 146,206 shareholders own 71 companies does not go to the root of the enquiry any more than a statement that there are 30,000 B.H.P. shareholders, "many of them small shareholders." The quoted phrase does direct us to the root of the matter. For we are not told what proportion of the whole capital is held by holders of a few shares each, and particularly, whether a few large shareholders own what is called a "controlling" interest. If we knew these facts, then we should be in a better position to contemplate big companies and decide whether, as repositories of community wealth, they might be regarded as benefactors and not as exploiters.

"Rydge's," having set forth the results of the Chamber of Commerce questionnaire, proceeded to the solemn claim that because these legions of shareholders owned this large block of capital, the "average" shareholding was "only" 472 shares, and the "average" preference holding even less, 434.

That sort of "average" is of no significance. For if, to take an example, a company of £1,000,000 capital had 2500 shareholders, and one of them held £950,000 worth of the shares, the "average" holding would still be only £400 worth of shares in terms of "Rydge's" arithmetic. But, of course, the really interesting fact in that case would be the disclosure that one shareholder held 95 per cent. of the shares. Oddly, however, Sydney Chamber of Commerce omitted to make any investigation into the extent of large holdings.

Numerous shareholders there may be in great and small companies, even in the monopolies. It does not matter. For many of those shareholders have no voting rights at shareholders' meetings, because their shares do not carry such rights. Many other shareholders are debarred by distance or some other consideration from effectual exercise of their voting rights. It is the directors, including technical directors, overseeing the management of businesses in which capital is invested, who exercise actual control. In the case of the Australian monopolies, very often, the local board of directors is for practical purposes a mere instrument of boards of directors overseas. In such companies operating in Australia, often the only capital locally subscribed is preference capital not carrying voting rights. The directors in Australia act as agents for the parent companies overseas, and the rich in England and America get richer by the exploitation of Australian natural resources which they may never have seen.



## WHAT ARE WE TO DO?

A NATIONAL policy in relation to industrial monopolies must soon be worked out in the course of planning for the post-war switchover from war production to production for consumption. Many considerations will go to determine what that policy shall be. One is the great and fast strengthening of monopolistic elements in the national economy during the war. This is exemplified by the wartime increase in rich combines' assets already described. Another scene in the same picture is the prominence of monopoly men in the direction of the industrial war effort of the Government.

But there is also the counter-balance: a huge *public* investment, in factories and works publicly owned and (though often through executive personnel from private industry) publicly controlled.

Lines of development which the Australian economy will take in the immediate future will depend above all on what the Commonwealth Government decides to do about its war factories. At the end of 1943 Cabinet appointed a sub-committee to consider this problem of conversion of Government-owned war industry to peace production. This sub-committee is made up of the Treasurer (Mr. Chifley), the Attorney-General and Minister for External Affairs (Dr. Evatt), and the Ministers for War Organisation of Industry (Mr. Dedman), Munitions and the Navy (Mr. Makin) and Labor and National Service (Mr. Holloway). There are three main possibilities:—

To sell out to private interests the public industrial undertakings, including Government munitions establishments and aircraft factories, and publicly-owned armaments annexes attached to private firms, as the Government's Director of the Beaufort Division of the Department of Aircraft Production (Mr. Storey) suggests;

or

To make a show of compromising between Mr. Storey's programmes and those of advocates of public competition with private industry, by admitting private investors into part-ownership of Government-owned war industries

converted or convertible to peace production—as newspaper reports of the January, 1944, recommendations of an inter-departmental committee on the future of civil aviation control foreshadow, and as some Federal Ministers are known to favor;

or

To convert the Government establishments to production of a variety of goods which will be in demand in the post-war community—refrigerators, vacuum cleaners, commercial aircraft and other items to the production of which the available machinery can be adapted, and to produce and market these commodities, through corporations wholly owned and controlled by Government, in competition with "Private Enterprise" of a monopolistic character.

What order of public investment is involved? Supposing the third alternative to be adopted by Government as its policy is the publicly-owned industry big enough to allow it to be a really weighty factor in the Australian economy?

Undoubtedly it is big enough. The Prime Minister (Mr. Curtin) has in effect testified to this. He said on December 6, 1943 ("Sun News-Pictorial," Melbourne, December 7), that employment in Government munitions establishments was 126,000 and had been as high as 131,000. He had said a little earlier ("Herald," Melbourne, November 24, 1943), "We have much above £100,000,000 of Government money invested in munitions factories. If these factories are going to be dismantled"—after the war—"there must be a great loss to the nation."

The Minister for Munitions (Mr. Makin) has testified likewise. He wrote in "Rydge's Journal," Sydney, September, 1943, that 49 Government munitions establishments employed in all 50,000 to 60,000 workers; armaments annexes, with buildings and plant mostly owned by the Commonwealth Government, employed 20,000 more; in addition, there is five-figure employment in Government aircraft factories, which do not fall under Mr. Makin's Department. There are possibilities of important Government enterprise, after the war, in these annexes alone. They cover machine tools and gauges, materials supply, gun ammunition, ordnance, armored fighting vehicles, radio and signal supplies, locomotive and rolling stock construction.

In addition, as Mr. J. A. Morley, public relations officer to the Allied Works Council, pointed out in another article in the same number of "Rydge's Journal," the A.W.C. spent £73,700,000 on roads, railways, air slips, buildings and other works, between February, 1942, and August, 1943. The "Age," Melbourne, December 18, 1943, listed among A.W.C. works a graving dock, maritime works, lighter construction, hospitals, dehydration plants and many others. Government investment now probably exceeding £100,000,000 in A.W.C. works, besides "much above" £100,000,000 in enterprises of the Munitions and Aircraft Production Departments and the Australian Shipbuilding Board, is, like those other enterprises, largely convertible to peacetime needs.

Probably "much above £200,000,000" would be a conservative estimate of public investment in industry during the war. *This public investment is about as great as the whole private investment, at the beginning of the war, in ALL forms of manufacturing carried on in Australia by public companies.*

The Statistical Bulletin of the Commonwealth Bank gives total investment in manufacturing and gas and electricity supply companies, in all about 250 in number, as £176,100,000 (shareholders' funds) in 1939 and £186,800,000 in 1940. My own figures, adding the funds of every manufacturing company whose published accounts I have found, show a higher total—something nearer £220,000,000.

At any rate, Government *war* industry only—to say nothing of gigantic businesses like the Post Office, which the Commonwealth runs at a large profit, and the State Electricity Commission of Victoria, which is comparable in capitalisation and earnings with B.H.P.—is capitalised as highly as total private manufacturing industry operated by public companies. (There are, of course, many thousands of small manufacturers, including private companies which do not publish balance sheets, whose investment is additional.)

What a rich prize for Monopoly, if Government were to sell out to Monopoly! What an opportunity missed, if Government were to agree to let Monopoly into ownership and control of these valuable public assets! Outright sale, like that of the Commonwealth Shipping Line after the last war and of New South Wales Government industries by anti-Labor Governments not long before this war, would be a tragedy. Adoption of "the middle way," conversion to semi-

public corporations on the A.W.A. or C.O.R. model, would be a tragedy, too.

In either case, Monopoly would triumph again. Private monopolies would run the aircraft, motors, aluminium, refrigerators production, the shipbuilding and ship-repairing establishments, just as private monopolies control A.W.A. and C.O.R. The retention by Government of shares in such semi-public corporations would be actually an additional *protection* to the monopolies. For the effect would be to warn off and ward off small manufacturers who might contemplate competing with established firms in some industries. Hard enough for the small man to tackle B.H.P., General Motors, Ford's, I.C.I., as things stood before the war. How much less chance, *after* the war, if the Government itself has a vested interest in B.H.P., General Motors, Ford, I.C.I. branch-enterprises?

But if Government, *alone*, continues its convertible war factories to *compete* with the monopolistic firms, that is another story. Then, and only then, the monopolies could be curbed, the consumer protected, national policy to satisfy national needs could be the determinant of our economic future; we should be on the way to production for use, from our present position, which amounts to production for the profit of a few.

Conversion of Government war industries to peace purposes, continued Government ownership and control during and after conversion, Government trading in competition with monopolistic "private enterprise": this is the *only* programme, short of violent revolution, for an Australian community which is determined to break the tightening stranglehold of London and New York and local monopolists on our economy, their stranglehold on our rewards and conditions of work, on our children's prospect of adequate education and independence; on our Governments, on everything, except the hazards of life, like flood and fire, sickness and accident, that concerns us most nearly.

But even if Cabinet's sub-committee recommends post-war action on these lines, even if Labor's Government adopts such a recommendation, that is not enough. For, as the Prime Minister reminded the Australian people in November, 1943, when speaking of the huge wartime public investment and the need for more powers to the Commonwealth if it is to be

preserved, "the High Court has ruled that the Commonwealth cannot trade."

So long as the Commonwealth cannot trade, Government is Constitutionally debarred, from converting its war plants to peace production, and from selling their products to the people in competition with the private monopolies that have commanded so many important fields of industry for so long. So our hope of a future of full employment, social security, is illusory until the Constitution of the Commonwealth is amended. If it be amended by Parliament and people at a referendum, as the Labor Government proposes, one consequence will be that the Commonwealth will be given powers in respect to industrial production. Then, the Commonwealth *could* trade. Support of the Government's referendum proposals is therefore the duty of everyone who wants the future to be for the People and not for Monopoly.

However, simply giving fresh powers to the Commonwealth is not enough. A Commonwealth Government could use its powers over production, if it got them, in the interests either of Monopoly, or of the People. We must see to it that the second course is pursued, and not the first. How can we do that?

Well, in the first place it is essential that our elected representatives understand that Mr. Essington Lewis and Mr. Storey, Mr. Hartnett and their fellow-monopolists, are not going to conduct Government industry in peacetime, either officially as they are doing during the war, or indirectly, as they might do were a Menzies-type Government to gain office.

We must not tolerate the establishment in Australia of the machinery of the Corporate State on the fascist model of Germany or Italy. But such a state of affairs is just round the corner, awaiting us. "The State does not take over the monopolies—so the monopolies take over the State": that is what we have to avoid. That is what we have to see our elected representatives are *instructed* to avoid.

It can be done. There are honest men, in the Curtin Labor Government and in the Parliament of the Commonwealth where Labor's majority is so big. They must be given a programme, positive proposals. The monopolies must not be allowed to take the initiative and, whether through a Labor

Government or another, get themselves established as *the* agents of post-war reconstruction.

High in the list of priorities for a people's programme comes, after the necessity for Constitutional Amendment to give trading and other powers to the Commonwealth, the preparation and enforcement of a taxation policy which will hold the monopolies at bay while Government factories are converted and put to production of utilities.

To illustrate the sort of taxation policy to be avoided, Mr. Menzies' taxation policies of three years ago, when he was Prime Minister, are worth recalling. His taxation policy positively favored the big company, placed the industrial monopoly in a specially advantageous position as compared with little new competitive firms.

It suffices to take a capitalist's account of this, Norman Bede Rydge's in his own "Rydge's Journal," March, 1941. This director of companies was referring to new taxation which the Menzies Government had recently imposed on business companies. Formerly they had paid 5 per cent. flat rate tax on profits. Now they were to pay, also, excess tax on profits above the equivalent of 8 per cent. return on capital. But "capital" was to mean paid-up capital *plus undistributed profits, reserves.*

This meant that most big companies escaped scot free. For, generally speaking, it is the biggest and best-established companies, which have long made handsome profits, that have accumulated the biggest reserves. All public companies each having more than £1,000,000 shareholders' funds, had averaged in 1940 rather *under* 8 per cent. profit, that is, net profit; not quite the same thing as what the Tax Commissioner calls profit—on their shareholders' funds. But they had averaged nearly 10 per cent. net profit on their paid-up capital, or nearly 12 per cent. on their capital paid-up in cash.

The prosperous small company, on the other hand, though it too might have made 10 per cent. or 12 per cent. on its paid-up capital, would find that its profit represented almost as high a percentage on the whole of its shareholders' funds, as on its paid-up capital alone. The reason is, of course, that such companies have had little time to accumulate reserves. For these reasons, excess wartime profits tax, as interpreted by Mr. Menzies, was only a joke, as far as the monopolies were

concerned. Even Mr. Rydge felt constrained to write in his journal:—

“There is one effect of the recent tax increase which has just been recognised . . . . The richer the company is, the richer it can grow. The effect of the incidence of the present rates of income taxation is to protect capitalism as it has never been protected before . . . . To-day we are growing more and more a nation of large companies. The small man is being pushed out, and the big company is flourishing.

“The incidence of taxation at present makes vested interests more vested, and prevents competition arising which will challenge vested interests . . . .”

Well, Labor in its post-war reconstruction policy, including its company taxation policy, *must* challenge vested interests. Certainly Mr. Curtin's wartime company taxation policy has been a great improvement on that of his predecessors. Mr. Curtin's Treasurer (Mr. Chifley) raised ordinary company tax, which had been 1/- in £1, to 6/- in £1. Wartime tax on companies' profits now ranges from 6 per cent. on the first 1 per cent. of profit above 5 per cent., up to 78 per cent. on all profits above 17 per cent. Labor also imposed a 2/- in £1 tax on undistributed profits, which falls particularly heavily on monopolistic and other big companies with large accumulations. And this is the sort of tax policy for companies which should be maintained after the war. One means of keeping the monopolies on the leash is to enforce a tax policy which will favor new competitive enterprise, whether Government or private enterprise, over Monopoly. With this tax policy must go continued public control of new capital issues—lest monopolies seek to circumvent Government by distributing their eggs in a number of little-company baskets—and continued prices control—lest monopolies seek to set an extravagant price on products they alone can supply.

Another policy in relation to companies which it will be necessary to put into effect is overhauling and change of the company law. At present, this is an affair of each State Parliament. (And when has a State Parliament moved against a Monopoly?) Company law should be uniform throughout Australia, should be a Commonwealth matter. And the uniform law should require the publication of real balance sheets, balance sheets and profit-and-loss accounts

which reveal, instead of hiding, the true financial position of companies. Nothing in the existing State Companies Acts, for instance, requires B.H.P. or any other 'monopolistic organisation to publish the affairs of its subsidiaries. Yet it is vital that the Government and the public should have this information, if the activities of monopolies are to be effectively controlled.

The Victorian Act, grotesquely, gives companies having subsidiaries, the *option* of publishing *either* consolidated accounts of the principal company and its dependent companies, *or* accounts of each group-company separately. Needless to say, B.H.P. and the other big companies registered in Victoria publish the consolidated accounts, which reveal nothing about the ramifications of the monopoly, and not 14 or 15 separate sets of accounts.

Again, another company law reform which is long overdue is a requirement that of so-called private companies, those exceeding a certain size, and those which have public company directors on their boards of directors, or which have substantial amounts of other companies' money invested in them, should publish their accounts. At present, private companies are not obliged to publish any accounts at all. Yet private companies like Collins House's Electrolytic Refining and Smelting Company, Collins House's Australian Aluminium Company, B.H.P.'s Commonwealth Steel, its Commonwealth Rolling Mills, are all big companies with 7-figure capital. Ford Motors and the Australian branches of the Shell and Vacuum oil trusts are private companies. Their finances, especially their financial relationships with other monopolies here and abroad, are of vital interest to the community on which they live. Their affairs should be brought to the light of day.

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Now, none of these so desirable reforms, none of this programme for control of monopolies in the public interest, will be achieved unless public and Parliament are *educated* in Monopoly and what it means. Probably Dr. Evatt's Constitution Amendment referendum, which has been talked of for about 18 months already, will be lost, if this issue of Monopoly, as the nigger in the woodpile of post-war reconstruction, is not generally understood. *The job of gathering information, and the further job of imparting this*

information to Parliamentarians and electors, devolve upon the Labor Government.

The test of Labor's sincerity lies here. If the Government is in earnest about preserving the public property, our investment in public industrial undertakings, if it is really concerned to protect the consumer against monopolists' rapacity after the war, if it sincerely intends to reconstruct our economy according to principles of full employment on fair and reasonable terms, adequate educational opportunities, adequate housing, food and clothing, social security, then it must inform the public mind. Government must give us the facts, so that all may understand the issue. The choice with which the Australian people are confronted is perpetuation of war-strengthened Monopoly, or else Post-War Reconstruction on a pattern of Government control of monopolies, Government *competition* with monopolies.

## APPENDIX

### The Australian Labor Party and Monopoly

THE 1905 Federal Conference of the Australian Labor Party adopted as the party objective this formula, proposed by the A.L.P., New South Wales:—

"(a) The cultivation of an Australian sentiment based upon the maintenance of racial purity, and the development in Australia of an enlightened and self-reliant community;

"(b) The securing of the full results of their industry to all producers by the collective ownership of monopolies and the extension of the industrial and economic functions of the State and Municipality."

Sixteen years later the 1921 Federal Conference adopted the new "Red" objective:—

"1—The socialisation of industry, production, distribution, and exchange.

*Principles of action.*

"2 (1)—Socialisation of industry by—

(a) the Constitutional utilisation of the Federal, State and Municipal Government, parliamentary and administrative machineries;

(b) the extension of the scope and powers of the Commonwealth Bank until complete control of banking and credit is in the hands of the nation;

(c) the organisation and establishment of co-operative activities, in which the workers and other producers shall be trained in the management, responsibility and control of industry;

(d) the cultivation of Labor ideals and principles and the development of the spirit of social service;

(e) the setting up of labor research and labor information bureaux, and of labor educational institutions;

(f) progressive enactment of reform, as defined in the Labor platform."

The following are revealing extracts from newspaper reports of the A.L.P. Federal Conference, held at Canberra in December, 1943:—