Adv. 16.5.23

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(Contd)

PROFESSOR PHILLIPSON AND MR. O'HALLORAN.

To the Editor.

Sir—Mr. O'Halloran, mirabile dictu! (to use his own phrase), makes another appearance, and even now, after my full analysis of the nature and grounds of his attack and my demonstration, almost mathematical, of the hopeless untenability of his contentions and pronouncements, persists in misinterpretation and misrepresentation. I did not describe him as a frog in the pond; I gave him a proverb, in the hope that he might draw a useful moral from it. As he insists on taking the words literally, it is not my fault. If Mr. O'Halloran, looking at a damaged engine on his train, says to the engineer, "A stitch in time saves nine," does he expect the engineer to take the proverb literally, and send for a needle and thread? Mr. O'Halloran, evidently smarting under yesterday's coup de grâce, which, by the way, he wrongly takes to mean only death-blow, next quotes a nice passage, a fresh one, from my evidence. "It is quite possible to get all you want from a witness in a quiet, simple, and gentlemanly manner," &c. He insinuates that I myself did not adopt this principle of procedure in dealing with him; and, strangely enough, even here he misconstrues the whole position by dragging in analogies which are inapplicable. The excellent principle I enunciated is obviously intended as a guide to counsel in a powerful, protected, privileged position when dealing with a witness, so frequently nervous and resourceless, who, being in the strange environment of a court, scarcely knows at times what he says. I have seen the sufferings of more than one witness, and my heart has gone out to them in mere human feeling. But Mr. O'Halloran, on the contrary, was my unjustifiable assailant, as the chairman of the Commission told him before I did; and not only that, but persisted in his groundless attack, making his conduct and his provocation worse and worse. So that surely he cannot compare himself to an innocent witness in the box, who may not be a party to the dispute at all. And even then I followed my rule; for, despite such provocation as demanded almost the use of a sledge-hammer, I was content to use merely a light rapier-thrust in a "quiet, simple, and gentlemanly manner." I can assure Mr. O'Halloran that I know many a gentleman who, in like circumstances, would have treated him in a far severer manner, and without ceasing for a moment to be gentlemen. If the reader, who happens to be interested in the matter, will glance at my letter in "The Advertiser" of May 14, and compare it with this last letter of Mr. O'Halloran, he will see at once there is no need for me to deal again with his repetitions. Advertisers know well that if they repeat a thing often enough, the public, a part of the public, will begin to believe it. Finally, Mr. O'Halloran offers an apology. Certainly I think he ought to do, as the best way in the circumstances of extricating himself from a bad job and from an exhibition which he ought not to be anxious to repeat. But his apology is not of the right stuff. He apologises for his "temerity in holding and expressing an opinion which is contrary" to my views. No, no; this will never do! Any person is entitled to have his own opinion and preferences, no matter how far they differ from mine or from those of anybody else. Mr. O'Halloran may be of opinion that "hunting the slipper" is a more desirable recreation than walking in the hills; for aught I care, he may prefer pea-soup to turtle-soup. About all such things I am indifferent. "De gustibus non est disputandum." But what I am concerned about is fact and truth; and I am still more concerned about it when misdirected sneers are thrust in as a cacophonous accompaniment to the distortion of fact and truth. Therefore, if Mr. O'Halloran does not care to make a proper apology, I shall not press him to do so, but shall remain humming (not singing, alas!) the delightful old nursery rhyme of "Humpty Dumpty."—I am, &c.,

COLEMAN PHILLIPSON.

North Adelaide, May 15, 1923.

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QUESTIONS OF GRAMMAR.

From PROFESSOR PHILLIPSON:—I note a letter signed by "Merely Australian." There is no need for me to answer a correspondent who prefers to skulk in the dark. Besides, the structure of his letter and the way he read mine show clearly that, whoever he is, he is not worth even the briefest reply.

THE JOSEPH FISHER LECTURE.

"MONEY, CREDIT, AND EXCHANGE."

The Victoria Hall was crowded on Wednesday evening, when Mr. J. Russell Butchart, of Melbourne, delivered the Joseph Fisher lecture in commerce. The lecturer took for his subject "Money, credit, and exchange." The chairman of the Board of Commercial Studies (Mr. Russell Booth) presided. Among those present were the Vice-Chancellor of the University (Professor Mitchell), Dr. H. Heaton, and Messrs. J. R. Fowler, W. Herbert Phillipps, W. Ham, W. Sutton, R. M. Steele, and R. J. M. Clucas, and Colonel Price-Weir, and all the members of the University Board of Commercial Studies.

Mr. Booth, in introducing the lecturer, said it was 20 years since the Sir Joseph Fisher medal of commerce had been instituted, and the delivery of the Joseph Fisher lecture every other years arranged for. This was the 10th such lecture. Mr. Butchart was well fitted to speak on the subject he had chosen, as he was an operating member of a firm of foreign exchange brokers.

The lecturer said all democratic Governments legislated regarding the note, but ignored the deposit. The Commonwealth Government took over the note issue, but left the deposit. The deposit, however, was the vital fact, and it was evident that the Government had no clear understanding of the system. The discovery that the promise to pay gold coin on demand by a bank facilitated the circulation of money was a great discovery, and rendered possible all the vast commerce and exchange built up on indebtedness. The debtors owed the banks what the banks owed the creditors, and 99 per cent. of the commerce of the day was built up on a promise to pay on demand by the banks. The first modern bank was instituted by the merchants of Amsterdam in 1609, and Amsterdam was the first commercial city in the world. The merchants were continually experiencing difficulties of various kinds in connection with their metallic money, so they decided to receive deposits of worn, clipped, or heterogeneous coins and reduce them to one common standard of value. The metallic money was thus warehoused and held at the disposal of the depositors. Bills of exchange, payable in bank money, were made legal in Holland, and the success of the bank assured. The foundation principle was that the total deposit in the ledger must equal the money in the safe. The Bank of Amsterdam, however, found in time that the bulk of this metallic money never left its vault, as the system of transferring from one account to another grew up. Thus it came about that release of debt was accounted equivalent to its payment. Bank officials could make internal transfers, but they could still only balance the ledgers by the money in their safes. They found they had more metallic money lying idle than they wanted, and the bank officials broke the foundation principle when they gave deposits without coin by making advances to their customers. These appeared on the ledgers as assets on the one side and liabilities on the other. As £25 out of every £100 was ample to hold in coin then by advances and discounts, £300 could be advanced, and with the first £100 made £400. The £300 carried interest of course, and it would be readily seen that a most profitable business had been discovered. The bank officials were punished for allowing their liabilities to exceed their metallic coin, but every bank to-day followed that principle.

In September, 1914, the Commonwealth had pledged itself to help Great Britain, and the first expeditionary force had been raised. Money was urgently required, and instead of the straightforward, expensive way of borrowing at interest, Mr. Andrew Fisher saw an easy way to raise it. It was one of the planks of the Labor Party that the issue of notes belonged rather to the Government than to the banks. On October 2, 1914, therefore, Mr. Fisher fired a bombshell into the banks of Australia by demanding a £10,000,000 gold loan without interest, the banks to receive Commonwealth notes in return. After some disagreement the banks acquiesced. The way had been paved, however, for weeks before, when the banks themselves made the most momentous change that had been known in Australian finance, by giving up the gold settlement between banks and accepting notes at the clearing house instead. This was a tremendous significance, as settlements in gold had hitherto created a definite limit of credit. The fundamental principle in bank solvency was the readiness to pay at a moment's notice, or long notice as the liabilities became due. The gold value was a remarkable brake on the banking trade. The expansion of banks which followed the breaking down on this principle, stimulated imports by giving the public great spending power with the consequent withdrawal of cash from the London banks to meet the cost of Australian imports. As an inevitable reaction came a restriction of credit, and many businesses, in liquidation until the cycle was completed. Returning once more to the first days of the note issue, the Commonwealth Government agreed that the banks should have three notes for each sovereign lent to the Treasury, but even then they did not readily accede to the request. With the war loan, however, they found they could get more notes in proportion to their own customers' contributions, and this was most profitable, both to the Government and to the banks. Borrowers got their money easily, land values and rents went up to unprecedented heights, as also did wages and the prices of commodities. People with fixed incomes naturally suffered severely. The free advancing of credit by the banks gave the public increased buying powers and there was a feeling of financial security and prosperity. When the shipments of gold were prohibited, however, there was something of a crisis in London money circles. In Britain it was interesting to note the tendency towards a resumption of gold payments.

Prior to 1914 money in Australia was kept from varying in value by its ready convertibility into gold, which was the great stabilising medium of international money. With a sovereign containing 113 grains of fine gold, the only variation really possible was the cost of shipping. As soon as this stabilising agent was dispensed with, money value altered altogether. For 10 months now, for instance, London money had been at a discount as against Australian. If gold could not be freely shipped from Australia there were no limits to the variation which might occur. From 1900 to 1914 exports and imports followed one another closely. But from 1914 to 1922, with the credit based on the paper basis, and with an absence of free movement of gold, there was a large discrepancy. In 1921 the remitting broke down during a period of unprecedented importing. Those violent and agitating fluctuations were only possible because there was no free movement of gold, and time would be required to recover from the heavy stress of imports or exports.

The Freetrader said imports could only be paid for with exports. The Protectionist, on the other hand, wanted to sell in the outer world while purchasing everything in Australia. Australians were largely Protectionists, and did not give enough consideration to a deep underlying law regulating imports, which could only be bought with the proceeds of sales. No tariff laws could annul that fact because exports and imports were purely reciprocal. Every individual bought imports, and only a few exported. Every exporter put money in the Australian offices of the London banks. The banks were the governing factors in the overseas trade. The trade of the past few years was particularly interesting. Imports had grown from £99,000,000 in 1919 to £164,000,000 in 1921. November and December of 1921 would long be remembered, for the banks which had been too liberal in credit now became too niggardly. Happily, however, these ludicrous and agitating convulsions appeared to be nearing their end, and a period of equilibrium was approaching. There was a very close monopoly of the exchange business by Australian banks, who would not open an account with any English or foreign company which proposed to enter the exchange business. By their combination they obtained rates of exchange beyond those which trading conditions warranted, and there was little doubt that the Commonwealth Bank had also taken its share of the monopoly profits. The cost to the banks of putting money into the London banks should govern the selling price of money. The banks, however, made profits in London at rates ranging from 7/6 to several times that amount over legitimate interest. Sight drafts proved more profitable to them than 60 day drafts. Buying rates in Australia had not varied for 12 years prior to the establishment of the Commonwealth Bank, but since then it was a different story. Banks not only received money on London, but on New York banks. Such credits, with those for Calcutta, Singapore, &c., meant that the importer of goods from these places promised to place his remittances in Australian banks at the rate of the day. As illustrative of the rates charged, a man desiring to pay £6,000 in London could have been accommodated by the speaker for £5,946, whereas under the bank he had to pay £6,015. Similarly for a 60-day draft for £94 15/10 on a New York house, the price worked out at 19/2. The importer paid cash on it, and thus paid £97 12/5 on March 9 in Australia for a draft of £94 15/10 drawn in New York on January 22, when the money could have been sold for £91 1/5. He had been exceedingly glad to have the opportunity of placing before them some idea of the results of the great inflation of credit. (Applause.)

The lecture was illustrated by means of charts and elaborately prepared statistics.

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THE FINANCIAL PROBLEM

UNIVERSITY LECTURE IN COMMERCE.

The annual Joseph Fisher lecture, under the auspices of the University of Adelaide, was given given in the Victoria Hall on Wednesday night. Mr. Russel Booth (Chairman of the Board of Commercial Studies) presided over a large attendance, including many prominent citizens. Mr. J. Russell Butchart, of Melbourne, was the lecturer, and his subject was "Money, credit, and exchange." The Chairman said it was 20 years since the Sir Joseph Fisher medal of commerce had been instituted. Mr. Butchart was well fitted to speak on the subject, as he was an operating member of a firm of foreign exchange brokers.

The lecturer said that all democratic Governments legislated regarding the note issue, but to a degree ignored the deposit. The deposit, however, was the vital factor. The discovery that the promise to pay gold coin on demand by a bank facilitated the circulation of money. The foundation principle was that the deposit in the ledger must equal the money in the safe. Bank officials could make internal transfers, but they could only balance the ledgers by the money in the safes. In September, 1914, the Commonwealth pledged itself to help Great Britain. Money was urgently required. Instead of the straightforward expensive way of borrowing at interest, Mr. Andrew Fisher saw an easy way to raise money. It was one of the planks of the Labour Party that the issue of notes belonged rather to the Government than to the banks. On October 2, 1914, Mr. Fisher dropped a bombshell into the banks of Australia by demanding a £10,000,000 gold loan without interest, the banks to receive Commonwealth notes in return. After some disagreement, the banks acquiesced. The gold value was a remarkable brake on the banking trade.

It was interesting, proceeded the speaker, to note the tendency towards a resumption of gold payments. Prior to 1914 paper money in Australia was kept from varying in value by its ready conversion into gold. In 1921 the remitting facilities of the English banks almost broke down during a period of unprecedented importing. Those vile and agitating fluctuations had been possible only because there was no free movement of gold. Australians were largely Protectionists, and did not give enough consideration to the deep, underlying, law regulating imports which could only be bought with the proceeds of sales. No tariff laws could annul that fact. There was a close monopoly of the exchange business by Australian banks, which would not open an account with any English or foreign company, which proposed to enter the exchange business. By their combination, they obtained rates of exchange beyond those which trading conditions warranted. There was little doubt that the Commonwealth Bank had taken its share of the monopoly profits. Buying rates in Australia had not varied for 12 years prior to the establishment of the Commonwealth Bank, but since then there had been a different story.

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LAW REFORM.

From "RENNIKS":—May I be permitted to express my disapproval of the manner in which two such distinguished and learned gentlemen as Professor Phillipson and Mr. T. S. O'Halloran are literally "fighting" each other through the medium of your columns? Having followed up the controversy, I was much interested in it, and expected its ending to be of an educational nature, further benefiting the cause of law reform, but my hopes have been crushed. I am now content to peruse the humorous quotations and proverbs "fired" by the correspondents at each other, apparently with the hope