

A few Labor members believed in ‘sound finance’ and that for the good of the nation and the workers the party had to stick with it. Their strongest argument was that the government could not do anything else because it did not control the Senate, where the Nationalists had a majority, or the Commonwealth Bank, which had an independent board. Both the Nationalists and the bank board believed in ‘sound finance’ and were determined to stop Labor from adopting any ‘funny money’ schemes.

The leader of the ‘sound finance’ group in the Labor Party was Joseph (Joe) Lyons, an ex-school teacher from Tasmania where he had served as premier. The wild schemes he heard in the Labor caucus room in Canberra appalled him. While he was acting as Treasurer caucus told him to suspend repayment of a loan. He ignored them and appealed to the Australian people to lend money to the government so that it could repay the loan. The interest he offered was low; people invested their savings to help the country, not to make money. More money was offered than was needed. This great success made Lyons famous as a politician who had put his country before his party. A few months later, worried at the direction Labor was taking, he resigned as minister.

In New South Wales the Labor premier Jack Lang stopped paying interest on British loans. He declared: ‘While there is a pinched and starving belly in Balmain, not a penny, not a penny, to the bloated bondholders in London’. The workers in Sydney loved him. Middle-class people in Sydney and around Australia hated him. They were ashamed and angry at what he was doing: he was ruining Australia’s reputation in Britain, the country they admired, the country that they believed stood for honour and honesty, the country they still called ‘home’.

To preserve Australia’s reputation, the Commonwealth Labor government paid the interest that Lang had held back. The federal Labor Party expelled the Lang Labor Party and set up an ‘official’ Labor Party in opposition to his.

Lang had been a real estate agent in a Sydney suburb. He was a big man, a loner, with no real friends but plenty of henchmen to protect his position in the party. The New South Wales Labor organisation was a war zone; rival groups fought each other by standover tactics, fixing elections and rewriting the rules. Once Lang’s followers were in charge, the party organisation ruled that Lang must be the parliamentary leader. Some of the Labor parliamentarians were critical of Lang, but they no longer had a



*Jack Lang, Labor premier of New South Wales*

voice in who should be leader. The party that had been so suspicious of politicians had now found one to whom it wanted to give all power.

Lang was a demagogue, someone who tells his followers what they want to hear and does things that look good but make no real difference—or make things worse. He was not as wild and radical as he made out to be. Within the party organisation were many socialists and a few secret communists who saw the Depression as the chance to implement Labor's ideal of socialism. Lang at first encouraged them, but then they produced a three-year plan outlining how Lang was to create a socialist society. The 1931 Labor conference adopted it—but for only 24 hours. Lang and his machine got to work on the delegates and the vote was overturned.

But to big business and middle-class people this was not very reassuring. For the moment Lang had beaten the socialists and revolutionaries, but he himself was steering to disaster. They feared that when disaster struck, the revolutionaries and wreckers would have their chance. The federal Labor government also seemed to be courting disaster by its failure to do anything and by playing with crazy remedies. Thousands of people were now convinced that