

SUBMISSION TO THE FINANCIAL SYSTEM INQUIRY

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AUSTRALIANS MONETARY SYSTEM

In this submission I would like to stress the importance of Australians maintaining complete control over our own monetary system.

Part V. Section 51 (XIII) deals with the Commonwealth's power in respect of banking and the issue of money.

Unfortunately it appears to me that the Australian Government is exercising very little control in matters concerning the creation of credit and the expansion of the money supply.

Let us first look at the fundamentals of our situation. We are a country rich in natural resources, with an oversupply of manpower as evidenced by our unemployment problem.

There are numerous worthwhile projects which cannot be undertaken due, not to a shortage in materials or lack of manpower. The limiting factor is always MONEY.

If we can agree that lack of finance is the major restriction in utilising our great country's resources then it behoves us all to look more closely at this vexing question.

What is the purpose of MONEY?

Money is quite obviously a medium of exchange, a method of facilitating an exchange of goods and services between the people.

If some of us have goods and services to offer our fellow citizens, and those fellow citizens in turn can offer their goods and services to others, there should be no man made barrier to a free exchange which will benefit all.

This is all very well but someone has to be responsible for the issuing of sufficient money tokens to allow for an unrestricted exchange of goods and services.

Section 51 (XII) of the Constitution gives the Parliament the "power to make laws for the peace, order, and good government of the Commonwealth with respect to currency, coinage and legal tender."

In practice, however, the Parliament permits the private Trading Banks to issue the vast majority of legal tender in the form of cheques which accounts for nearly all the so called money in circulation.

Somehow there is never enough money in circulation to purchase all the goods and services being offered. This creates a demand for MONEY which has to be satisfied first before the goods and services can be utilised.

It is therefore necessary to borrow from someone who is in a position to create the necessary credit to pay for goods and services.

In Australia this is provided principally by the Trading Banks acting within regulations as decided by the Parliament.

Historically the lender always demands more in return than was lent. This difference is commonly referred to as interest.

The flaw in a system such as this is that, when money is issued into existence as a debt, the extra money which has to be repaid in the form of interest, has not been issued. Consequently the only way the interest can be paid is by the creation of further money which is again issued as a debt attracting further interest which necessitates the creation of further money at interest and so on infinitum.

It follows that it must be mathematically impossible to pay all debts because there is always insufficient money in circulation to repay the principal and the interest. This ensures that there is always a shortage of money which creates a strong demand for it as if money were a commodity instead of an intangible medium of exchange which is represented in the main, not by gold or silver or notes or coins but only by figures in books.

The magnitude of the problem is portrayed quite graphically by the Australian Government's overseas debt, now approaching \$300 Billion, which has trebled in the last nine years.

Quite obviously there has been insufficient money in circulation to allow the Government to carry out its programmes so it has borrowed the short fall from someone outside Australia who has lent us this money on the assurance of the Government that it will repay the loan, with interest, from its principle source of revenue - TAXATION.

Has anyone noticed how this borrowed money arrived in Australia? Did a shipload of gold or foreign currency arrive and was it unloaded under armed guard?

I think not. In reality someone acting on behalf of some international Bankers simply made an entry in their debtors ledger and someone acting on behalf of the Australian people made a corresponding entry in our creditors ledger which allowed all this to take place.

This being the case, one must ask the question, why don't we make our own book entries and issue into existence the same money which we are at present borrowing overseas, which would not have to be repaid by exporting shiploads of Australia's real wealth or by allowing our country to be sold off to foreign interests?

In short, I am advocating that the Parliament should ensure that it has adequate powers under the Constitution, and then exercises its right to issue into existence the credit necessary for the undertaking of any worthwhile project which is possible given the resources and manpower available to us.

The advantages to one and all of the government issuing credit for worthwhile purposes can be easily illustrated by the common example of a young home buyer who wishes to borrow \$100,000 to purchase a modest home.

The Bank created credit now available at 9.25% interest will cost the young home buyer \$857.31 per month for 25 years, by which time he has paid back over two and a half times his original borrowings; enough to build almost another two homes.

An advance of Commonwealth Created Credit of \$100,000 to the young home buyer would cost around \$335 per month to repay over 25 years, an immediate and direct benefit of some \$522 per month to every young home buyer.

When you consider what the average family could do with an extra \$522 in the hand per month after tax, and how many families could afford to buy their own homes with repayments of \$335 per month instead of \$857 per month, and how redundant resources in the building industry could be re-employed, it is not hard to imagine how the economy of this country could be turned around overnight by a Parliament which is prepared to exercise its power under the Constitution to take control of our monetary system and provide finance with our national credit in lieu of creating a national debt.

The proposed Financial System Inquiry would appear to me to be an excellent opportunity for Parliament to accept the responsibility already vested in them to ensure that we have a fair and equitable monetary system which enables our country's vast national resources to be utilised for the benefit of all Australians.

Signed:
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