

Red Ted and the Great Depression

This is Part 2 of a presentation given by Craig Isherwood, CEC National Secretary, to the May 2013 CEC National Conference in Melbourne. It is a transcript of both Craig's speech, and the historical archive video featured in the presentation.

Dad and David Skit:

Dad acting as a politician addressing an audience: "This is the first chance I have had to talk to yer, and I am comin straight to the point! What is the farmer's best friend?"

Member of audience: "The bank!"

Dad: "Quite right. But not the bank that you mean. There is one bank that never charges interest!"

Member of audience again: "Lead me to it Dad!"

Dad: "I will! The river bank."

Isherwood: So here you have on July 2, Scullin, who was very ill with pleurisy, announcing he was going to the Imperial conference in London.

On July 6, four days later, Theodore was forced to resign as Treasurer.

In July 14, 1930 a week after Theodore resigned, an economic delegation arrived in Australia led by Sir Otto Neimeyer from the Bank of England.

Neimeyer told the State premiers: governments must follow the principles of 'sound finance'. Stop borrowing, reduce expenditure and balance budgets.

Neimeyer had been invited by the Chairman of the Commonwealth Bank Sir Robert Gibson, obviously to counter the threat of Theodore at that time. Gibson insisted that the Australian governments and banks meet the terms of the Bank of England; only then could they meet its overseas debts and maintain its credit rating. This austerity programme was called "Sound Finance".

The State Premiers and acting treasurer Joe Lyons, pledged to balance their budgets by the end of the financial year, which of course is June 1931.

Another piece of cowardice, and I don't know what else you can call it, but in the absence of Theodore, in August 1930, the Scullin cabinet reappointed Sir Robert Gibson as Chairman of the Commonwealth bank, against the protests of Anstey and some other Labor members.

This was done, the cabinet said, to make Scullin's mission in London, later in August, easier.

Theodore meanwhile from the back bench challenged



Jack Lang

Neimeyer's prescriptions by writing a lot of articles. His solution put employment first. Theodore was a self-educated man, who was an avid reader, and had every qualification to challenge the likes of Neimeyer. But that was not all Theodore had to concern himself about.

Narrator: When Theodore had moved to Sydney he stepped onto the turf of the big man of NSW Labor, Jack Lang.

Bill Brown, Theodore's campaign manager 1928: "Jack Lang regarded Theodore as a political rival, something I'd never understand. Theodore didn't criticise him, Theodore did not want to run the NSW Labor Party. But Lang turned on Theodore and I remember the organising secretary saying to the party, 'These two will fight it out!' I think that was Lang's idea."

Narrator: "In October 1930, Jack Lang regained the NSW Premiership by rejecting the belt-tightening of the other Premiers."

Max Orken, ex Senior Public Servant: "Boy he was a spell-binder. He had a rasping, snarly sort of a voice, and there were no amplifiers in those days, I was, say, within a couple hundred yards from him and he said, 'I'm determined that the babies of Balmain will not suffer at the hands of blood-sucking bandits like Neimeyer from the Bank of England!' That sort of thing. He was a frightening speaker, he was the sort of bloke—he snarled. 'The blood suckers of Britain', he used to say."

Jack Lang 1970: "Private enterprise collapsed. Threw them out onto the street unemployed. Their bosses didn't want them—they could starve, they could perish!"

Isherwood: But by Christmas 1930, under Lyons, unemployment had increased to 20%, and there were no solutions in sight. By early 1931, the State governments realised that they could not balance their budgets as previously promised to the Bank of England after Neimeyer's visit.

Since Theodore's resignation in May 1930, this Labor government, without Scullin (who was still in England)



Acting treasurer Joe Lyons.

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had drifted being incapable to make decisions. Lyons supported Niemeyer's solutions, called "sound finance", of cutting wages, salaries and pensions. This was classical economics, and the rest of the Labor caucus was not buying it.

Now, this next clip contains some important information, but it is extremely deceptive. You are going to hear how Ted Theodore was supposed to have been persuaded by the increasingly famous John Maynard Keynes.

When you read biographies about FDR, you also hear reported the fact that FDR was fascinated by Keynes. But that does not mean that either men were pro-Keynesian. I think the evidence of that was the previous attempts to get the Reserve Bank Bill into Australia.

Watch this clip, and I will explain after it.

Jim Cairns, ex Federal Treasurer:

"Classical economists were supply side economics, they only looked at the costs of production, getting costs down with all that that involved, as the main way to prosperity. The supply side—that is classical economics. That is economic rationalism as it has come back now."

Narrator: "The great depression was a boom time for economists. Economics was in the spotlight as never before."

John Maynard Keynes: "We have nothing to fear ..."

Narrator: From Cambridge John Maynard Keynes challenged the orthodox fixation with the supply side.

Jim Cairns ex Federal Treasurer: "He said the main thing in prosperity is effective demand for goods and services that are produced down there on the supply side. Unless you have enough effective demand they won't function on the supply side, no matter how low they can get their costs. The lower that they get their costs the less effective demand there will be,

because costs become income, income becomes spent in effective demand and if you cut your costs down very low you will be cutting effective demand as well. So you can't make business prosperous unless it can sell its stuff!"

Narrator: "The first copy of Keynes' *Treatise on Money* to reach Australia, was flown out for Ted Theodore. From the back bench Theodore put forward a Keynesian plan for Australia's recovery. He agreed that national income had shrunk dramatically, but pointed to the impact of orthodox cost cutting, industry paralysed, business confidence shattered, and unemployment spiralling. The free market had failed to meet people's needs. It was time for bold government intervention he said.

Attack unemployment first by stimulating the economy through controlled credit expansion."

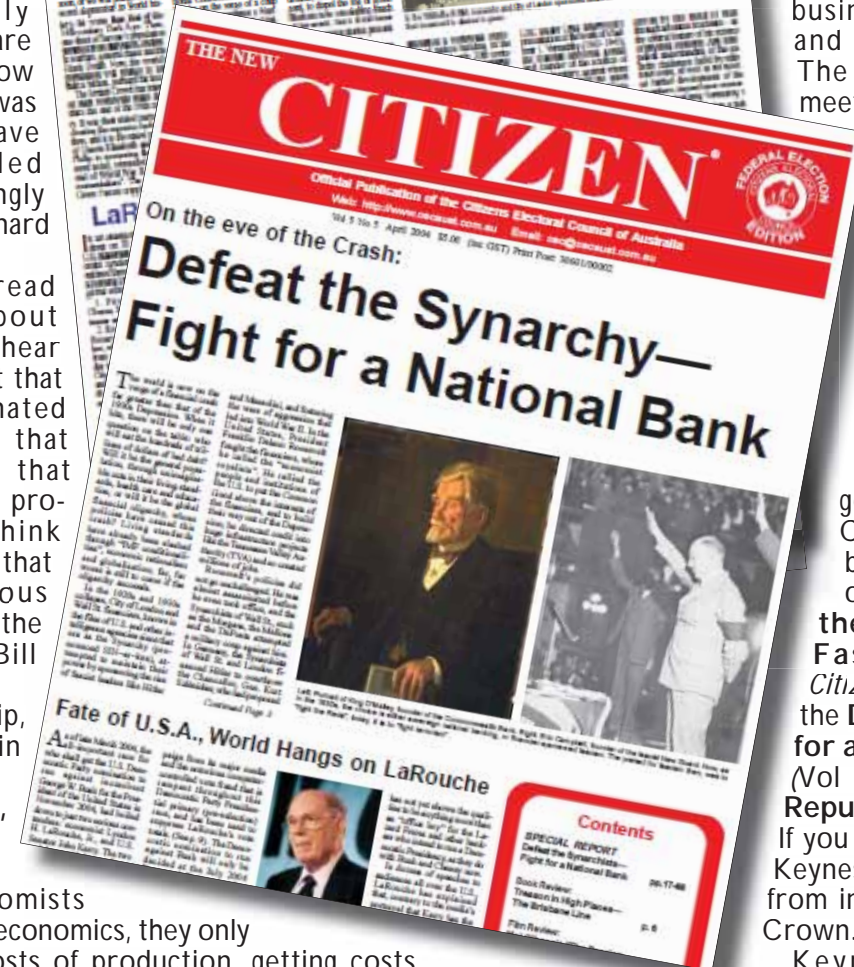
Isherwood: So if you were just an ordinary person you would think at this point that John Maynard Keynes made a contribution. No.

It is necessary for you to go back at look at our New Citizens on this subject. Go back a read what we have put out on this, in the **Defeat the British Crown's Green Fascist Dictatorship** *New Citizen* (Vol 7 no 6 Oct 2011), the **Defeat the Synarchy, Fight for a National Bank** *New Citizen* (Vol 5 No 5 April 2004) and our **Republican Pamphlet** from 1999. If you study those you will see that Keynes is an operation top down from inside the heart of the British Crown.

Keynes was not just some economist who thought up some mystical economic theory. He was the head of the Apostles. The Apostles—yes there were 12 of them—were the leadership of a very high level British Empire college called Trinity college based at Cambridge University.

Cambridge University itself was taken over in the times of King Henry VIII under the direction of a Venetian priest named Fransico Zorsi. You may know the sex story of King Henry the VIII—he wanted to get a divorce from his wife Catherine of Aragon, but that was not allowed under the Catholic Church, so under the advice of Zorsi, he set himself up as the head of the Church, divorced his wife, and also took over the Catholic Church in England at that time, including its monasteries.

Two of the Catholic monasteries, which became



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universities, were called Cambridge and Oxford.

Cambridge University became the world's premier think tank. It was the elite university in Britain, and Trinity College the elite college within Cambridge, and the Apostles where the elite within Trinity. The Apostles members were recruited from the brightest of undergraduates students or from the ranks of the ruling families; in either case, before his recruitment each candidate was carefully vetted and had to prove his degeneracy before admittance. Typical of such priesthoods, by the time of Bertrand Russell in the late 19th Century, the apostles avowed their adherence to what they called "the higher sodomy".

So, here you have Keynes, but there is much more, as this article from *Executive Intelligence Review*, **Keynes' Fascism with a British Face** (Jan. 8, 1993) recounts:

"First, Keynes was an open support of eugenics, or what the Nazis called 'race hygiene'. He was a leading member of the British Eugenics Society, which right up until the late 1930s hosted and praised some of the same Nazi 'race scientists' who went on to design Hitler's 'final solution' policy and were finally condemned at Nuremburg for mass murder.

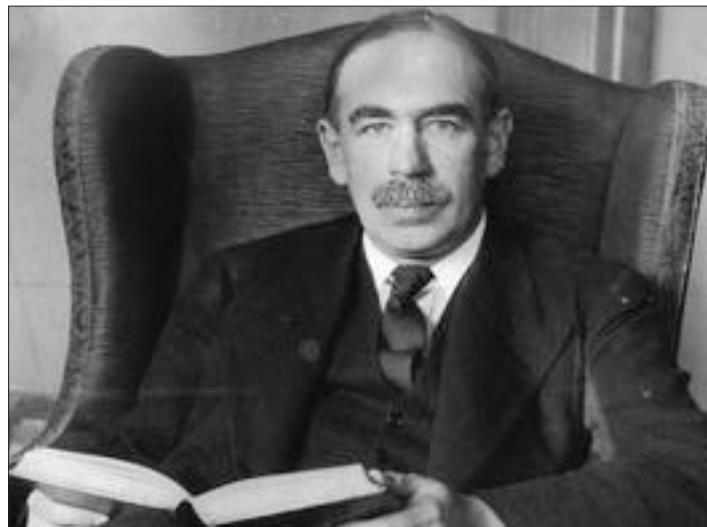
"Second, Keynes was a fanatical Malthusian, sharing thereby the same underlying philosophy with moved the Nazis to practise 'population control' against the populations of eastern Europe. In fact, Malthusianism was the central axiom of Keynes' economic theories.

"Third, Keynes nurtured a violent hatred against the republican economic principles associated with G.W. Leibniz, Alexander Hamilton and Friedrich List, upon which the rise of a free and prosperous Germany, up to World War I, had been based; and which the Hitler-Schacht collaboration was intended to destroy once and for all."

So, this is the guy rolled out internationally as the guru to fix economic problems and the economy. No! The intention is to drive away any idea of this concept of sovereign control of credit.

I mentioned before that Theodore had already introduced a bill, the Reserve Bank Bill. What was its intention: It was to use the power of government to regulate the currency.

Keynes job was to use statistical monetarist methods to muddy the water up so much, to destroy the idea of



Economist John Maynard Keynes



sovereign governments acting to control their currency or emit credit. [Keynes advocated increased government spending, but funded by borrowing from private interests, not by governments issuing their own credit.]

The issue is therefore clear: were sovereign national Governments going to control the emission of credit for the development of Nation states, or will this be left as the sole prerogative of the private bankers associated with the City of London"

Lincoln showed what could happen. FDR, through the Reconstruction Finance Corporation, a wholly owned corporation of the U.S government, created the national credit to rescue America, when the private banks were going under.

The British were losing control, in Australia, and around the world, so to maintain control, they promoted Keynes and his statistical monetarism as the solution.

Since Labor had won office, unemployment had increased at a rate of 1% per month. Today, a small rise from 5.6 to 5.8% made headlines here in Victoria! When Scullin returned to Australia on 6 January 1931, he faced a country where real unrest was beginning to break out. Unemployment had broken through the 20% mark. It is important think about—what would Australia look like today if unemployment was at 20%. Is that possible today? Well, what happens when we lose our export markets to China, and elsewhere? This is not unthinkable today.

Scullin appealed to the people again, and then shortly took action.

Prime Minister James Scullin: "My message to the people of Australia today is this: no matter what you may read or what you may hear, I ask you to believe me! That the government of Australia will do nothing to ruin Australia or run it over the precipice. I ask, [Applause] I ask that you will have confidence in your government, that you will have confidence in your Nation, and that you would have confidence in yourselves!"

Isherwood: Scullin acted by reinstating, on January 26th, 1931, Ted Theodore as Treasurer, without the Mungana affair being settled.

The establishment had real reason to fear Theodore, as he began to propose solutions that put the general welfare first.

For example, just the first day after he had been reinstated, Theodore gave an address during the Ashfield by-election in New South Wales, favouring credit

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creation. Theodore, now as treasurer, could argue with more force that government intervention was required to increase aggregate demand [spend money into the economy so that that money could be used to employ people], to put people back to work. Yes, Mr Keynes, the free-market had failed!

Now, Lang, as you can imagine, was less than impressed with these new developments and said: "With Theodore back in charge of the Commonwealth Treasury I realised that he was still my most bitter enemy."

Two days later, on 28 January, 1931, Joe Lyons resigned from the ministry in protest, but really, this was just an ace-in-the-hole for the counter attack against Theodore from inside the Labor party.

Four days later, on February 4, Lyons went to Melbourne to hand over his portfolio to the next member, but to also meet secretly with Staniforth Ricketson and the Group of Six. Staniforth Ricketson (later Sir Staniforth) was chairman of directors of J.B.Were and Son, the largest stock broker in Australia between the wars, and the underwriter of Australian Government loans taken up within the country. (Most Australian loans were floated in London, being handled by the firm of Nivison, one of the five big financial firms of the British Empire; Ricketson was on intimate terms with the Nivison executives).

The Group of Six were a powerful grouping of businessman and journalists around Ricketson, who hated the Labor party of Scullin.

With Sir Robert Menzies present at the meeting with Lyons, they asked Lyons to leave the Labor party and form a temporary government. As you will see, later in this presentation, Lyons split the government and formed the UAP, United Australia party. (See *The Melbourne Committee* pp. 32, 40 *Synarchy New Citizen*.)

As the Commonwealth Bank under Gibson blocked all attempts to provide credit, no matter what, from earlier appeals by Theodore, Theodore began proposing

a fiduciary note issue of £18 million, which became the cornerstone of his plan that he later took to a Premiers' conference called by Jack Lang, in early February 1932.

Now a fiduciary note issue means that you issue credit in the form of bank notes, without the backing of gold. Up until this time, all the bank notes say, if it is £10 note, this note is redeemable in gold.

What Theodore was saying is that we are going to use the wealth of our government to back our currency. Theodore said that we propose to create £18 million of this currency, as an economic stimulus—that is a wrong word these days under Rudd—to boost purchasing power.

He also said that we are going to increase the total tax revenue, obtained from bond holders, from £400,000 per annum to £5,000,000 per annum; in other words—tax them more.

He said that the government would decrease interest rates; it would take control of idle gold reserves because the gold itself was acting like a defacto currency behind the scenes; and it would regulate the overseas transfer of Australian private and corporate funds. In other words, the government would begin to control the private banking system that could play havoc in trade.

Theodore stated "The £18 million credit expansion will provide jobs for 40,000 to 50,000 men, and their employment and their spending power will create opportunities for the employment of another 40,000 men..."

Of the £18 million, £6 million would be issued for the purposes of providing relief to wheat growers.

The remaining £12 million would be issued in amounts not more than £1 million per month for the purposes of providing employment in public works.

Fiduciary note issues were not new. They were common in England already! As Theodore told the parliament in his 17 March 1931 address, "In England a form of currency known as fiduciary currency had been in operation for many years, and is now under management of the Bank of England. ... Under the British Currency and Banknotes Act 1928, the Bank of England ... [can issue] banknotes representing £260,000,000 in excess of the notes issued against gold."

In England you could issue £260 million but in Australia it was bad news to issue £18 million!

The principle of all of this as he told the parliament in his speech of March 1931...we have a country that is wealthy, that is OK, why not issue the currency against the wealth of the nation?

He said: "*Australia is faced with a crisis which may be described as the result of the breakdown of our monetary and economic system. That breakdown is evident when we reflect that, although our productive capacity is almost without limit, many thousands of our citizens are either starving or are on the brink of starvation.*"

To be continued...



Sir Staniforth Ricketson, head of J.B. Were & Son (Australia's largest brokerage).

