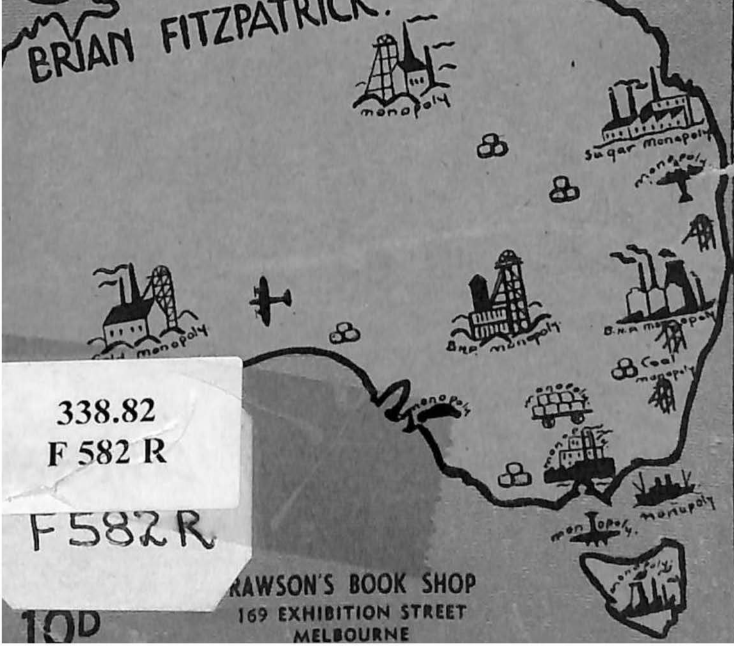
THE RICH GET RICHER

BRIAN FITZPATRICK.



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THE RICH GET RICHER

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

By

BRIAN FITZPATRICK

RAWSON'S BOOK SHOP
Melbourne
1944

ATTENTION is directed to two earlier publications on aspects of the subject of this pamphlet. They are **Who Owns Australia?** by J. N. Rawling (1937-1939, Forward Press, Sydney) and **Monopoly**, published in 1940 by the Research Department, Left Book Club, New South Wales, and republished in 1942 and 1943, by the Research Group, Left Book Club of Victoria.

LITTLE except these two useful pamphlets has been published on developments of Australian business organisation since H. L. Wilkinson's **The Trust Movement in Australia** (1914, Critchley Parker, Melbourne). However, early in 1941 the Australasian Council of Trade Unions published the present writer's evidence for the Unions, presented to the Commonwealth Court of Conciliation and Arbitration during the Basic Wage Case, 1940. That pamphlet, which described the degree of "monopoly" influence on Australian business organisations as it appeared at the outbreak of war, is long out of print. The sources of information assembled there were stated, and their authority has not been questioned.

FACTS of further development towards Monopoly since then, given in the following pages, were taken from recent balance sheets of monop[illegible] tistical Bulletin [illegible] nk of Australia [illegible] ned in the text.

EXPRE[illegible] ct from statemen[illegible] writer's responsibility unless they are attributed to another.

BRIAN FITZPATRICK,

Melbourne,

April, 1944.

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BOOKS BY THE SAME AUTHOR

George Allen & Unwin Ltd., London
British Imperialism and Australia 1783-1833

Melbourne University Press
The British Empire in Australia: An Economic History 1834-1939

Rawson's Book Shop
A Short History of the Australian Labor Movement (Second Edition in Preparation)

WHOLLY SET UP AND PRINTED IN AUSTRALIA
BY STOCKLAND PRESS, MELBOURNE, N.1.

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 SAFEGUARDS MONOPOLY

NEITHER 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 ABOUT THEIR BUSINESS

WELL, then, we assume, and presently it will be shown in some detail, that monopolistic organisations, unhindered, dominate the main fields of production and distribution of Australian resources. Steel and non-ferrous metals, oil, sugar, motors, aircraft manufacture and operation, coal-mining, base metals mining, gold mining, shipping, gas and electricity supply in most centres, wool broking, food preserving, textiles, radio equipment manufacture and operation, newspapers, the film industry, metropolitan retailing, rubber, paper, industrial chemicals, brewing, tobacco, glass—all are mostly or wholly in the hands of a few rich companies.

To Governments, to the People, has been left the monopoly of undertakings which private capitalists have found or expected to find unprofitable or impracticable, like railways and the enterprises of the State Electricity Commission of Victoria, or without a future, like some arms and explosives production. Such undertakings are essential, alike for the monopolies trading in other fields and for the general public, but there is not, or it seemed there might not be, much profit in them. So they were left for the Public to finance.

But on occasion—only the occasion of war—Governments undertook some really profitable enterprises. Have they been left to the public after the emergency has passed? They have not. Profitable public industrial enterprises which Governments undertook under the Constitutional Defence power in wartime, have in the past been disposed of to private capitalists at a loss to the public; and disposal of Government war factories of 1939-44 to Monopoly is again proposed. Other profitable enterprises of Labor Governments in New South Wales and Queensland have been disposed of to monopolistic organisations by Governments pliable to the will of capitalists who object to private competition with their private profit-making.

Monopolies dominated the economic life of Australia before the war. They have vastly improved their position during the war, relatively to small business; on one side of the balance-sheet they have accumulated assets at an extraordinary rate, and on the other side they have increased their shareholders' funds at a very much faster rate than small businesses have been able to do. Statistical evidence of that is given in this pamphlet. Monopolistic organisations will be stronger at the war's end than at its beginning. Their influence on public policy is likely to be stronger, too, unless action is taken to curb them.

Much more than £100,000,000 of public money is invested in war factories, many of which are convertible to peacetime production. These great undertakings will go the way of the Commonwealth Shipping Line, the Commonwealth Woollen Mills, and the Commonwealth Bank, public undertakings handed over to private enterprise after the last war, if the monopolies have their way. Monopoly has already expressed its view as to what should be done with this public property. That, too, will be brought out in the text which follows.

What can be done about it? Well, first, let us see what the actual situation is. Then we can try to plot a course for a real people's Government to follow, to safeguard *our* interests as against those of the overseas monopolists.

Now for a few paragraphs to indicate that the typical monopolies *are* exclusive, *are* the preserves of a few, *are,* often, merely the Australian branches of international combines and cartels. B.H.P. and its many subsidiaries for steel . . . the Collins House mining and processing companies for silver, lead, zinc, copper, various metal alloys . . . Imperial Chemical Industries of Australia and New Zealand for industrial chemicals . . . British Tobacco . . . C.S.R. for sugar—these five monopolies alone represent far more than £100,000,000 worth of assets. They are good examples, in their various ways, of the gulf that is dug by rich capitalists between the people of Australia and their participation in the profits to be made from the use of Australian resources.

B.H.P.'s £30,000,000 Monopoly.— Take first the Broken Hill Pty. Co. Ltd., registered in Melbourne in 1885. B.H.P. is the archetype, the supreme example, of monopolistic organisation in Australia. It has assets worth more than £30,000,000, the most valuable of all private holdings in Australian business apart from the banks' holdings. B.H.P. shareholders, who own this great wealth, are credited on the books with nearly £14,000,000 of share capital paid up, which is the largest paid up capital of any company engaged in Australian industry. B.H.P. shareholders' funds—paid-up capital plus reserves and undistributed profits—amount to more than £23,000,000, a holding only rivalled by the funds of the Colonial Sugar Refining Co. Ltd.

If the bulk of that £30,000,000 worth of assets were owned by a large number of Australian residents, as B.H.P. propaganda 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.

FIFTEEN SAMPLES OF AUSTRALIAN MONOPOLIES

HERE are some playgrounds of complete monopolies or of a few rich companies which are fast becoming monopolies:—

STEEL MANUFACTURE

BEFORE the last war there was in Australia only the foundation of a metals industrial structure. Except for the B.H.P.'s silver-lead smelters at Port Pirie and the Hoskins Bros.' blast furnace at Lithgow (a continuation of a small iron enterprise dating back to the 1840's), even the foundation was not well laid. Then, from 1915, the year of the establishment of the B.H.P. steel works at Newcastle, the smelting and refining of base metals rapidly assumed the character of an important industry in which large concentrations of capital, mostly overseas capital, were employed.

The history of Australian heavy industry, including the metals industry, hinges on the history of the B.H.P. Co., and its British principals. B.H.P. was engaged for 30 years in recovering silver and lead, before it turned to mining and smelting iron. In that period of 30 years, twelve and a half million pounds was paid in dividends to shareholders, and an additional million and a half of profit was retained in the business. These immense gains were made upon a tiny capital, as already described. The exact gains by B.H.P. shareholders in the 30 years 1885-1915 were £10,756,201 in dividends and other cash payments besides £1,744,000 face value of shares in subsidiary companies. *This gain was made on an investment which for 22 years stood at £98,000 cash.*

B.H.P. became the biggest capitalised Australian company after the 1941 issue of two and a half million pounds of shares at par to shareholders, this issue bringing B.H.P. paid-up capital above the capital of C.S.R., which was £11,700,000. To-day, B.H.P.'s investments run through many fields of Australian industry, and the company has more than five and a half million pounds invested in subsidiary companies, besides a million pounds in other companies. The list of subsidiary companies gives an idea of the wide range of B.H.P. activities. The companies now mentioned are, it is to be remembered, only the *direct* subsidiaries of B.H.P. Here are some of the subsidiaries:—

1. *Rylands Bros. (Australia) Ltd.*, a branch of an English steel firm, acquired by B.H.P. in 1925.

2. *Stewarts and Lloyds (Australia) Pty. Ltd.*, a branch of another English steel firm, acquired by B.H.P. in 1929.

3. *Australian Iron and Steel Ltd.* This firm, formerly of Lithgow and in operation at Port Kembla since 1927, had been B.H.P.'s only competitor in steel production. B.H.P. took it over in 1936. Now, B.H.P. owns the whole of the ordinary capital, £4,700,000, and the preference capital of £1,000,000 is owned by the former owners, the Hoskins Bros., and various British and other companies.

4-6. *John Lysaght (Aust.) Pty. Ltd., Lysaght Bros. and Co. Ltd., Lysaght's Newcastle Works Ltd.* These are fabricating steel firms. They were offshoots of the British steel firm of John Lysaght Ltd. In them we have a clue to the complications of the British steel combine, and thence to the complex of its Australian associates. John Lysaght Ltd. is a subsidiary of Guest, Keen and Nettlefolds Ltd., London, and Guest, Keen and Nettlefolds is a holding company which, with Baldwins Limited, controls the Guest, Keen, Baldwin Iron and Steel Co. Guest, Keen, Baldwin's are large shareholders in B.H.P. and Australian Iron and Steel. In Australia Lysaght Bros. and Co. and Lysaght's Newcastle Works are B.H.P. subsidiaries, and John Lysaght (Aust.) Pty. Ltd. is also associated with B.H.P.

7. *Commonwealth Rolling Mills Pty. Ltd.* "The enterprise was formed conjointly by Armco (Australia) Pty. Ltd., and John Lysaght (Australia) Pty. Ltd." in 1939, records the B.H.P. Review; the first chairman of Commonwealth Rolling Mills was H. R. Lysaght, who was also a director of B.H.P. and of Australian Iron and Steel. W. R. Lysaght was on the London Board of B.H.P.

8. *Commonwealth Steel Ltd.* This is owned by B.H.P., Electrolytic Zinc, Broken Hill South and North Broken Hill.

9. *B.H.P. By-Products Pty. Ltd.*, formed in 1922 to develop a market for road tar and slag.

10. *B.H.P. Collieries Pty. Ltd.* runs five coal mines for B.H.P., these not including the mines which Australian Iron and Steel Limited operates in the interests of the steel combine.

11. *Titan Nail and Wire Pty. Ltd.,* taken over by B.H.P. in 1927-33.

12. *Structural Engineering Co. of Western Australia Ltd.,* formed in 1929 by B.H.P. to take over the steel department of Elder, Smith and Co. Ltd.

NON-FERROUS METALS

COLLINS HOUSE holds the ring in these silver, lead, zinc, copper and allied industries. The Collins House companies have been associated closely from an early date with B.H.P., soon after the birth of which the Collins House companies themselves came into existence. The principal companies of the ring are Electrolytic Zinc, North Broken Hill and Broken Hill South, Zinc Corporation, Electrolytic Refining and Smelting Co., Broken Hill Associated Smelters Ltd., which was formed by Collins House and B.H.P. in conjunction, Metal Manufactures Ltd., and its subsidiaries, and Australian Aluminium Co. Pty. Ltd., besides lesser companies. Speaking generally, these companies own each other and they have shares in and are in part owned by four companies of the English non-ferrous metals ring.

Collins House, like B.H.P., has a finger in many pies. The comparatively new and growing textile industry is one of its fields. The latest annual meeting of Felt and Textiles of Australia Ltd., one of the Collins House companies, gave a notion of one of the profitable sidelines of this metals combine. The chairman, Sir Walter Massy-Greene, reported a gross profit for the year of nearly £400,000, and a net profit after taxation and depreciation of nearly £200,000. Felt and Textiles (South Africa) Pty. Ltd. had just been formed by the Industrial Development Corporation of South Africa Ltd. and "our South African Companies," one of the four directors of the new company having been "appointed by the corporation and the remaining three by our South African Companies." The chairman added disingenuously, "The arrangements made in South Africa have the added attraction of providing a method for the establishment and conduct of Essential Industries by Private Enterprise, with the assistance of the Government (in this case acting through the Industrial Development Corporation) to the mutual satisfaction of both."

Felt and Textiles of Australia has sixteen factories and two warehouses in five New Zealand centres, wool scouring and carbonizing plant and a tannery in New Zealand, apart from its Australian and South African undertakings.

In the same issue of the "Sydney Stock Exchange Official Gazette," December, 1943, in which the Felt and Textiles chairman's address was reported, was reported also the chairman's addresses at the meetings of Broken Hill South Ltd. and North Broken Hill Ltd., two other leading Collins House companies. Mr. M. H. Baillieu, chairman of North Broken Hill, said, "The sale of zinc concentrates at the present time presents no problems and, as usual, our output has been disposed of to the Electrolytic Zinc Co. and the Imperial Smelting Corporation, less a relatively small tonnage sold to the United States of America." The company's lead output was handled in its entirety by Broken Hill Associated Smelters Ltd., under contract of sale with the United Kingdom Government. Its silver production was absorbed locally, mostly by the Commonwealth Government. This was all in the family.

Commonwealth Steel and Commonwealth Aircraft Corporation are two great companies which B.H.P. and Collins House run together. Broken Hill Associated Smelters was promoted by B.H.P. and Collins House in conjunction.

INDUSTRIAL CHEMICALS

THREE companies, each with much above one million pounds funds, are engaged in this industry to-day, besides five companies with funds of between £500,000 and £1,000,000 and half-a-dozen smaller companies The B.H.P. Co. interested itself in the production of industrial chemicals as an accompaniment of its main (mining and smelting) activities as early as 1907, when the Wallaroo Phosphate Co. Ltd. was registered in South Australia. The B.H.P. chairman, John Darling, was one of the three directors. This concern survives under the name of Wallaroo-Mount Lyell Fertilisers Ltd.

To-day B.H.P. remains interested in chemicals production. The chairman of B.H.P. is a director of Imperial Chemical Industries of Australia and New Zealand Ltd., the biggest company in this business, and the chairman of I.C.I.A.N.Z. is a director of B.H.P. I.C.I.A.N.Z. was registered in Melbourne in 1927, as an offshoot of I.C.I. in England. Two I.C.I.A.N.Z. directors, including the chairman, are directors of the second great company participating in Australian chemicals manufacture. This is Commonwealth Fertilisers and Chemicals Ltd., formed in 1929 to amalgamate the undertakings of Mount Lyell Chemical Works, Cuming Smith and Co. Pty. Ltd., Wischer and Co. Pty. Ltd., and Nobel (A/sia) Ltd., which hold, between them, the whole capital of Commonwealth Fertilisers and Chemicals Ltd. Cuming Smith carries on as a subsidiary. Nobel (A/sia) operates an explosives factory dating back to the end of last century, near an I.C.I.A.N.Z. ammunition factory and an explosives factory which I.C.I.A.N.Z. operates for the Commonwealth. In another neighborhood I.C.I.A.N.Z. has a chemical works, with Commonwealth Fertilisers and Chemicals next door with a superphosphate factory.

The third big unit in this combine is Drug Houses of Australia Ltd., formed the year after Commonwealth Fertilisers and Chemicals, by taking over the shares of Australia Drug Co. (1930) Ltd., which was a merger of 12 chemical companies. In 1931, Drug Houses of Australia's subsidiary, Felton, Grimwade and Duerdins Ltd., was formed by the amalgamation of two firms. The directorates interlock with Collins House directorates. The world-wide chemical monopoly of which these Australian organisations are a part was lately exposed in the United States.

(From the "Herald," Melbourne, January 7, 1943):—

"Washington, Thursday.—The Department of Justice has filed a civil suit charging the Dupont-De Nemours Company, the Remington Arms Company, and Imperial Chemicals Industries Limited, with maintaining an international cartel agreement, violating the United States Anti-Trust Act.

". . . . The Attorney General (Mr. Biddle) said that Remingtons was the largest manufacturer of sporting arms and ammunition in the United States and, since 1933, had been controlled by Dupont. Imperial Chemical Industries, he added, had a virtual monopoly of the chemical industry in Britain.

"The complaint alleged that some time before 1920, Dupont's and I.C.I. reached an understanding for the limitation of competition in the sale of explosives all over the world. Dupont's were allocated the United States and Central America and the I.C.I. were allocated the rest of the world, excepting Canada, Newfoundland and South America. Both companies agreed to refrain from the manufacture in, or export to, each other's exclusive markets, and Canada, Newfoundland and South America were shared by both companies on a non-competitive basis.

"South American profits were divided equally, Canadian Industries Limited was jointly owned by both and operated in Canada.

"The complaint quoted a letter from Lord McGowan to Lamont Dupont in 1933, in which Lord McGowan said that 'No prospective political or legislative action on the part of the Government is permitted to influence relations between Dupont's and I.C.I. If any legislation or international agreements affect these relations, I am sure we will be able to adjust ourselves so as to get the continued benefit of our agreement.'

"Mr. Wendell Berge, assistant Attorney-General, described the suit as 'a major blow against the cartel system,' which had 'plagued us with shortages of critical materials and industrial skill during the war, and also unemployment and idle plants during peace.' "

SUGAR REFINING THIS is almost as big and complete a monopoly as B.H.P.'s steel monopoly. Colonial Sugar Refining Co. Ltd. is the holder of the monopoly. C.S.R. has been gobbling competitors for the best part of its one hundred years' lifetime to date. It was founded in England as the Australasian Sugar Company in the early 1840's. The object was to manufacture in Sydney, from Philippines raw sugar, "refined Sugar of a superior quality, under the present improved process by steam." It may be mentioned that the prospectus of the A.S.C. quotes the one hundred thousand free persons in N.S.W. of that time as drinking "of Tea, more than four times per head greater than in England; of Spirits, to a great extent drank in water, and with refined Sugar, the excess is greater." From "the banks of Cook's River (fresh water), where they have also a valuable estate, now called the village of Canterbury, within five miles and a half from Sydney," the company spread its operations until it monopolised sugar milling and refining throughout the South-West Pacific area and controlled much of the raw sugar production.

C.S.R. absorbed the Victorian Sugar Company, Melbourne, in the year of its re-registration, 1887. Next year it absorbed the New Zealand Sugar Co., in 1895 the Australasian Sugar Refining Co., Melbourne, and in 1897 two Queensland mills. By 1906, C.S.R. operated four refineries in Australia and one in New Zealand, and thirteen mills, including three in New South Wales, six in Queensland and four in Fiji.

In the year, 1915, of the foundation by its fellow monopoly, B.H.P., of the steel works at Newcastle, C.S.R. carried out one of the merriest transactions in the history of monopoly in Australia—a spectacular example of a way in which the rich have been able to get richer in Australia. In that year C.S.R. floated a subsidiary, C.S.R. Co. (Fiji and New Zealand) Ltd., with £3,250,000 preference and £250,000 ordinary capital, three million pounds of this three and a half million being issued free to shareholders in the parent company—nearly share for share. The subsidiary was wound up half-a-dozen years later, and £3,187,000 was "returned" to C.S.R. shareholders to cover their bonus shares in the subsidiary. There does not seem to have been a valid reason for the original establishment of the subsidiary. Presumably it was established in order that it might be liquidated and a gift of three million pounds-odd made to shareholders who were already doing very well by way of dividends and bonus issues.

RUBBER MANUFACTURE

AT the outbreak of the 1914 war, rubber manufacturing was carried on in Australia by three companies—Dunlop, Barnet Glass and Perdriau. By the time of the outbreak of the second world war, in 1939, all three companies were merged, Dunlop having absorbed the other two.

Dunlop (Australia) Ltd. is just one of many companies subsidiary to the English Dunlop Co., which has a monopoly or the lion's share of rubber manufacture in more than twenty countries. There are two other rubber concerns of seven-figure capital in Australia, the Goodyear Tyre and Rubber Co. Ltd., the Australian branch of a United States concern, and the Olympic Tyre and Rubber Co. Ltd., which appears to be an Australian capitalised and managed firm. Nearly all the capital of Goodyear, Australia, is owned by Goodyear, Akron, Ohio, U.S.A., and in England the Dunlop and Goodyear concerns are associated. All the directors of Dunlop (Australia) who are not directors of the parent Dunlop firm in England are also directors of various companies of the B.H.P.-Collins House combine of combines in Australia.

BREWING A FEW large companies have virtually monopolised the profitable business of manufacturing beer ever since the early years of this century. Tooth and Co. Ltd., Sydney, and Carlton & United Breweries Ltd., Melbourne, are the two main concerns. In all States, brewing is a monopoly or quasi-monopoly, with only a small number of companies engaged, operating under an agreement between themselves by which the product of a brewery, sold in another State, usually carries a much higher price than the product of companies producing for the home State. Tooth & Co., like C.S.R., dates back more than one hundred years. In Queensland, Castlemaine-Perkins Ltd. and Queensland Brewery Ltd. divide the business. To instance only Victoria: the brewing monopoly there was well established by 1907 when Carlton & United Breweries Pty. Ltd. (then a private company) was promoted to take over the businesses of six Victorian breweries. The directorate of Carlton and United was interlocked with that of the Western Australian concern, Swan Brewery. Subsequently, Carlton & United took over three more Victorian company breweries besides the Melbourne Co-operative Brewery Co. Ltd., a Melbourne publicans' competitor with the combine. In the year of the outbreak of the last war this former competitor of the combine was doing well, showing £50,736 net profit for the year on paid-up capital of only £27,081. Water figures as prominently in the finances as in the raw materials of this industry. Copious bonus issues have been made by most of the great brewing combines.

PAPER MANUFACTURE THREE associated companies had monopolised paper manufacture in Australia for about twenty years when, just before the outbreak of this war, five B.H.P.-Collins House companies and Australian Glass Manufacturers Ltd. (later Australian Consolidated Industries Ltd.) formed Associated Pulp & Paper Mills Ltd., which paid its first dividend in 1940.

The centre of the former monopoly is the Australasian Paper & Pulp Co. Ltd., which was registered in Victoria in 1920 to amalgamate Australian Paper Mills Co. Ltd. and Sydney Paper

Mills Ltd. Australasian Paper's directorate is interlocked with that of Cumberland Paper Board Mills Ltd. In 1926 Cumberland and Australasian Paper together formed an operating company, Australian Paper Manufacturers Ltd., in which they held all shares. Directorates of this paper group have had connections with the B.H.P.-Collins House group, and with Associated Newspapers Ltd., a £3,000,000 company, and with British Tobacco Co. (Aust.) Ltd., which ranks third among non-banking companies operating in Australia. The ramifications of the great metals combines, it will be observed, run through diverse areas of Australian investment and industry.

TOBACCO MANUFACTURE THIS other luxury trade catering for the masses has, like brewing, long been a monopoly. Only, in the case of tobacco manufacture the monopoly is not State-wide but Commonwealth-wide, and at that, only part of an international, British-American combine. The seat of monopoly, the British Tobacco Co. (Aust.) Ltd., was registered in England in 1904 to amalgamate four Australian operating companies. By 1914, according to H. L. Wilkinson, in "The Trust Movement in Australia," "7/8ths to 9/10ths of the Australian trade was in the hands of a trust acting through a subsidiary company in Australia and allied with or controlled by the world-wide British-American trust." British Tobacco Co. (Aust.) Ltd. head office was transferred from London to Melbourne in 1927. There was now a London committee of 22 members. Fifteen of them were directors of the British-American Tobacco Co. Ltd., an American promotion of 1902 which was formed to acquire certain export business from the Imperial Tobacco Co., the American Tobacco Co. and other firms. The Australian tobacco giant's costly absorption of a rival, during this war, has already been described.

Before the war the tobacco combine contributed Sir Claude Reading to the nation as chairman of the Commonwealth Bank Board, and after the war started, it followed this by contributing also Mr. Massie, its chairman, as head of the Department of Supply.

GLASS PRODUCTS AUSTRALIAN Consolidated Industries Ltd. and a score of its subsidiaries completely monopolise glass manufacture in Australia. Oddly, there seems to be nothing foreign about this particular monopoly. According to its chairman's 1940 report, 91.5 per cent. of its capital is held by Australian residents and 8 per cent. by residents of New Zealand. Its story is largely the story of "Gunboat" Smith, who as W. J. Smith figures in its records as managing director, and who was for some time during this war Director of Gun Ammunition in the Ministry of Munitions. Mr. Smith has moved into and out of and back again into his combine. Originally, Australian Glass Manufacturers Ltd. was formed to amalgamate a Melbourne and two Sydney glass businesses. W. J. Smith organised this merger in 1915. Four years later he resigned from the Australian Glass Board and established the Zetland Glass Bottle Works, Sydney, in competition. Two years later he merged his new company and Australian Glass, becoming managing director of the merger. He reconstituted his monopoly as Australian Consolidated Industries Ltd., just before the present war started, making an allocation of shares, most of which were "water"—bonus shares.

MOTORS MANUFACTURE THERE was once an Australian company in this business. There are now two huge American concerns, General Motors-Holdens Ltd., a public company, and Ford Motors, a private company. Both represent an American investment of very many millions and both take a huge part in Australian war production and in direction of the Government's war effort.

AIRCRAFT INDUSTRIES LIKE the motors and rubber and aluminium sister-industries, aircraft manufacture in Australia does not offer a field for competition. Of its nature it is a business for big capital and not for the small man, but that is no reason why it, any more than rolling stock construction and railway operation, should be left to Big Private Capital. But that is what has happened. Apart from the wartime enterprises of the Commonwealth Department of Aircraft Production, enterprises of Commonwealth Aircraft Corporation Pty. Ltd. occupy most of this Australian manufacturing field. C.A.C. is a private company, with seven-figure share capital, all owned by B.H.P., I.C.I.A.N.Z., the Orient Shipping Company, and the Collins House pair, Electrolytic Zinc and North Broken Hill. True, there *is* the publicly-owned Beaufort undertaking of the D.A.P. But what will happen to it, after the war, is conjectural. The motors monopoly man who directs it for the Government, Mr. John Storey, has his opinion (see page 43). It is: if the Government uses its plant only for bombers, well and good; but let there be no Government competition with private aircraft manufacturers!

Three companies stand out in Australian commercial aircraft *operation*. They are Ansett Airways, Q.A.N.T.A.S. and Australian National Airways. All have overseas connections. Ansett received in 1943 an infusion of fresh capital from the U.S.A. Will post-war public policy leave the air to private lines, as it leaves shipping?

SHIPPING THIS is an industry of which H. L. Wilkinson wrote in his "The Trust Movement in Australia," published in 1914, "The whole of the interstate carrying trade is in the hands of seven shipping companies forming a combine." Half-a-dozen years later the Commonwealth Government, with 50 ships and dockyard installations, built for war purposes, seemed in a position to break the private ring. It did not do so. The Commonwealth Constitution, as interpreted by the Full High Court, prevented it. Mr. W. M. Hughes' Government did not ask the people to amend the Constitution. It sold the public's ships, instead, to Lord Kylsant, of the White Star company unit of the British imperial shipping combine. And Lord Kylsant bilked the people of Australia, did not even pay.

Nowadays, the Australian shipping combine is better entrenched than it was 30 years ago, when Wilkinson wrote. Including ferry companies, dock and wharf companies and firms covering short port-to-port runs with little vessels, a couple of dozen firms had £12,000,000 invested in shipping and the like in 1914, and their profits averaged just over 10 per cent. By 1940 a dozen companies, with £15,000,000 of shareholders' funds, averaged nearly 9 per cent. on their paid-up capital. With the "water" of bonus issues wrung out, their profits averaged nearly 14 per cent. In addition, five other companies had £7,000,000 invested in shipping.

Australian shipping has important associations with overseas shipping combines, and with B.H.P. For example, the P. & O. S.N. Co. and the Orient S.N. Co., two combined English companies with widespread interests (including Orient's interest in Commonwealth Aircraft Corporation), have a large investment in the Australian trade. The Union S.S. Co. of New Zealand is a P. & O. subsidiary, and so is the A.U.S.N. Co. In turn, the Eastern & Australian S.S. Co. is a subsidiary of A.U.S.N. The N.Z. Shipping Co. is another P. & O. subsidiary. B.H.P. has ships to transport its ores round the coast. And it has connections with two big Australian shipping companies. One is Howard, Smith Ltd., which received 50,000 shares in B.H.P.'s subsidiary, Australian Iron & Steel, in the course of the transaction between B.H.P. and the Hoskins Iron & Steel Co., former owners of A.I. & S. In 1939, Howard, Smith also owned 217,509 shares in B.H.P. itself. That capital has since been doubled, chiefly by bonus and par issues, and presumably Howard, Smith's B.H.P. holding to-day is also double the 1939 figure. Howard, Smith own almost the whole capital of Australian Steamships Pty. Ltd. Huddart, Parker Ltd., the second big Australian shipping company mentioned above, has a half-interest in Tasmanian Steamers Ltd., and it owns shares in B.H.P. Collieries Pty. Ltd., a B.H.P. subsidiary, and another million-pound coal-mining firm, J. & A. Brown, Abermain-Seaham Collieries Ltd., one director of which is chairman of a third important shipping firm, namely, Adelaide S.S. Co. Yet a fourth, Melbourne S.S. Co. Ltd., has fingers in other monopoly pies, through one of its directors who is on the board of I.C.I.A.N.Z., and another who holds directorships in Metropolitan Gas and Mount Lyell Mining & Railway Co.

COAL MINING HERE, too, the biggest fish in the sea of the industry swim in schools. Australia's coal kings (to vary the metaphor) have the distinction of being the first owners to introduce the cartel system into this country. They formed a restrictive organisation of the cartel kind as early as 1861. They have the further distinction of having, as a combination, defeated one of the only two attempts made by the Commonwealth Government to regulate Monopoly. (C.S.R. defeated the Government on the other occasion. Both occured about 30 years ago.) Thirdly, this monopoly-dominated industry, linked to shipping and heavy industry combines by many ties, has the worst record for industrial trouble of any.

Only small profits (around $3\frac{1}{2}$ per cent. in 1940) are made by the 17 public companies mining coal, with shareholders' funds of about £7,000,000. But we find, leaving out of consideration many private companies operating small collieries, that 30 of the principal black coal mines of New South Wales are operated by the combine-of-combines grouped around B.H.P., and that it is impracticable to determine what the real profits of this business are. B.H.P., for instance, operates five mines administered by its collieries subsidiary, and its steel subsidiary, A.I. & S., operates three more. Associated shipping companies mine coal partly for use in their shipping business—and what their right hand gives to the left, and at what price, is not clear, nor is the reflection of this domestic operation in profit figures.

There are two big companies registered for the purpose of getting coal. One is Caledonian Collieries Ltd., the other, J. & A. Brown, Abermain-Seaham, each of which represents the merger of a number of companies. Caledonian is a subsidiary of the shipping firm, Howard, Smith. Caledonian and J. & A. Brown directorates are closely interlocked with other directorates in the B.H.P.-Collins House combine-of-combines. Huddart, Parker, similarly connected, controls and owns most of the £700,000 capital of Hebburn Ltd., in which the former owner, the 120-year-old Australian Agricultural Company, retains a quarter-interest. (In his 1937-1939 pamphlet, "Who Owns Australia?" John Rawling gives close details of the inter-connection of coal mining and shipping companies.)

In short, and generally speaking, coal mining is just another egg in the basket that holds comfortably, in addition, steel, non-ferrous metals, shipping, aircraft and a fine assortment of other industries. These are the industries in which industrial trouble is most frequent and most serious.

* * * * * *

THERE are several other industrial spheres in which wealthy companies have hammered out for themselves or are on the way to "most-favoured nation" treatment—newspapers, for instance, films, textiles, wool broking, banking. But space here is limited, and it does not permit of further description of the playgrounds of Monopoly in our country. For a special and a good reason, now to be stated, it seems best to conclude this section with references to two industries only. One is Oil, and the other, Wireless.

The special reason is this: in the pattern of ownership and control of these two industries may be discerned, it seems probable at this moment in April, 1944, the shape of things to come in essential Australian industry after the war. Oil refining, and manufacture of radio goods, operation of wireless services, are both a joint affair of the Commonwealth Government and "Private Enterprise." They have long been so. For about 20 years these two industries, so obviously vital to the Australian nation, have been dominated each by an ordinary, profit-making public company in which the Commonwealth Government owns about half the shares. There are indications, to be discussed presently, that the A.W.A.-C.O.R. model—the model of Amalgamated Wireless (Australasia) Ltd. and Commonwealth Oil Refineries Ltd.—is being found appealing by Commonwealth Government officials to-day as a model to follow after the war, when the problem will become urgent, of what to do with the nine-figure investments by the Government of public money in industrial undertakings.

Your money and mine, which is at stake, amounts to much more than £100,000,000 invested in Government munition and similar establishments, including extra plant and machinery installed in annexes to private firms. In addition, there is about a similar sum poured by the Allied Works Council into construction projects. Will control of Ministry of Munitions, Department of Aircraft Production, Allied Works Council industrial achievements be vested in Private Enterprise? In Monopoly, for small fry private enterprise can scarcely be in the race to gobble public property on such a scale. One compromise way out for Government would be a system of composite Government-cum-private corporations. Establishment of companies in which Commonwealth and Monopoly would have about equal shares in ownership—and Monopoly have effective control. Let us see how A.W.A. and C.O.R. have worked, these two corporations in which public and private money has been pooled.

OIL AUSTRALIA'S petrol and motor oil supplies for the most part come from abroad, the main sources being the British and American monopolies represented here by two private companies, Shell Co. of Australia Ltd. and

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THERE are several other industrial spheres in which wealthy companies have hammered out for themselves or are on the way to "most-favoured nation" treatment—newspapers, for instance, films, textiles, wool broking, banking. But space here is limited, and it does not permit of further description of the playgrounds of Monopoly in our country. For a special and a good reason, now to be stated, it seems best to conclude this section with references to two industries only. One is Oil, and the other, Wireless.

The special reason is this: in the pattern of ownership and control of these two industries may be discerned, it seems probable at this moment in April, 1944, the shape of things to come in essential Australian industry after the war. Oil refining, and manufacture of radio goods, operation of wireless services, are both a joint affair of the Commonwealth Government and "Private Enterprise." They have long been so. For about 20 years these two industries, so obviously vital to the Australian nation, have been dominated each by an ordinary, profit-making public company in which the Commonwealth Government owns about half the shares. There are indications, to be discussed presently, that the A.W.A. - C.O.R. model—the model of Amalgamated Wireless (Australasia) Ltd. and Commonwealth Oil Refineries Ltd.—is being found appealing by Commonwealth Government officials to-day as a model to follow after the war, when the problem will become urgent, of what to do with the nine-figure investments by the Government of public money in industrial undertakings.

Your money and mine, which is at stake, amounts to much more than £100,000,000 invested in Government munition and similar establishments, including extra plant and machinery installed in annexes to private firms. In addition, there is about a similar sum poured by the Allied Works Council into construction projects. Will control of Ministry of Munitions, Department of Aircraft Production, Allied Works Council industrial achievements be vested in Private Enterprise? In Monopoly, for small fry private enterprise can scarcely be in the race to gobble public property on such a scale. One compromise way out for Government would be a system of composite Government-cum-private corporations. Establishment of companies in which Commonwealth and Monopoly would have about equal shares in ownership—and Monopoly have effective control. Let us see how A.W.A. and C.O.R. have worked, these two corporations in which public and private money has been pooled.

OIL AUSTRALIA'S petrol and motor oil supplies for the most part come from abroad, the main sources being the British and American monopolies represented here by two private companies, Shell Co. of Australia Ltd. and

Vacuum Oil Co. Pty. Ltd. However, there is a third, and in this instance a public company engaged in the oil business. It is C.O.R.

C.O.R. was formed as a sequel to the carrying out of the Oil Agreement Act 1920, which provided that the Commonwealth Government should supply "indigenous" oil to the Anglo-Iranian Oil Co., for refining, up to 200,000 tons per year as it became available. Until "indigenous" oil might be available, Anglo-Iranian was to supply up to 200,000 tons a year for refining. Under this agreement, confirmed by an Act of the Commonwealth Parliament, the Government had the option of the purchase of the whole Anglo-Iranian interest at the end of 15 years from the completion of the first refining.

This semi-public concern started with a capital of £750,000 in 1926, which was later increased to £850,000. The Commonwealth Government holds £424,999 in £1 shares, which is to say, just less than a controlling interest. This lack of a controlling interest is reflected in the personnel of the directorate, which consists of W. J. Byrne (chairman), M. T. Lloyd (managing), T. A. Fancourt, H. Payne, and, for the Commonwealth, E. Abbott, J. E. Fenton, E. Findley. "Indigenous" oil has not been supplied to the company at any time. What has been relied upon is the overseas combines' supplies of crude oil from overseas. A few months ago this so-called public concern joined with the other oil combines in the formation of Pool Petroleum Pty. Ltd., a private company set up at the request of the Commonwealth Government to take over the distribution of "prescribed products." C.O.R. has two seats on the P.P.P. Board. It is stated in the 1942 report of the company that "due to the continued absence under war conditions, of any appreciable capital expenditure, together with provision for depreciation on the usual basis," there had been an improvement in profits. After the fall of the Netherlands East Indies, nearly all supplies of crude oil to the company came from Persia, the seat of the Anglo-Iranian monopoly. The assets of this company are now above two and a quarter million pounds.

The 1943 report contains this revealing passage: "Importations of all products continue to be arranged on an industry basis. The 'global' machinery for providing and allocating tonnage to Allied consuming areas has been perfected . . . . The directors propose a dividend of 8 per cent." The directors represented the opinions and the interests of the British oil monopoly in the Near East, and *with the effective control of the company the Commonwealth Government has precisely nothing to do.* From the point of view of the monopoly, Commonwealth participation in the capitalisation of C.O.R. has this value only, that the public being committed to the affairs of this particular company, the (remote) prospect of any competition is removed to vanishing point.

WIRELESS SO also with that other Government-protected monopoly, Amalgamated Wireless (A'sia) Limited. This company was registered in New South Wales 31 years ago to take over Australasian Wireless Co. Ltd., the Australian branch of Marconi's Wireless Telegraph Co. Ltd., London. The Company owns a perpetual license to use and exploit the Marconi patents in Australia, New Zealand and neighboring islands. It manufactures, erects and operates stations, operates its own system on ships and operates the Beam Wireless Service.

In 1922 an agreement was entered into between A.W.A. and the Commonwealth Government by which the Commonwealth Government acquired 500,001 shares out of an authorised capital of £1,000,000. The paid-up capital of the company is £786,406/9/6. A 14 per cent. dividend is characteristic of this company (as, incidentally, of The Herald and Weekly Times Ltd.) and the Commonwealth Government and the public revenue in this respect find the wireless monopoly a boon.

But, no more than in the case of C.O.R., has the public any control over this private monopoly in which it is supposed to share. The directorate of the company consists of Sir E. Fisk (chairman, managing director), C. P. Bartholemew, E. J. Parker, J. F. Coates (at the last available report) and, for the Commonwealth, W. M. Hughes, Senator Millen, F. Strahan. This company has nearly one and a half million pounds of shareholders' funds. The people of Australia have a half-share in this. *But what really matters is that an overseas combine has a complete stranglehold on the Australian wireless industry.*

MONOPOLIES MAKE HAY IN WAR TIME

ALL of the companies mentioned in the preceding pages have millions of money at their disposal, some of them, tens of millions, besides the backing of international combines and cartels, with all the forces of technical skill, capital and patent rights which the world monopolies can bring to bear. The survey gives some idea of the fields which will *not* be open to the private enterprise of service men returning from war to peace pursuits, if monopoly men like Sir Colin Fraser and Mr. John Storey have their way and the post-war industrial reconstruction of Australia is left to what they somewhat oddly describe as Private Enterprise. There will, of course, be numerous jobs—on the combines' own terms.

But there will not be much room in many fields, for the enterprise of men who wish to be their own bosses. At any rate, there seems little prospect of effective competition with the multi-millionaire organisations which monopolise the steel and non-ferrous metals industries, and a wide range of fabricating industries associated with them, no room in oil refining, sugar milling and refining, the manufacture of motors or aircraft, not much in mining of any kind, no room in shipping, gas and electricity supply, food preserving; scope for a few, perhaps, in wool broking and stock and station agency business—where the huge old-established companies are usually much over-capitalised—not much chance in metropolitan retailing against Myer's, Farmer's, David Jones and the chains like Woolworths and Coles; imperceptible opportunities of competition with the rubber and paper monopolies, or in chemicals with the might of the world-wide I.C.I., no likelihood of competition with the hard-and-fast beer, tobacco and glass monopolies.

The world we see about us is not a world which opens up glowing prospects for the young, ambitious business man. The sheer weight of capital already established in most of the main areas of Australian business and industry might be enough in itself to make one pessimistic about the prospects of real private enterprise in the Australian business world. The possibilities seem even more slender when one examines the recent history of the extent and the rate of growth of the great companies which monopolise or practically monopolise so much Australian industry and business. Here are some statistics to show how rapidly the monopolies and great companies have improved their position during the war, in relation to lesser companies.

What follows is only a sample result. The table shows some details of the finances of six companies only. But they are the six industrial concerns having the greatest assets of any appearing in balance sheets reported in numbers of the "Stock Exchange Official Record," Melbourne, between January and August, 1943. The six are amongst the outstanding monopolistic organisations operating in Australian industry. B.H.P. and its subsidiary, Australian Iron & Steel (B.H.P. owns £4,700,000 of A.I. & S. total paid-up capital of £5,700,007) have a monopoly of steelmaking. There are no blast furnaces in Australia but theirs. C.S.R. alone supplies the Australian market with sugar. There are now no refineries in Australia or New Zealand which it does not own. A.C.I. is the glass monopoly. I.C.I.A.N.Z. is the apex of the chemicals monopoly. British Tobacco has the tobacco manufacturing field almost to itself. B.H.P., C.S.R. and British Tobacco are in that order the richest non-banking companies operating here, and the other three companies included in the table are all in a list of the 12 or 14 richest companies. *The six represent almost as great an investment, between them, as total investment in all other public companies, more than* 200 *in number, which are engaged in all sorts of manufacturing in Australia.*

This is the measure of their fast growth immediately before and during the war.

TOTAL ASSETS AND SHAREHOLDERS' FUNDS OF SIX LEADING AUSTRALIAN MANUFACTURING COMPANIES

Company	Total Assets			Shareholders' Funds		
	1938 million £	1939 million £	1943 million £	1938 million £	1939 million £	1943 million £
B.H.P.	21.4	22.9	30.2	17.5	19.5	21.3
C.S.R.	22.1	22.2	27.2	19.2	19.5	21.3
British Tobacco	13.5	13.5	17.0	12.7	12.8	14.9
A.I. & S.	7.8	9.2	10.0	4.2	6.3	6.7
A.C.I.	2.6	7.3	9.6	1.9	6.3	8.0
I.C.I.A.N.Z.	4.3	5.7	8.1	4.0	5.3	6.5
TOTALS	£71.7	£80.8	£102.1	£59.5	£69.7	£78.7

"Total Assets" equals current assets (trade debts, etc.) and fixed assets (land, buildings, plant, etc.).

"Shareholders' Funds" equals paid-up share capital, and reserves, and accumulated profits not distributed.

There in the table are the richest of the rich, getting richer. Whether we assess their progress by the variations in their total assets or by their shareholders' investment, the six great industrial combines have gone ahead fast. If we compare the position of the six companies as a body in 1939 compared with 1938, the year before the war, we find that their assets had increased by an eighth (12.7 per cent.) and their shareholders' funds by more than a sixth (17.1 per cent.). Over the next four years to 1943, they added more than a quarter to their 1939 assets (26.4 per cent.) and more than an eighth to their shareholders' funds (12.9 per cent.). Over the *five* years between 1938 and 1943, these six monopolies added 42.4 per cent. to their assets and 32.3 to their shareholders' disclosed financial interest in these assets.

These facts are the more remarkable because there has been a general tendency for the "current" item in total assets to *fall* during the war because of diminution of civilian business in consequence of official restrictions. Because a brake is at all times put on advance of the "fixed" element in total assets by the practice of writing down assets to allow for depreciation of plant and machinery. Because special depreciation to an exceptional extent, is allowed by Government on war plant and machinery. And, finally, because during the war, shareholders' funds also tend to slow down to standstill, fresh capital issues being forbidden in wartime unless express Governmental permission is given.

But in spite of these impediments, British Tobacco with its range of business curtailed by Government restrictions, and the other five monopolies, all concentrated upon war production, in the first four years of war *improved* their assets by a quarter and their shareholders' funds by an eighth.

No longer was it permitted, in wartime, for B.H.P. and A.C.I. to make enormous gifts out of accumulated profits to their shareholders in the form of bonus shares—on the eve of war these two companies between them had added about £7,000,000 to their shareholders' funds out of their accumulations. Nevertheless, in wartime they have added substantially to those funds.

And if at the war's end they feel they have written down the value of their assets, in their books, to a figure much below the actual value, there will be nothing to stop them from "writing-up" their assets again, and making a bonus issue of shares out of the difference.

These are proofs of great improvements in the financial strength of half-a-dozen monopolistic organisations. The cases are quite representative, as anyone may determine for himself by devoting a few hours to the study of company balance sheets in a financial journal. Industrial monopolies in private hands were improving their position, in the sense of getting richer, immediately before the war, and they have been forging ahead since the war began.

But what about monopolies' growth relatively to other companies? If public companies generally, and manufacturing companies in particular, have been growing during the last five years as fast as the monopolies have grown, then it might be contended, "Well, anyhow, even if in the old days monopolies were allowed to get a stranglehold on some industries, *these* days, haven't smaller, competitive firms, in many branches of industry, been doing just as well, in proportion to their investment? If so, you can't say the trend to monopoly still goes on. The rich are no doubt getting richer, as their own balance sheets show. But the little firms are getting richer, too. There's still room for competitive private enterprise."

So someone might argue, *if* he could find statistics to show that fast improvement of company finances has been general, just before and during the war. But there are no such statistics. The reality is different. In fact, the little fellow has been dropping further and further behind.

Take first the position just before the war. To assess this, either one can scrutinise all available balance sheets oneself, and work out totals and percentages to show the general position of companies in one year as compared with their position in another year. Or else one can rely on official figures, those published by the Commonwealth Bank of Australia in its monthly Statistical Bulletin. The bank figures are used here. They show an extraordinary result for the year 1939 compared with 1938. The Statistical Bulletin for June, 1942, gives aggregate shareholders' funds (but not total assets) of perhaps 200 *manufacturing* companies in 1939 and 1938. The total is given as £150,600,000 for 1938, £157,000,000 for 1939. The year's net addition to shareholders' funds of (presumably) all manufacturing public companies was

£6,400,000. But individual balance sheets show that a mere six of the most important of the 200 manufacturing companies alone increased *their* shareholders' funds, in that year between 1938 and 1939 balancing dates, by £10,200,000.

We seem to have the absurd result that the part includes the whole, the less exceeds the greater. It is, of course, possible that the bank statisticians did not include six of Australia's greatest manufacturing companies in their table. If, in fact, they failed to include any of the six, their table is unrepresentative and useless. If all *were* included, then on the balance all other manufacturing companies must have suffered a diminution of their funds.

In either case, it is clear that the flourishing state of six monopolies' finances before the war was in marked contrast to the state of manufacturing companies in general. Demonstrably, manufacturing monopolies *were* improving their position relatively to other public companies engaged in manufacturing. The monopolies were occupying a widening section within the whole area of investment in manufacturing. And there is nothing surprising in this, when we consider that five of the six companies (to leave British Tobacco out of this particular context) were in fact widening the scope of their industrial operations. Most of the increase, my table shows, attached to A.C.I., which had just reconstituted itself and made a large bonus issue, and Australian Iron & Steel, into which B.H.P. capital was being poured (without adverse effect on B.H.P.'s own shareholders' funds, which were up almost as much as its A.I. & S. subsidiary's).

But what about *during* the war? Has this pre-war tendency been maintained? Have the monopolies continued to gain ground?

The Commonwealth Bank does not help us towards an up-to-date answer. The bank figures to 1941 permit of a comparison of the capital gains of other manufacturing companies with the gains of the six specified monopolies shown in their balance sheets. From these figures it appears that between 1939 and 1941 the six monopolistic manufacturers increased their funds at a rate half as fast again as the rate of advance of shareholders' funds of other manufacturing companies. The six had by 1941 added £8,700,000 to their 1939 funds of £69,700,000, and the other 200 or so had added £7,300,000 to their 1939 funds of £87,300,000. The monopolies had put on 12.5 per cent. in two years; the rest, 8.4 per cent. The monopolies were still gaining ground.

But as from 1941 the Commonwealth Bank abandoned its custom of giving manufacturers' funds separately from funds of other companies. Thenceforth manufacturing companies are lumped under "other," i.e., non-banking, companies of various kinds. There are 500-odd companies under this "other" heading which hides so much. However, we can still make a comparison of the capital gains which the six monopolies made between 1939 and 1942, and the gains which all other non-banking companies made. It seems that £304,300,000 was invested in "other" companies in 1939, according to the bank's figures, and £326,700,000 in 1942. Omit the six monopoly manufacturers' 1939 and 1942 funds of £69,700,000 and £80,400,000 from the respective totals, and we find that *while all other non-banking companies increased their shareholders' funds, over the three war years between* 1939 *and* 1942, *by* £11,700,000, *which amounts to an improvement of almost exactly* 5 *per cent., or one-twentieth, the six monopolies increased THEIR funds by nearly as much,* £10,700,000, *as about* 500 *other companies. This is a capital gain in three war years of* 15.4 *per cent., at three times the rate of gain of all other public companies not engaged in banking.*

Well, as we noted earlier, there are many more monopolistic companies than this sample of six, and it is reasonable to suppose that if we deducted the funds of *all* monopolistic organisations from the companies' totals, the difference between the rate of wartime progress of monopolies and that of small competitive companies would be still more marked.

However, even on the sample the differences are so great that we can accept without further question the proposition that monopolies have been growing, during the war as before the war, much faster than lesser industrial concerns. That is another way of saying that investment in competitive business is declining sharply compared with investment controlled by monopolies. And, as we found that opportunities of investment in monopolistic business were usually limited to "the family," i.e., the monopolies' own established shareholders, it will continue to be the fact that it is the rich that get richer.

MONOPOLY MEN RUN THE PEOPLE'S WAR EFFORT

NOTICE this comment in the "Tribune," London, July 23, 1943, on the fact, admitted by the United Kingdom Minister of Supply, Sir Andrew Duncan, that 61 executive officers or former officers of I.C.I. held "key" posts in the Department of Supply in England. The Minister reported that 12 of these men were still, while in the Government's service, on the I.C.I. payroll. Four directors of I.C.I. were heads of Ministerial branches. The "Tribune" wrote:—

> "It will be said that the Government had no choice. From no other source could the Government get men with the necessary qualifications. Precisely! That's where the present social set-up has brought us. The State does not take over the monopolies—so the monopolies take over the State."

Monopolistic organisations are strongly represented in the direction of the wartime industrial undertakings of the Commonwealth Government, as well as of the United Kingdom Government.

Mr. Essington Lewis, who is Director-General of both Munitions and Aircraft Production, was, according to the Australasian Institute of Mining and Metallurgy, which awarded its gold medal to him in 1941 ("Argus," Melbourne, April 1, 1941), "managing director of five important companies and a director of eleven subsidiary companies." He was, among other things, chief general manager of the B.H.P. Co., and managing director of its subsidiary, Australian Iron and Steel Ltd., which hold a monopoly of steel production in this country.

According to the Minister for Munitions, Mr. Makin, writing in "Rydge's Journal," Sydney, September, 1943, the seven directorates of the Ministry of Munitions—materials supply, gun ammunition, ordnance production, machine tools and gauges, armored fighting vehicles, radio and signals supplies, and locomotive and rolling stock construction—were headed by experts from private industry, assisted in each case by a Controller, a public servant.

The Director of Gun Ammunition has been Mr. W. J. Smith, managing director of Australian Consolidated Industries Ltd., the glass monopoly, and other companies. The Director of Materials Supply was, until his death in March, 1944, Sir Colin Fraser, who held directorships in a wide range of companies in the combine-of-combines organised about Collins House, B.H.P. and Imperial Chemical Industries of Australia and New Zealand. He was at the outbreak of war a director of A.C.F. and Shirley's Fertilisers Ltd., Associated Pulp and Paper, Broken Hill South (chairman), Commercial Union Assurance (chairman, Melbourne Board), Dunlop Australia Ltd. (alternate), Electrolytic Zinc (chairman), North Broken Hill, Western New South Wales Electric Power Pty. Ltd., Zinc Corporation (Local Board).

The Director of Ordnance Production is Mr. L. J. Hartnett, managing director of General Motors-Holdens Limited.

The Factory Board and Boards of Area Management of the Ministry of Munitions, and the Departments of Supply and Shipping, and Aircraft Production, also house representatives of monopolistic business.

One of the monopoly men, Mr. John Storey, who is director of the Beaufort Division of the Department of Aircraft Production, and is also president of the Institute of Industrial Management, Australia, and a director of General Motors-Holdens, expresses these views as to Government and Monopoly, in "Rydge's Journal," December, 1943:—

"It is not the function of the Government to participate actively in production and distribution, because experience has shown that it cannot fulfil those functions efficiently.

". . . . economy does not require the participation of the Civil Service in the management of industrial undertakings, or Government ownership of factories for the production of civil goods in competition with private industry."

Mr. Storey anticipates this sort of arrangement after the war:—

1.—Government factories with specialised war production plant should be utilised to meet peacetime requirements of only munitions and the like.

2.—Government factories that are not convertible to civil production "should be disposed of to private industry on acceptable terms and conditions."

3.—Government annexes to private firms should be utilised to meet peacetime munitions requirements if the plant is specialised to such production, and disposed of to private industry on acceptable terms and conditions if they are not.

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.

* * * * * *

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 bureaus, 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:—

"A motion from Gracefield (Q.) Branch, asking Conference to declare that Labor's post-war programme should include socialism and that 'definite steps should be taken to this end,' was rejected. Rejection of the motion was recommended . . . . on the ground that it was irrelevant to the party platform. It was pointed out that the party objective was 'socialisation' and that there was no provision in the platform for total socialism." —"Argus," Melbourne, December 16, 1943.

"On the ruling of the president (Mr. C. G. Fallon) a resolution expressing the view that nationalisation of all transport was desirable, which was included in the supplementary agenda, was carried merely as an expression of opinion."—"Herald," Melbourne, December 16, 1943.

"By re-framing a motion demanding immediate socialisation of key industries, conference avoided an immediate decision on the implementation of this major party principle. A South Australian motion which sought to socialise coal mines, shipping and the metal industry, was replaced by one which read: 'Conference requests the Government to exercise effective control over such essential industries as are indispensable in mobilisation of national resources for defence of the Commonwealth."—"Argus," Melbourne, December 18, 1943.

"Delegates' opinions differed on a motion from the South Australian Executive that the Labor Government be directed to employ Labor sympathisers on advisory committees and exclude persons with anti-Labor background. The motion was: 'That the Federal Government be directed to make full use on advisory committees and otherwise of technical advisers known to be sympathetic to Labor instead of persons who have always been servants of private business interests.'

"Conference was informed that to carry the motion in this form would prevent the Government from making use of the services of a number of experts in particular spheres who were employed by private enterprise, but who were the only men of sufficient status capable of assisting the Government.

"Conference decided to carry the motion, *with the exclusion of the reference to servants of private interests.*"—"Argus," Melbourne, December 16, 1943.

In the light of these proceedings of the national parliament of the Labor Movement, it may be supposed that it was not the Labor Party that the late Sir Colin Fraser, Government

Director of Materials Supply, had in mind when he said, in the course of his 1943 chairman's address to shareholders of Broken Hill South Ltd.:—

"We have lately heard a good deal of the old time-worn Marxian objective, 'the socialisation of the means of production, distribution and exchange.'"

READ THIS

Let me begin by telling you a short, plain, matter-of-fact story. It is a true story of a young Australian, typical of hundreds of thousands. It is also the story of one of the blackest crimes ever committed—not by an individual against society, but by society itself against hundreds of thousands of young Australian men. This is the story:—

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At 19 he knew no more than he had known at 14. Indeed, he knew less; for much of what he had learned superficially at school had since faded away. At 19, then, he was less than a boy of 14 in education.

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