

Legislative Council,*Tuesday, 26th November, 1940.*

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The PRESIDENT took the Chair at 4.30 p.m., and read prayers.

QUESTION—AGRICULTURE.*Hay position, as to purchases.*

Hon. G. B. WOOD asked the Chief Secretary: 1, Is the Minister aware that drought-affected farmers desiring to purchase hay must do so from the Government if the purchaser requires financial aid from money advanced by the Commonwealth Government? 2, Will the Government allow farmers to purchase hay from other farmers if it can be bought at considerably less cost than that charged by the Government, and still receive financial aid for the purchase?

The CHIEF SECRETARY replied: 1 and 2, The hon. member is aware that the Government undertook the responsibility of safeguarding the hay requirements of drought-stricken farmers who were unlikely to have finances available to them, and purchased considerable quantities for this purpose. The Government will be using these hay resources as part of the drought relief advances to be made. Since the provision of anticipated hay requirements has been arranged in this manner, drought-affected farmers will secure such hay from Government stocks, excepting where applicants for assistance are not within reasonable distance of railway facilities. We are urging farmers and stock owners to make application immediately for their requirements.

BILL—FISHERIES ACT AMENDMENT.

Read a third time and returned to the Assembly with amendments.

BILLS (2)—REPORTS OF COMMITTEE.

- 1, Reserves.
 - 2, Legitimation Act Amendment.
- Adopted.

BILL—MARGARINE.*In Committee.*

Resumed from the 21st November; Hon. J. Cornell in the Chair; the Chief Secretary in charge of the Bill.

Clause 31—Labelling of cooking margarine.

Hon. H. S. W. PARKER: I move an amendment—

That in paragraph (a) of Subclause (1) the words "for cooking margarine only" be struck out.

These words do not appear in any of the margarine Acts passed in the other States. They are mere verbiage. They will mean that packages and boxes will be plastered with a lot of unnecessary printing. Cooking margarine imported from the Eastern States will not bear that inscription, and an offence will be committed by the exporters. I cannot understand the necessity for those words.

The CHIEF SECRETARY: I hope the Committee will retain the words in the paragraph. Unless margarine is intended for export, very clear marking of packages is necessary. The departmental officials assure me that they consider this matter most important. The Bill provides for three classes of margarine, namely, table margarine, cooking margarine with 90 per cent. animal fats and another form of cooking margarine with animal fats ranging from 75 to 90 per cent. The departmental point of view is that unless the marking is distinct in the manner suggested, there is a possibility of the objects of the legislation being defeated. Margarine intended for export will not be marked in the manner suggested, but will have to comply with the regulations under the Commonwealth Commerce Act.

Hon. H. S. W. PARKER: We were told that the Bill was intended to implement a gentlemen's agreement under which uniform legislation was to be passed. The object of the amendment is to adhere to that gentlemen's agreement. Under the Commonwealth Constitution, the importation of goods from other States cannot be prevented. Unless the amendment be agreed to, the effect will be that a person selling margarine without the words complained of appearing on the package, will innocently commit an offence. The particular words covered by my amendment were deleted from the draft Bill that was considered in Victoria. They were omitted by the Minister at the request of those concerned, with whom he had a conference.

Hon. J. M. MACFARLANE: I support the amendment. Apart from the reasons advanced by Mr. Parker, the obvious intention is to make cooking margarine secondary to ordinary margarine. The hedging that is being done is with the object of according preference to margarine made of vegetable oil. Animal fats constitute an Australian product, which is a good wholesome article of diet. To my mind, it excels margarine made of other edible fats. Most of us have enjoyed bread and dripping and that is practically what constitutes cooking margarine. I cannot support any provision that would place animal fats in a secondary position.

Hon. W. J. MANN: I hope the amendment will not be agreed to. I cannot understand Mr. Parker's statement that packages will be plastered with printing. The inclusion of the words proposed to be struck out represents an additional protection against cooking margarine being passed off for table margarine. I am a bit suspicious about these attempts to water down the Bill.

Hon. V. HAMERSLEY: I am rather intrigued by the position that has arisen. Farmers who make the butter are required to label it "farm butter" before they can sell their output. Why should not the margarine manufacturers be required to market their products similarly, so that people would know what they were buying?

Amendment put and negatived.

Clause put and passed.

Clauses 32 to 38, Title—agreed to.

Bill reported without amendment.

Recommittal.

On motion by Hon. W. J. Mann, Bill re-committed for the further consideration of Clauses 6 and 25.

In Committee.

Hon. J. Cornell in the Chair; the Chief Secretary in charge of the Bill.

Clause 6—Interpretation:

Hon. H. S. W. PARKER: I move an amendment—

That in the definition of "cooking margarine" the words "and does not resemble butter in colour" be struck out.

I am advised that these words were omitted from the Victorian Act because if beef fat is used in the manufacture of margarine, the product contains a slightly yellow colour which would thus give it a resemblance to butter. I am also informed that to leach out the colour would remove the valuable properties from the product. We cannot prohibit the importation of cooking margarine from the Eastern States, and as these words are not included in other Acts, imported margarine would probably resemble butter in colour. I would not venture a legal opinion but I am inclined to think that if a person were charged with selling margarine with a colour resembling butter, and the product was found to be of Eastern States manufacture, the prosecution would fail. If the words are left in the measure, we shall prevent the manufacture of beef margarine in this State.

The CHIEF SECRETARY: I do not think there is any definition of cooking margarine in the Victorian Act.

Hon. H. S. W. Parker: I think so.

The CHIEF SECRETARY: I have not a copy of the Act, but the Bill contains no such definition.

Hon. H. S. W. Parker: Then why not strike out the definition from this Bill?

The CHIEF SECRETARY: We believe it is desirable to have a proper definition of the different types of margarine that will be affected by this legislation. By having a very definite interpretation of the terms, we cannot make any mistakes. Unscrupulous people will desire to take advantage of loopholes. The Bill was introduced to pro-

fect the butter industry as far as possible, and I understand margarine manufacturers are quite agreeable to this provision.

Hon. H. S. W. Parker: No; at least so I am instructed.

The CHIEF SECRETARY: Only two are at present materially affected.

Hon. H. S. W. Parker: I thought you were speaking of the other States.

The CHIEF SECRETARY: I am concerned only with this State. While it is true that we cannot prevent the importation of cooking margarine, the parties concerned are prepared to fall into line with whatever legislation we pass. We cannot speak for those who may enter the industry at a later date. I am assured by the department that these words are necessary, though it is admitted that, generally speaking, cooking margarine does not resemble butter in colour. I hope the Committee will not reverse its previous decision.

Amendment put and negatived.

Clause 25—Control of amount of table margarine to be manufactured:

Hon. W. J. MANN: I move an amendment—

That the following proviso be added to paragraph (a) of subclause (1):—“Provided that such maximum quantity of table margarine to be manufactured in any period of 12 months ending the thirty-first day of December shall not exceed three hundred and sixty-four tons.”

Since Thursday I have received two urgent telephone messages and two letters from widely separated centres in the South-West, requesting that an attempt be made to have included in the Bill the total amount of table margarine that may be manufactured each year. The Butter Fat Zone Council at Bunbury which is representative of practically the whole of the South-West, is very perturbed, having an idea that unless the quantity is specified it may be possible in some way for the quantity agreed upon to be exceeded. A letter from Brunswick points out that unless a figure is inserted in the Bill, the gate will be left wide open for a steady increase in the sale of margarine, in the event of the Minister being persuaded to agree to such increase. The other messages I received were equally urgent and were the result of two gatherings of butter fat producers at other places.

This is a vital matter and I urge the House to recognise the fears entertained by men who are in the industry.

The CHIEF SECRETARY: As I informed the House previously, the Minister for Lands has not any strong objection to the amendment, but at the same time he would prefer to have the Bill as it stands. I do not know that what has been said in support of the amendment is going to make the position any better and so I hope the clause will not be amended.

Hon. A. THOMSON: I hope the Committee will agree to the insertion of the proposed words. The Bill is designed to protect the industry upon which the State has spent so much money and upon which the lives of many people now engaged in it depend. We should make it as difficult as possible for manufacturers of margarine to increase the quota.

Hon. H. TUCKEY: The Government introduced the Bill with the intention of protecting the butter industry, and if the amendment is agreed to, the Minister's hands will be strengthened. It is difficult to say what pressure will be brought to bear to bring about an increase in the production of margarine in any one year. I too have received communications from those who are very much concerned and they look upon the clause as a very important part of the Bill, and so they are anxious that the amendment should be agreed to.

Hon. J. M. MACFARLANE: I intend to support the amendment. To-day I had a discussion with a man in the trade who is familiar with the New South Wales legislation, and he told me that in that State there was a keen desire to put into the hands of the Minister every possible power to deal with the quota. The position there is such that if it is desired to increase the quota, that increase can be brought about only by an amendment to the Act. That decision was arrived at after a long discussion. The amendment suggested does not go as far as I would wish, but it will meet the position.

Amendment put and passed; the clause, as amended, agreed to.

Bill again reported with an amendment.

MOTION—ECONOMIC PROBLEMS.*Commonwealth Bank and National Credit*

Debate resumed from the 12th November on the following motion by Hon. Sir Hal Colebatch (Metropolitan):—

That in view of the resolution carried in the Legislative Assembly on Wednesday, 6th November, and ordered to be transmitted to the Commonwealth Government, regarding the use of the national credit through the Commonwealth Bank, it is desirable that the Prime Minister be informed that such resolution has not the support of the Legislative Council, and that in the opinion of this branch of the Parliament of Western Australia, national credit in the form of bank issues should be used with caution and discrimination in order that public confidence and the economic stability of the country may be maintained.

THE CHIEF SECRETARY (Hon. W. H. Kitson—West) [5.10]: I listened with interest to the views expressed by Sir Hal Colebatch on what one might term "the complex problem of finance," and on the policy any Government should adopt when dealing with financial and economic questions. I do not, however, intend to be drawn into a long argument as to the rights and wrongs of any particular financial system and will, therefore, be brief with my contribution to the debate. At the commencement of his speech, Sir Hal said that the purpose of the motion was, in the first place, to dissociate the Legislative Council from the instruction given to the Government, and, in the second place, to convey to the Premier the Council's conviction that the national credit as expressed by Commonwealth Bank issues, should be used only with caution and discrimination. That being so, it is necessary to examine the resolution adopted by the other place. It says—

"That in view of the apparent deplorable shortage of money in Australia it is evident that a maximum effort to bring victory in the present war, to provide proper funds for the future defence of Australia and to bring the standard of living approaching decency is impossible under the present monetary system. This House therefore requests the Government to forward to the Prime Minister of Australia the following resolution passed by the Assembly last session, demanding that it be given immediate effect to; and that other State Premiers be requested to support it:—

In view of the deplorable state of our primary industries and the ever increasing poverty and unemployment in our midst, the national credit of the Commonwealth should be used in the cause of defence,

the primary industries and the general welfare of the people of Australia, by and through the Commonwealth Bank without inflation or any charge.

Now let us read the motion with which we are dealing—

"That in view of the resolution carried in the Legislative Assembly on Wednesday, 6th November, and ordered to be transmitted to the Commonwealth Government, regarding the use of the national credit through the Commonwealth Bank, it is desirable that the Prime Minister be informed that such resolution has not the support of the Legislative Council, and that in the opinion of this branch of the Parliament of Western Australia, national credit in the form of bank issues should be used with caution and discrimination in order that public confidence and the economic stability of the country may be maintained."

In comparing the motion carried by another place, and the motion as submitted by Sir Hal, and on listening to and perusing his speech, I fail to find any one good reason why this House should dissociate itself in any way whatsoever. Sir Hal says that the national credit in the form of bank issues should be used with caution and discrimination. Is there any suggestion in the motion carried by the Legislative Assembly that it should be handled otherwise? I am sure if members will carefully read the motion they cannot fail to agree that there is no need for the Prime Minister to be informed by the Legislative Council of this State that our national credit should be utilised with caution and discrimination. He and all Premiers of the various States, are well aware that to do otherwise would court disaster.

Personally, I have always favoured and advocated the utilising of national credit within proper limits and safeguards, and it is a matter of common knowledge that this is being increasingly indulged in. We know, of course, that since the outbreak of war there has already been a considerable expansion of credit. In one instance, Commonwealth Bank credit was used directly to provide an amount of £12,000,000 to be utilised on Government expenditure and no public loans were raised to clear the advance.

A few weeks ago, one of the recognised authorities on Australia made a statement to the effect that the Commonwealth Government had over the last 18 months or two years utilised the national credit to the extent of £50,000,000. The authority in that

instance being Professor Giblin, the statement will not, I believe, be queried in this Chamber. To such an extent, therefore, advantage is already being taken of national credit. To what extent that credit is still capable of expansion is matter for intense investigation. It is a matter which must call for attention in the very near future, and which all students and authorities acknowledge to be a pressing need in our social structure. We must have more regard for spending elsewhere if the opinions recently expressed by recognised authorities throughout the British Empire are to receive due attention.

The Assembly's resolution does not state how freely it is intended that national credit should be used. However, it definitely says that the national credit should be managed through the Commonwealth Bank without inflation or any charge. I do believe this to be a matter of vital importance, and so much so that we ought to give effect, as early as it may be possible to do so, to the platform of the Australian Labour Party, which provides for nationalisation of banking and credit. I can quite understand how difficult it would be for Sir Hal Colebatch to accept this policy, more particularly having in mind his recent utterances on another subject involving municipalisation and nationalisation. This, to my mind, is one of the most important and most urgent features of Labour policy, and one which is receiving increasing attention from numerous people who, until this war, were not very much concerned as to the methods adopted by Australian Governments in raising the large sums of money which have been needed in the past. This war, however, makes such huge demands on the resources of the public as to compel the adoption of a method different from that followed during the last war. I presume hon. members are aware that we have spent hundreds of millions of pounds already in excess of the cost of the last war, and that we are still owing hundreds of millions of pounds of principal, and that if the present war continues for the length of time which now seems probable, many people will be forced to consider other methods, and perhaps to agree to the methods which for so long have been advocated by myself and other members of the Labour Party.

Hon. G. W. Miles: Increased taxation is going to help.

The CHIEF SECRETARY: Naturally there must be increased taxation. Australia has been fortunate for years. Though we had to find tremendous amounts of money for the last war, we have been very well treated in regard to taxation as compared with other countries. All of us now have to make up our minds that taxation is going to be much higher and far more severe not only in the Commonwealth sphere but also in the State sphere, and perhaps in the domain of local authorities as well. The credit resources of the nation rightly belong to the nation, and should be used to the fullest possible extent in our national interest, and in that interest only. Labour policy in regard to financial reform may be summarised as follows, this being the statement of it which formed part and parcel of the Labour platform during the last Commonwealth elections:—

National control of banking and credit to ensure its adequacy in putting to work the idle hands the Commonwealth Government failed to employ in peace time and in using the full physical and man-power resources of the nation to carry on the war. National control of interest rates to keep to the minimum the monetary and capital costs of the war and production and industry generally. National direction of investment.

The Labour movement has been advocating reform in monetary policy for many years, and when in power in the Federal Parliament it gave a practical demonstration of its progressiveness by creating the Commonwealth Bank. Unfortunately this attempt at monetary reform was short-lived owing to the short-sightedness of a Government which followed, and which altered the constitution and functions of the bank in the interests of private financial institutions.

Hon. H. Seddon. Will you show us how?

The CHIEF SECRETARY: I do not propose to embark on a long discussion of that phase. I state it as a definite fact.

Hon. H. Seddon: But I would like you to show us how.

Hon. J. Cornell: That is a matter of academic argument.

The CHIEF SECRETARY: I was endeavouring to avoid academic argument on this occasion. As I have stated, I do not agree with a policy of providing additional credit without limit and without adequate safeguards, but I think it is now being recognised that there are possibilities of departing considerably from what has been

regarded as the orthodox method of finance. If the credit resources of the nation are nationalised, one would be in the position of knowing that they would be utilised only in the interests of the people, and not, as I have indicated before, mainly in the interests of private financial institutions whose main concern, of course, is at all times the interest of their shareholders, who form only a small proportion of the community. The opinion I am advancing is not one that will be agreed to by all members. Far from it. The principles and details of monetary policy have long been the subject of acute controversy, and there is doubtless room for honest difference of opinion. However, whatever our views may be on the merits or demerits of any particular proposal put forward in this regard, the fact cannot be gainsaid that there is urgent need for reform; and any action taken along the lines I have suggested can, in my opinion, only be for the good of the community at large and the nation in general.

In the matter of Government control of finances Australia is behind even Conservative Great Britain. Negotiations between Great Britain and the United States for the purchase of hundreds of millions of pounds' worth of raw material have been conducted direct between the two Governments, and the Bank of England has been instructed to carry out the British Government's policy. Members may have noted recent statements in the Press regarding the financial position of Britain. One statement, made by a very prominent public man, indicated that recent purchases from the United States have been so large that it would be only a matter of months before Britain would have to acknowledge that she had not the money to pay cash for those huge requirements, and that therefore it would be only a matter of a few months before some other arrangement would have to be made. It does appear to me that the whole structure of our financial system will be overhauled; and out of that overhauling, which must necessarily take place sooner or later, I am inclined to think there will result agreement in some of the views expressed by the Labour movement for years past, as well as of a good deal of the policy advocated by this party so

strongly and consistently in the years gone by.

In Australia we have been repeatedly told that unless we can obtain the approval of the Commonwealth Bank Board, many financial proposals which would prove of great benefit to the people could not be carried out. Year after year the Loan Council decides on a policy, only to be told by the Commonwealth Bank that finance is not available. I do not say that in some instances the bank is not right. But if the institution were managed nationally, we would know that it was doing its utmost for the good of the nation; and the bank would be free from any suspicion that its decisions might be influenced by private financial institutions.

Hon. A. Thomson: Is it not doing its best for the nation?

The CHIEF SECRETARY: Within the limits of its constitution, yes. The Commonwealth Bank's policy must be brought under the control of the Government, and banking and credit must be nationalised, before we can make substantial progress towards monetary reform. I claim, in effect, that banking must be under the control of the Government, that it must be nationalised before any substantial reform can be effected.

Hon. A. Thomson: What do you mean by nationalisation?

The CHIEF SECRETARY: Bringing the control of the Commonwealth Bank under the Government. I am prepared to say that the time is not far distant when there will be no option, when those who are opposed to this idea will probably be only too pleased to accept it as the best of the alternatives offering. The principle of utilising the credit resources of the nation is accepted in varying degrees by all parties. The new Commonwealth Treasurer (Mr. Fadden) only a week or two ago stated that the war would be financed by taxation, public borrowing and the use of bank credit. Sir Hal Colebatch used the same terms. Where the Labour Party joins issue with other parties is that it thinks bank credit issue should be under the control of the nationally-owned institution, the Commonwealth Bank, and not of privately-owned and privately-controlled institutions.

Hon. A. Thomson: You do not mean to say that the privately-owned institutions control the Commonwealth Bank?

The CHIEF SECRETARY: No. I would be foolish to make any such statement; but I say that under the constitution of the Commonwealth Bank, privately-controlled financial institutions are getting a benefit and to some extent can and do influence the operations of the Commonwealth Bank.

Hon. A. Thomson: Would you explain what benefit they get?

The CHIEF SECRETARY: As I said, if I begin an academic discussion we shall be here all night. I do not propose to do so.

Hon. H. Seddon: That is the second time you have burked the issue.

Hon. J. Cornell: We are all J. M. Keynes's here.

The CHIEF SECRETARY: Unfortunately, I am not. While what I have stated is an objective to which I heartily subscribe, we must deal with the position as it is. I can assure the House that a very considerable step forward has been made in the use of national credit, and, with safeguards, this will be used more and more as the war continues. Hon. members will have just as much knowledge as I of the changes that have taken place even within recent months. In common with other responsible people, I do not advocate that national credit should be used without necessary safeguards. Those safeguards can be indicated only by the people who are controlling our affairs. I do not say for one moment that any suggestion of mine will be worth much. I do not pose as a financial expert. I certainly have had little experience of high finance as it has been spoken of in this Chamber from time to time; but I consider we can accept what has occurred elsewhere, particularly in Great Britain, as an indication of what will be necessary even in Australia, more particularly in the period of reconstruction after the war, when perhaps larger sums of money will be required than have ever been needed before, not only for absorbing our soldiers in civil life, but for many other purposes.

Hon. G. W. Miles: Your party is squealing against the spread of taxation now.

The CHIEF SECRETARY: I think the hon. member will find that our party is advocating that those best able to pay taxation should be called upon to pay it.

Hon. G. W. Miles: That is right. Everybody should contribute.

The CHIEF SECRETARY: I can see we could have quite a long discussion on that point.

Hon. J. Cornell: Perhaps the Minister can relate his remarks to those made recently by Mr. Bevin in England.

The CHIEF SECRETARY: One could refer to many such remarks made in recent months. In my opinion, this motion does not call for a long discussion; but the mover has asked that this House should dissociate itself from the resolution carried by another place, so I deem it necessary to refer in a brief way to what has already been done and what the resolution really stands for. Sir Hal Colebatch admits that at the present time there is a grossly ill-balanced distribution of money amongst different sections of the community. He also asks what right the Government has to destroy the value of savings, or even to depreciate them by printing large quantities of synthetic currency, the effect of which obviously is bound to decrease the value of the currency already in circulation. Just what does that mean? I look upon it as merely another instance of the means used by high finance to intimidate those who have little knowledge of the subject, which has for so long been shrouded in mystery. I am beginning to think it is not so mysterious after all. Down the years we have been told that high finance is so intricate and so many dangers are associated with it, that only those who are actually engaged in the business can deal with it properly. During recent years, however, large numbers of people have been paying attention to the subject, because it is, after all, the most important subject with which we shall have to deal, unless the people generally are prepared to continue carrying on indefinitely under the conditions that have prevailed so long. Large sections of the community are finding it exceedingly difficult merely to exist, let alone earn a decent living, while other sections, comprising a much smaller number have been thriving. As I said, I do not intend to speak at length on this motion. I can but say that I fail to see how the resolution passed by another place can have the construction placed upon it indicated in the remarks of Sir Hal Colebatch. Throughout his speech and by the context of his motion, he is endeavouring to lead the House to believe that the intention is excessive use of bank credit, to an extent involving all the

disastrous consequences of uncontrolled inflation. He even suggests that the proposal in the resolution carried by another place does not bear the hall-mark of honesty and straight dealing. I can only reiterate that there is no evidence of any such intention and I ask the House not to support the motion.

HON. J. CORNELL (South) [5.40]: I desire briefly to associate myself with the motion and to intimate that I shall oppose it. I shall not weary members with a dissertation on banking or national credit. The subject matter of the resolution carried by another place which this motion asks that we shall disagree with will be tested within the next few days in the crucible of the only place where it can be tested, and that is the Federal Parliament. Whether or not the credit of Australia is to be stretched further than it is now being stretched in order to meet the exigencies of war was largely determined last October. The two contending political parties in the Federal arena—and, after all, the Commonwealth is the only medium through which the credit of Australia can be stretched—went before the electors of Australia. One party, led by Mr. Menzies, was definite in its advocacy of the retention of the present order. The other party, led by Mr. Curtin, was equally definite in its advocacy that the present order should not continue.

Hon. G. Fraser: They finished fifty-fifty.

Hon. J. CORNELL: The only political party that did gain on the hustings was the party led by Mr. Curtin. That being so, it was idle for another place to pass the resolution. It is merely a pious resolution; such a resolution passed by any State Parliament could only be construed as pious because the Federal Parliament is the only authority that can deal with the matter. In the Federal sphere the position is fifty-fifty, so far as numerical strength is concerned. There is this to the credit of the Federal Opposition, however, that it increased its numbers.

Hon. G. W. Miles: In Lang's State only.

Hon. J. CORNELL: Never mind about Lang's State.

Hon. G. Fraser: That is where the majority of the people are.

Hon. J. CORNELL: We are a Commonwealth, and on this matter the Commonwealth speaks, not the States. Although

New South Wales was the only State to increase the membership of the Federal Opposition, the fact remains that that State is not strong enough either to form a Government or to oust the existing Government. The whole of Australia must decide this question. I am not a Jeremiah.

Hon. G. W. Miles: We are pleased to hear that.

Hon. J. CORNELL: Members may recall that during the first month of the war I said that the old order had to be set aside, that we would be acting only the part of jesters or fools were we to think that the greatest war in history could proceed while we continued under the old order. Our first obligation was and our last obligation will be to support the men who are bearing the brunt of this struggle by risking their lives in the war. They will decide whether or not some of the old shibboleths to which we have been wedded down the years will remain. We are talking in a monetary sense as if we were not only going to emerge from the war victorious, but also were going to retain the old order. I am sure that we must come out on top. If we do not, we need not worry about the future monetary position because that will be arranged for us. I do not profess to be a Keynes or any other economist, but to my way of thinking what we must endeavour to do is to maintain public confidence. This is the only thing that matters at the present juncture.

Hon. H. Seddon: That is so.

Hon. J. CORNELL: We must maintain inviolate, not only here in Australia but also throughout the length and breadth of the British Empire, the confidence that first of all we are going to emerge triumphant from the struggle. To do that we will use all our resources; to remain free men and women, we will destroy all our old shibboleths.

Hon. G. W. Miles: And yet in Canberra an attempt is being made to-day to prevent the Government from getting the taxation it needs.

Hon. J. CORNELL: That might be described as one of the adornments of our system of democracy. We cannot have a democracy without having varying ideas and conflicting opinions; we cannot have a democracy that is not articulate. Certainly there is a way of stifling unwanted criticism

and that is the way dictators adopt. The matter referred to by Mr. Miles is part of the price we pay for our system of democracy. That, however, is beside the question I was discussing.

A day or two ago I was greatly impressed by a public statement by a man in the United Kingdom who, in my opinion, stands next to the Prime Minister and in the estimation of the great mass of the people in the Old Country, probably stands even higher. Anyone who read what Mr. Bevin said must have been impressed. Mr. Bevin had a very lowly origin, but at the request of the Prime Minister of Great Britain and in the hour of greatest trial, he was called in, without his even being a member of the House of Commons at the time, to undertake the important administration of the Ministry of Labour. He was made a member of the War Cabinet. What he said may be summed up in a few words, "If the Empire is going to be victorious and endure, it will not be done by sticking to the old shibboleths."

Hon. G. W. Miles: Nor by issuing credit, either.

Hon. J. CORNELL: It is going to be accomplished by working in the direction, as he said, of social security, and not for profit. One thing that paved the way for our unpreparedness was the tendency to work for profit rather than for national security or social security. That is the position as I see it. There is no doubt that the people who are going to win the war for us belong to the strata in receipt of pay of less than £400 a year. This being so, it is of no use our endeavouring to bolster up something that will not bear bolstering. After all, the motion favours the continuance of the old order, and I cannot support that. I will oppose the motion. I think it regrettable that the issue should have been raised in either House of Parliament. There is no chance whatever of the motion having any effect. Any member who goes to Canberra will soon discover that he belongs to a very small community as compared with the members there who wear very big halos. Often the halos will not fit the heads. Perhaps Federal members are not better informed than are State members, but they occupy the box seat, and to appeal to them is futile. We should adopt all possible means to preserve the

confidence of the people. However the Commonwealth Parliament may be constituted at present or later on, it is our bounden duty to support whatever party may be in power until another appeal is made to the people.

Hon. A. Thomson: It is a pity the people did not do that at the recent elections.

Hon. J. CORNELL: To reiterate what have been saying, confidence is all that matters—confidence in our ability to defeat the foe, confidence in the elasticity of our banking system, however much it may be stretched, and confidence in the willingness of the great masses who comprise the tax payers of this country to meet the obligations of the war. It is all worth while, but without it that brave new world we expect to see will not be realised, and we shall have to put up with one dictated by the other fellow. I oppose the motion.

HON. G. W. MILES (North) [5.56]: I support the motion. As my interjection indicated, to-day when the Commonwealth Government is endeavouring to finance the country and avoid this issue of national credit, about which we hear so much, the Opposition, according to Press reports, is going to challenge the Government on its Budget. The duty of every section of the community is to contribute to the cost of the war and, as the Minister indicated, those people on the higher grades of income should pay most. But everybody should contribute something. Economy should be effected all round—by the individual and by Governments as well. Individuals can help by economising and lending their money to the Government. Whether the party in power be National or Labour, the duty of the people is to get behind the Government in this time of stress and give all possible support. In England that is being done. Men are working as long as 84 hours a week, and the office staffs are being trained to relieve them over the week-end.

In contrast to this, what do we find happening in Australia? What is the voice of Labour doing to stop the strikes that are occurring in Australia? With the exception of Mr. Beasley, not one of the Labour members has come into the open to urge the men to return to work and obey the laws of the land. These things are happening in Australia to-day, and I must say that with

them, as with the speech of the Minister, I entirely disagree. All that the Minister did was to put up the monetary policy of the Labour Party. The policy of England and Australia should be that every man will save everything possible and contribute it, even if he receives no interest on his money, so that the war might be successfully financed. Yet we find in the Commonwealth Parliament a political section disputing the right of the Government to levy the proposed taxation on the people in order that the war and other affairs of the country might be financed.

If exponents of extended national credit have their way, where will it end? It will end as it did in Germany after the 1914-18 war. As other speakers have said, we do not want this war to be fought on the basis of the last war. On that occasion we did not tax ourselves as heavily as we should have done. Money was borrowed to finance the war, and when the men who went overseas to fight for us returned home, they found they had to bear their share of the interest charges. Now, however, the Commonwealth Government is out to make the country contribute the requisite money in a fair and reasonable way, but we find the Opposition in the Federal Parliament objecting to the Budget proposals. I wish to quote from the report of a speech delivered recently at Leeds by the Chancellor of the Exchequer, Sir Kingsley Wood. He was appealing for more lending to the Government, and the report continued—

After a tribute to the spirit of the nation in the face of the German attack, he said there was another and vital front—the financial front. Victory would be in jeopardy if this front cracked and broke.

Money for the war is indeed one of the great and powerful weapons by which we shall attain peace with victory and honour. There is of course, another easy, tempting but disastrous course—as recommended by the Labour Party of Australia.

I am putting in the last few words myself. Sir Kingsley Wood continues—

We could neglect to find the money for the war out of taxation and savings—

That is what the people who are opposing taxation today want to do.

—ignore economic facts and live for a time in the fool's paradise of inflation. It would be a short life and not a gay one. An easy course at first sight—create money and credit and all the money that is needed will come. "You

pay people—workers, soldiers, contractors and the rest with money which rapidly deteriorates in value even as they hold it in their hands. It is something in the nature of progressive and cumulative cheating. It is a course we must strictly avoid and fight with might and main.

The Sterner Path.

"The path we must take is not an easy one, but it is sure and safe. It means that consumption by all of us must be strictly reduced. It means heavy taxation. It means steady and continuous saving and lending to the State to the utmost by all. With everything at stake it is surely no time for argument or weighing in fine balance the attractiveness of this issue or investment or that. Duty and self-interest are on this occasion at any rate not in conflict. It cannot profit anyone to withhold from the State a single penny which can be spared to win the war."

We know what Mr. Bevin said about the workers at the time; now we have the statement of Sir Kingsley Wood, Chancellor of the Exchequer, as published in the "West Australian" on the 19th November last. That is the policy Australia must adopt. In what kind of position would Australia find itself to-day had Mr. Lang, of New South Wales fame, become Prime Minister? The Commonwealth would have been bankrupt. It is all very well for people to talk about the financial institutions. They do not govern the policy of the Commonwealth Bank. Those who are running that bank consult with the other banks because of their knowledge of finance. As Sir Kingsley Wood said, the only way in which we can go ahead and by which we can win the war is for everyone to put forth of the very best, to save and economise in every way, and to hand their savings over to the Government. In that way we shall assist in the war effort, but not by adopting the easy credit system about which we hear so much. We must pay our taxes willingly and support the Government that brings them down. Every section of the community should pay according to its means. I support the motion.

HON. G. B. WOOD (East) [6.5]: I move an amendment—

That in lines 7 to 10 the following words be struck out, "such resolution has not the support of the Legislative Council and that in the opinion of this branch of the Parliament of Western Australia."

The motion as it would then read should, I think, be acceptable to members. How could any member be opposed to it? It will be

observed that the major portion of the motion moved by Sir Hal Colebatch remains intact. I am not an inflationist, and do not think any member of this Chamber is one. As worded, the motion is very conflicting. The first portion of it desires to dissociate this Chamber from a resolution passed in another place. And yet the resolution definitely states—as it was passed by another place—that that which it was desired to be carried out should be done without inflation. I cannot reconcile the principles of the motion with the statement that they should be carried out without inflation.

Hon. H. Seddon: And without charge.

Hon. G. B. WOOD: I have looked up the meaning of the word "inflation." It means "to raise the value or real value above sound commercial principles." Apparently Sir Hal Colebatch objects to that. His views are most conflicting. He wishes to dissociate himself from something which states that we shall not have inflation, namely, something to raise the value or real value above sound commercial principles. I am in rather a peculiar position. I have to make one speech on the motion and on my amendment. I hope you, Mr. President, will bear with me if I deal with both at the same time. If I do not deal with the motion, I cannot by the use of any arguments I may have at command ask the House to carry my amendment. Some people think that because at this stage the nation has to use its national credit, there is tremendous danger in it, and yet they do not care whether the banks do it, beyond their legal limits, as they have done. I intend to quote authorities to show that they have done this. Immediately the question of national credit comes up, all sorts of arguments are brought out. Both Sir Hal Colebatch and Mr. Miles side-stepped the motion. They raised all kinds of bogys and Aunt Sallies, which have nothing to do with the resolution carried in another place, and then proceeded to knock them down. Sir Hal Colebatch referred to recent experiments in Germany by the issue of bank credits. Currency in that country lost its value. The resolution carried in another place does not suggest anything of that sort. It definitely states that these things should be done without inflation.

Hon. H. Seddon: And without charge.

Hon. G. B. WOOD: Yes, that is most important. I will have something to say about that, and about private banks which have been doing these things without charge, and exploiting inflation throughout the years. Sir Hal Colebatch spoke about excessive credits, and said that the excessive use of credit had finally reduced Hitler to the position in which he had to choose between bankruptcy and war. I do not think any monetary reformer in his wildest dreams would want to follow Hitler. I belong to no monetary reform organisation, and no such organisation has ever written to me, although I have read many utterances emanating from such sources as well as the books which have been published by them. I have never seen anything to indicate that those people advocate excessive inflation or the excessive use of national credit. I do not profess to be a financial expert, but I have read many books on the subject. Some of those people have a definite axe to grind. We see advocates of social credit, of Douglas credit and so on. I intend to quote from a book written by a man who has put up a case on what has been done in the past and what should not be done in the future. He does not advocate any particular method of financial reform. Sir Hal Colebatch said that the controlled use of national credit had reduced the English pound to half its value. I do not think he can prove that statement. A tremendous amount of credit is being used in England to-day. To prevent an undue rise in prices, the British Government is subsidising foodstuffs and other things to the extent of £1,000,000 weekly.

Hon. H. Seddon: Prices have risen there.

Hon. G. B. WOOD: Such increases cannot altogether be prevented. The Chief Secretary said that Australia had not gone as far as England. I agree with him on that point. Seeing that the Imperial Government has to give out £1,000,000 every week to keep down prices, one gets some idea of the extent to which credit is being used in England to-day. Sir Hal Colebatch also referred to an economic conference held in New Zealand, and stated that that conference had unanimously advised the Government that any further use of credit by the reserve bank would be dangerous. That is another boggy and Aunt Sally that he put up in order to knock down. That has never been suggested by anyone

here. No one has suggested that Australia should go as far as New Zealand has gone. The Government of that Dominion already realises it cannot go any further. The two cases are not comparable. Anyone who has visited New Zealand will say that the monetary position there is nothing like what it is in Australia. I also take exception to the statement by Sir Hal Colebatch that there is an element of dishonesty, as well as of confiscation, in the creation of money. No such thing is associated with the resolution passed in another place. In that chamber, 28 members voted for the resolution and eight opposed it. Apparently there is an element of dishonesty because it is suggested that Governments do these things and not necessarily private banks. That does not say much for the stock banks of England. If what Sir Hal Colebatch says is true, it is honourable on their part to issue credits, but because it is a question of national credit made available through the Commonwealth Bank, it is dishonest. Later on I will refer to what has been done in England in the matter of using credit. In the course of his reply, I hope Sir Hal Colebatch will indicate in what manner the private banks have not been dishonest. We cannot finance the whole war by the issue of credit. With all due respect to Mr. Miles, I point out it was never suggested that all we had to do was to print a few million pounds' worth of notes.

Hon. G. W. Miles: That is what some people want.

Hon. G. B. WOOD: We do not want any such thing, and it was not indicated in the resolution carried in another place. I do not propose to be drawn into party political arguments as to what is going on in the other States. We shall have plenty of that later on. I do not intend to be drawn into talking about what the Labour Party has done.

Hon. A. Thomson: The Chief Secretary introduced that subject.

Hon. G. B. WOOD: I do not hold with the Chief Secretary when he talks about the nationalisation of banking. That and the use of national credit are two different things.

Hon. G. B. WOOD: I was speaking about national credit versus bank-created credit. Many people have the idea that private banks do not create credit and are not responsible for inflation. I do not agree with that view. In my opinion, they definitely do create credit and are responsible for inflation. To me it seems strange that when one talks about national credit, people seem to be opposed to the idea; yet they do not mind private banks creating all the credit they, and they only, desire. In the *Encyclopaedia Britannica*, under the heading of banking and credit, the following appears:—

Banks create credit. It is a mistake to suppose that bank credit is created to any important extent by the payment of money into the banks. A loan made by a bank is a clear addition to the amount of money in the banks.

If that does not mean creating credit, I do not know what does. It is generally accepted that only about 10 per cent. of the money held by banks is real money, while the rest is created by means of the cheque system. I do not think there will be much argument on that point. Most authorities on this question will bear out that statement. Why should the banks have power to do that with regard to money backed up by securities?

Hon. H. Seddon: What do you mean by "money"?

Hon. G. B. WOOD: Gold, notes and liquid securities. The rest is raised by the cheque system.

Hon. H. Seddon: You do not call that money?

Hon. G. B. WOOD: That is raised on credit by the cheque system. In those circumstances, why should the Commonwealth Government have to go to the banks and perhaps pay 5½ per cent. interest to secure funds, when the Government itself could provide for its own financial requirements through the Commonwealth Bank? The banks create this money on the security of the individual, or collectively, on the security of the nation. As Mr. Cornell said, they raise it on the confidence of the nation. Why should not the Commonwealth Government secure the necessary funds direct from the Commonwealth Bank? I do not believe that the whole of our war effort could be financed debt-free. In my opinion, it would have to be done by all the methods and by all the resources at our

Sitting suspended from 6.15 to 7.30 p.m.

disposal. It will have to be met by taxation, loans and by national credit as against bank credit. That is my argument—national credit versus private bank-created credit. I do not say the task could be carried out entirely without charge, and I suppose the Commonwealth Bank would have to charge 1 per cent. or $\frac{1}{2}$ per cent., but it can all be done on the basis of national security. I certainly think the Commonwealth Bank could undertake the duty.

I do not wish to dissociate myself from the motion agreed to in another place, and certainly that proposition suggests that part of the war effort should be met on the basis of our national credit—without any inflation. The Assembly's resolution embodies nothing drastic. People are changing their opinions as time goes on. I remember when, ten years ago at Northam, Sir Hal Colebatch participated in a debate with Mr. Curtin. The main issue discussed was the proposed £18,000,000 fiduciary issue for which Mr. Theodore had been responsible. At that time I favoured the views of Sir Hal Colebatch in opposition to the fiduciary issue. I did all I could to secure a vote in support of Sir Hal. Even at that time, public opinion was changing, for the vote at that meeting was recorded in favour of the point of view stressed by Mr. Curtin in support of the fiduciary issue. Just as ten years ago people were changing their opinions, I have now changed mine to some extent. Although objection was taken to that fiduciary issue, similar action has been taken since by the Commonwealth and, I think, £40,000,000 was mentioned as the amount of the issue to date. In South Australia and Tasmania motions have been agreed to similar to that passed by the Legislative Assembly. That tends to show that public opinion is leaning towards national credit, provided the action taken is with due caution. That safeguard is mentioned in both the motion and in my amendment to it. I do not understand why there should be so much outcry against the suggestion that this financial procedure should be followed without charge. What the private banks can do with a charge, the Commonwealth Bank should be able to do without charge. I have read a number of books on this question, and I shall quote fairly extensively from one written by the Right Hon. Thomas Johnston, P.C., an ex-Lord Privy Seal.

He is an authority, and in dealing with the subject, does not stress one particular method only. He traverses the whole ramifications of the financial system, be they good or bad, from before the commencement of the 1914-18 war. Mention has been made of the financing of that war, and I shall indicate what a terrible ramp was practised by the banks. How any one could be prepared to allow that procedure to be repeated without making some attempt to alter the position, is very hard for me to understand. To quote from Johnston's "The Financiers and the Nation," that authority says—

When the whistle blew for the start of the Great War in August, 1914, the Bank of England possessed only £9,000,000 sterling of a gold reserve and, as the Bank of England was the banker's bank, this sum constituted the effective reserve of all the other banking institutions in Great Britain.

The bank managers at the outbreak of war were seriously afraid that the depositing public, in a panic, would demand the return of their money. And, inasmuch as the deposits and savings left in the hands of the bankers by the depositing public had very largely been sunk by the bankers in enterprises which, at the best, could not repay the borrowed capital quickly, and which in several and large-scale instances, were likely to be submerged altogether in the stress of war and in the collapse of great areas of international trade, it followed that if there were a widespread panicky run upon the banks, the banks would be unable to pay and the whole credit system would collapse, to the ruin of millions of people.

Private enterprise banking thus being on the verge of collapse, the Government (Mr. Lloyd George at the time was Chancellor of the Exchequer) hurriedly declared a moratorium, that is, it authorised the banks not to pay out (which in any event the banks could not do) and it extended the August Bank Holiday for another three days. During these three or four days when the banks and stock exchanges were closed, the bankers held anxious negotiation with the Chancellor of the Exchequer. And one of them has placed upon record the fact that, "he (Mr. George) did everything that we asked him to do." When the banks re-opened, the public discovered that, instead of getting their money back in gold, they were paid in new legal tender of Treasury notes (the £1 notes in black and the 10s. notes in red colours). This new currency had been issued by the State, was backed by the credit of the State, and was issued to the banks to prevent the banks from utter collapse. The public cheerfully accepted the new notes and nobody talked about inflation.

Not since 1697 had the State itself issued paper money. In that year, 1697, notes in the denomination of £5 were issued direct to the public without the intervention of the finance

houses; and these notes were not backed by gold but were legal tender for the payment of taxes. In 1914, however, the State issue of money was upon a colossal scale; the legal tender was not limited to the payment of taxes, but was complete for all purposes, and the issue was made with the goodwill of the bankers and indeed at their plea and intercession. Had that new money not been issued, the private banking houses of Britain would have been compelled to default to their creditors in a week's time. Dr. Walter Leaf, late Chairman of the Westminster bank and an ex-President of the Institute of Bankers, has enlightened us as to the real effect of Treasury notes under the Currency and Bank Notes Act of August 6th, 1914.

"The amount and manner of the issue," he declares, "was left to the absolute discretion of the Treasury. This was essentially a war loan, free of interest, for an unlimited period, and, as such, was a highly profitable expedient from the point of view of the Government."

That is the answer to Mr. Seddon's interjection regarding debt-free money. This step has been taken before, and it can be taken again.

Hon. H. Seddon: What was the effect?

Hon. G. B. WOOD: I will deal with that later on. To continue reading from the book—

He proceeds to argue that, to some extent, this State issue of Treasury notes was covered by the gold coinage which patriotic people exchanged for the notes; but there was no provision whatever in the Currency and Bank Notes Act of 1914 for any gold backing, and, in any event, the amount of gold coin reserved for pretended security against Treasury notes totalling some £300,000,000 was, at its maximum, only £27,000,000. The £300,000,000 of new money issued by the Treasury in 1914 was therefore, in effect, a war loan free of interest.

The point I want to stress is that in England, the State had to come to the rescue of the banks at that stage. I shall proceed to show the House how grateful the banks were later on. No one objected when the Government went to the rescue of the banks by providing those millions, but later on the banks went to the Government and said, "Don't do it any more; we don't want any more debt-free money; we will do it at 4 per cent. interest." After having been saved by the nation, the private banks said that the procedure adopted was dangerous and they offered to do without that assistance. I will quote my authority for that statement:—

To return, however, to the early war period, no sooner had Mr. Lloyd George got the bankers out of their difficulties in the autumn of 1914 by the issue of the Treasury money,

than they were round again at the Treasury door explaining forcibly that the State must, upon no account, issue any more money on this interest-free basis . . .

Mr. Seddon nods his head. Why did the banks do that? It was because they wanted to undertake the task themselves and not the State.

Hon. H. Seddon: Are you sure there was no other reason?

Hon. G. B. WOOD: To continue—

. . . if the war was to be run, it must be run with borrowed money, money upon which interest must be paid, and they were the gentlemen who would see to the proper financing of a good, juicy war loan at 3½ per cent. interest, and to that last proposition the Treasury yielded. The war was not to be won with interest-free money, and/or with conscription of wealth; though it was to be fought with conscription of life. Many small businesses were to be closed and their proprietors sent overseas as redundant, and without any compensation for their losses, while Finance, as we shall see, was to be heavily and progressively remunerated.

As each war loan became exhausted the lenders upon the first lower interest war loans were permitted to transfer into the later higher interest loans, and usurers' interest upon credit was added to the national burden, so that to-day that burden is insupportable and the nation staggers along, cutting the bread and cheese of its poor, and starving the social services in a vain attempt to meet the charges incurred in the Great War loan ramps.

I have referred to the burden we are carrying. The British national debt in 1914 was £650,000,000. In 1938 it was £8,026,000,000. That is to say, there was an increase of 1,200 per cent in 24 years. That is what the private banks did, after being saved by the nation and being given an "open go" by way of an interest-free loan. Those are indisputable facts. Surely the Commonwealth Government should explore the situation to see what can be done. Reference has been made to the dishonesty of the resolution passed in another place. What about the dishonesty of the private banks during the period to which I have referred? In Australia the national debt in 1900 was £197,000,000. To-day it is nearly £1,400,000,000.

Hon. H. Seddon: More than that.

Hon. G. B. WOOD: It is round about £1,400,000,000. It has been estimated that in 70 years' time every family in Australia will be paying over £13,500 a year in interest.

Hon. H. S. W. Parker: Is that with the increased population?

Hon. G. B. WOOD: I have not worked out the figures, but I have an authority for that statement. Members can laugh if they like, but they can work it out for themselves.

Hon. A. Thomson: Did you say in 70 years' time?

Hon. G. B. WOOD: Yes.

Hon. A. Thomson: That will not worry us much.

Hon. G. B. WOOD: I know it will not. I am asking what sort of a system is that for which some people stand? Surely it is wrong. Where is it leading us? What will be the outcome of allowing the private banks to get away with this kind of thing? I propose to quote a little more from the book I have been reading. The writer states—

The report of the Cunliffe Committee (1927) relates the story of the progressive piling up of our War Debt burdens. But it is in nowise a complete chronicle scandaleuse of usury in war-time nor did its authors so intend it to be. We find in its pages no reference to or hint of the magical process by which, while the nation struggled almost at death's door for its very existence, and while masses of the fittest of our manhood were daily being blown into bundles of bloody rags, our banking fraternities continued to create for themselves a great volume of new credit and to lend that credit to us at interest, and indeed at progressively increased interest, no reference to the fact that by this manufacture of bankers' credit some portion, variously estimated in amount, of what now stands as the public debt, was simply fabricated for private ends and was not a bona fide loan of real wealth to the nation. Professor Soddy has estimated that the bankers actually created £2,000,000,000, no less, of this bank credit, and lent it out to us at 5 per cent. That means £100,000,000 a year upon nothing.

That is not merely my opinion; that is also the opinion of people who know more about the subject than I do.

Hon. A. Thomson: I would not like to think it was your opinion.

Hon. G. B. WOOD: If the hon. member proposes to quarrel with the opinion of people like those he is a very brave person. I do not intend to disagree with it. We know these things are true. The existence of a huge national debt bears out the truth of the assertions made. It is a very sorry story. I will not weary the House with more of it; but I repeat that the issue of credit by the private banks constitutes a sorry story. I am prepared to give the Commonwealth Bank an oppor-

tunity to see what it can do in that direction without inflation. If the private banks can do these things, I do not see why our own bank cannot.

Hon. H. S. W. Parker: Is it not doing so?

Hon. G. B. WOOD: Yes, to a certain extent. But why should we dissociate ourselves from the resolution passed by the other place? This book states—

And once again the Bank of England issued notes—this time to the extent of £2,000,000—in excess of its legal limits, in an endeavour to boost trade and stem the financial panic.

I will read one more passage.

Hon. E. M. Heenan: Did not you promise to put that book away?

Hon. G. B. WOOD: No. I do not usually take up much of the time of the House and I am prepared to read as much of this book as I like until I am told to stop. Everybody will remember that in 1912 the late Mr. Neville Chamberlain established municipal banking in Birmingham. There was great opposition by the bankers and their representatives in Parliament, but in spite of that opposition, Mr. Chamberlain had his way and that municipal bank is one of the most successful of its kind in the world. So great was the opposition, however, that the extension of the system was not permitted except in a very small way. I do not blame the banks for doing what they do, but I am just trying to prove what a sorry circumstance it is that these people should be able to create as much credit as they please and that in spite of it, there is an opinion that the Government should not be allowed to do the same sort of thing under some system of control. I do not intend to apologise to Mr. Heenan for reading a further passage from this book as follows:—

No section of us perhaps can afford to be over dogmatic with our remedies and solutions for the next money crisis when it blows up. At best we may but resolve to profit by experience, and to adjust our finance to collective control step by step as we collectivise control of our industry. But already it is clear that the creation of our new money tokens can no longer with safety be left as a private company preserve; that in citizen finance we can no longer afford Hatriism; and that a widespread development in municipal banking is a very urgent necessity. Also it is clear that no democratic Government can function freely if its projects are to be at the mercy of its political

enemies in the city. And as an essential preliminary to any change towards democracy in finance, we must first shatter the delusion that the oracles of the present financial dispensation are to be obeyed with awe and reverence.

That is what a lot of people are doing to-day. Because the private banks have been getting away with this for so long, people say, "You must not touch them; that is inflation" and goodness knows what! The writer adds—

The advice they have tendered successive Governments in the recent past has been proved to be wildly and ludicrously wrong. They were wrong about reparations from Germany and their effects. They were wrong when they advised Mr. Churchill about the gold standard, and wrong when they pledged in 1931 that the re-suspension of that standard would knock the bottom out of civilisation.

Abraham Lincoln said—

The privilege of creating and issuing money is not only the supreme prerogative of Governments, but it is the Government's greatest creative opportunity.

Hon. J. J. Holmes: Did he not also say something about not fooling all the people all the time?

Hon. G. B. WOOD: Yes. Many people like to quote him because he said many other pertinent things. I suggest that what is proposed in the resolution passed by the Assembly can be done. We can issue credit to the limit with safety, in fact with greater safety than that with which it can be issued by the private banks, because it would be under some proper control. I have already shown that the Bank of England exceeded its legal limit by £2,000,000 and that other banks exceeded the limit by £2,000,000,000 with nobody to stop them. I do not see why it is wrong or improper to say that the Commonwealth Bank should do the same without inflation and under proper control. I move the amendment standing in my name.

HON. SIR HAL COLEBATCH (Metropolitan—on amendment) [7.56]: I had hoped that one reply would be adequate because the amendment covers all the objections that have been raised against the original motion. I had no wish to make three speeches but it was necessary for me to rise when the question was put. To my mind the amendment is entirely specious. It is a pretence that this motion is practically on all fours with the resolution the

Government was asked or instructed to forward to the Prime Minister. Everyone of us knows quite well that there is no resemblance between the two proposals. We know that one of the main causes of debate and difference in national politics at the present time is whether the war shall be financed by the issue of credit or whether it shall be financed by taxing and borrowing, limiting the issue of credit to the smallest possible amount. That is the great issue before the country at the present time and that is the issue which is dividing the two political parties. The resolution which the Government has been asked to convey to the Prime Minister supports the one alternative, namely, the financing of the war chiefly by the issuing of bank credit. The motion before this House contemplates the other method, the financing of the war by taxation, by the raising of loans, by the use of the people's savings, and resort to the issue of bank credit only as a last emergency and then to the smallest extent possible. It has been suggested that this matter should not have been raised in the State Parliament. I am not concerned with that. Had it not been raised in another place I should not have raised it here. I am in some doubt as to whether it is proper for the Government to accept an instruction from one branch of the Legislature and to ignore the other. I consider that if the resolution were to be despatched by the Government to the Federal authorities, it should first be submitted to this Chamber for our comment, for our approval or disapproval as the case might be. The motion having been carried, and instructions having been given to the Government, I consider myself in duty bound to dissociate myself from it, and that hon. members of this Chamber should also have the opportunity to do so. Mr. Wood said something about changing opinions in 10 years. There is no change in my opinion. Ten years ago I did all I could to block the proposal for the issue of 18 millions of fiduciary credit, and I am pleased to think that I played some part in preventing a departure which I am sure would have been disastrous to the country at that time.

Hon. G. Fraser: They did it.

Hon. Sir HAL. COLEBATCH: No. The one thing necessary is to maintain confidence. I entirely agree with that, but I

am quite certain that there is no other method by which confidence can be so quickly destroyed than by financing a war or anything else by the issue of bank credits. The motion to which I object starts off with the statement, "In view of the apparent deplorable shortage of money in Australia, etc. . . ." That is a false statement. There is no shortage of money in Australia at the present time. I am quite prepared to admit there is a frightful maldistribution of money and no one has better reason for knowing that than the real producers of wealth of this country who are getting an extremely raw deal. There is abundant evidence in Australia that there is no shortage of money. There is a shortage of goods and things we need with which to carry on the war, but no shortage of money. At the present time, particularly in the cities, there are signs of extravagance and luxury in all directions. There is practically no indication of economy. Here in this comparatively small city of Perth the starting-price book-makers roll up every Monday morning and pay out their £600 in fines without a quiver. What does it matter to them? Their profits are such that they can easily stand it. Why? Because there is such a big surplus spending power. We know, too, that imports continue on a scale which should not be maintained in time of war, a scale which suggests excess spending power, and which tells me that we are encroaching upon foreign exchange with considerable disadvantage to the country. We know that the prices of goods are going up and that wages are going up, a very certain sign—this disturbed equilibrium between money and goods—of inflation.

The purpose of the resolution carried in another place is quite clear. It is to avoid taxation and to provide an increase in wages, not merely to maintain but to elevate the present standard of living in Australia. It must be obvious at a time like the present, when the great bulk of our labour is devoted entirely to unproductive purposes, that it is utterly ridiculous to talk about improving the standard of living. The standard of living depends firstly upon the production of wealth and, secondly, on the equitable distribution of it. It is quite ridiculous to suggest that at the present time, when we are called upon to use practically more than half of our energies

in entirely unproductive effort, that we can expect that even the present standards can be maintained as far as large sections of the community are concerned. Mr. Miles quoted the remarks of Sir Kingsley Wood, Chancellor of the Exchequer. I entirely approve of what he said. Let us come nearer home. An Economic Stabilisation Committee was recently appointed in New Zealand. It consisted of 15 members, a chairman and 14 lay members. Of the 14, seven were direct representatives of the workers, four representing the New Zealand Federation of Labour, the New Zealand Shop Assistants' Federation, the New Zealand Clerical Workers' Federation, and the New Zealand Engineers' and Related Trades Union. Amongst the seven who were representatives of the employers were four primary producers. The conference sitting in a State where there has been quite a lot of the issuing of credit came to the unanimous decision to urge the Government to stop that method of financing the war. Let me read two paragraphs from the report of the conference.

In a war situation there is always a danger of inflation of the currency being resorted to as an easy method of meeting, or partly meeting the increased financial commitments made necessary by the war. The evidence before the committee indicates that there is a tendency for the purchasing power to exceed the value of the goods available for consumption, and such a position reveals an inflationary tendency.

They realised that they had already got into trouble.

Currency inflation is the most cruel and the least scientific method of making a levy on the people. It presses most heavily on the poorer members of the community, especially those who have large families to maintain and those on small wages or fixed incomes. Indeed, every wage and salary earner finds that the cost of living keeps ahead of his wages and thus his standard of living is reduced. In short if these difficulties cannot be overcome, the poorer people in the community will suffer most by shortage of goods and increased prices. The most effective method of overcoming these difficulties is to secure increased production.

I shall read one of the recommendations of the committee because it covers the entire issue we are considering now—

To the utmost of our ability and as far as it is possible to do so, without crippling the productive resources of the Dominion, we should pay for the war as we go, firstly by taxation, and secondly by borrowing the savings of the people in New Zealand. The committee is unanimous, however, that even for war purposes

borrowing overseas should be reduced to the lowest possible level in fairness to our British countrymen who are already bearing war burdens much greater than our own. But while labour and materials are available, it would be unwise to refrain from using them in furtherance of our war effort, even if they can only be utilised by financing with money borrowed overseas.

There were three methods, the first taxation, the second borrowing the savings of the people, and the third borrowing overseas—borrowing overseas in preference to the issue of bank credit. That was the unanimous opinion of the New Zealand conference representing all shades of political opinion and all shades of industry—the unanimous opinion.

Hon. G. B. Wood: We have not got to that stage yet in Australia.

Hon. Sir HAL COLEBATCH: Mr. Wood quoted the opinion of the Right Hon. Thomas Johnston a one-time Chancellor of the Exchequer in a Labour Government in England. I understand that at the present time there is a great effort on the part of the Labour Party in the Commonwealth and in the States to secure the political support of the country community; but it seems to me almost a work of supererogation when a representative of the country—not a supporter of the Labour Party—can quote by the yard and apparently with approval the opinions on matters of high finance of the most socialistic member of the socialistic MacDonald Government of England. The hon. member quoted those opinions at great length as though he were quoting from a financial bible. For my own part I do not believe that the people of the British Empire have any great cause to be grateful to the MacDonald Government or to attach much value to the opinions of its members.

Hon. G. B. Wood: You would not say that what I quoted was not true?

Hon. Sir HAL COLEBATCH: It is largely a matter of opinion, and the opinion was that of a man who desires above everything the nationalisation of banking and everything else associated with production, distribution and exchange. I have here a book which also quotes the Right Hon. Thomas Johnston's opinion. Here is a priceless extract from it—

The process involves no difficulty. The Government requires £15,000,000 to be spent over three months—which is about the current scale of Australia's war expenditure.

What happens? The Government's account at the Commonwealth Bank is credited with the amount and the Government operates on it in the usual way by cheque.

There is no interest charge—though a nominal amount of 5s. per cent. might be paid for the cost of bank administration.

And there is no repayment of the principal. Why should there be? The money was created by no more effort than was required to write the credit figures in the bank's ledger. As no addition to the public debt was involved, no interest is required, and no added taxation is necessary.

That is priceless and if it can be done for such purposes, it can be done for all purposes. What a bed of roses our own Government would be on if all it had to do was to say to the bank: "Give us credit for £15,000,000" and as soon as the money was spent there would be no need for interest, repayment or anything! I am quite aware that amongst the farming communities there are many people who think that the issue of a large dose of bank credit would be a good scheme. I have had letters from many of them and I would ask those who have been elected direct representatives of the farming community to reflect on this fact, that not only in this State, but in the Commonwealth and in every country of the world the impoverishment of the farmer has synchronised with the depreciation of the currency. When I submitted the motion on this question I think I quoted the experience of Germany where the complete destruction of the currency enabled the farmer to pay all his debts and get rid of his mortgages. Within a couple of years, however, his stage was worse than the first; all his commodities went up in price. The very act of currency depreciation was one of the chief causes of the strangulation of international trade on which the well being of the producer depends. The result was that in the course of five years the number of men on the land in Germany decreased by no less than 800,000. That has not been a solitary experience; it has been the experience everywhere, showing that the natural consequence of paper credit is the impoverishment of the producer of real wealth. If you are going to pretend that you can create credit, well then is it at all unreasonable that the primary producer of wealth should be the first to feel the trouble? The motion from which I dissent says that all this should be done without inflation. I do not think that

ever in any country has it been admitted that the currency was to be inflated. It is never admitted. People say, "If you issue a bank credit, it won't be inflation," like the genius who wrote the book from which I have just read. But all experience shows that it does mean inflation. We very well know that our own Australian currency is inflated to such an extent that its purchasing power is now half what it was before inflation started. How can it be pretended that you can go on doing that sort of thing without causing inflation? Again, I ask, if this issuing of bank credit is going to help the farmer, why is it that his position has gradually deteriorated in this country ever since this practice of issuing synthetic money commenced? I would like members representing the primary producers to put that question to themselves. I think that this measure of bank credit, which we have had ever since the start of the last war as a matter of fact, has not helped the farmer. If it synchronised with his destruction, how do they expect that more of it is going to do him any good? A great many people talk about this issuing of bank credit as though it was something new, something just discovered. It is as old as time. It is a practice that has been resorted to, by Governments which were in difficulties, for centuries past. In England many, many years ago, under an absolute Monarch, it was the practice to debase the currency, to put more and more inferior metal into the sovereign and so on. It was done; but it was done only at the price of causing tremendous indignation among the people. It was regarded then as a fraud, as robbing the people.

I am not surprised that those who favour the nationalisation of banking should favour the resolution, but I do not approve of the nationalisation of banking, particularly if it is accompanied by a demand that the Government, having taken complete control of the bank, should start issuing credit, because that can have no other effect than to destroy the savings of the people. It has had no other effect in any country, and will have no other effect here. It is worth while calling to mind that 80 per cent. of the Australian people have money in savings banks, and that quite a million Australians have insurance policies. Now, you cannot issue bank credit without destroying the value of both of those. Take the present position. I have always been a

very firm believer in the principle of life assurance, and I am now; but I know perfectly well that those who inherit my small belongings will get less than one-half of the value that I insured for and paid premiums on for the last fifty years or more. I do not grumble at that. I recognise that it is part of my contribution towards the war. I do not think that anybody grumbles at it. They know what it is, and they regret it; but that the Government should deliberately set out by the issue of bank credit to make valueless both savings and insurance policies in something that the community will not readily tolerate.

I think it is necessary that we should appreciate the fact that one cannot create money, that money is the fruit of labour and the fruit of savings. Its creation is a form of dishonesty, and has been so regarded throughout the centuries. One may say, "It is only a little one," but the little one grows and grows until we reach a condition such as has been reached in practically all the European countries after the war, when the savings of the people were in some cases completely destroyed. I do not think there is much doubt that one of the reasons for the collapse of France was the resorting to currency issue in order that the Socialistic Government might carry out its promises to its supporters in the way of decreased hours and bigger pay; and it is not without significance that the Government won the votes of the frugal peasantry of France by declaring that there would be no inflation and that there would be no devaluation of the franc, exactly as we are told in this resolution that there will be no inflation. But what happened? Within a few months the franc dropped to little more than half its value. It was inflation, just as we have already had inflation here. I consider there is no more pressing duty on the part of the Government than to avoid inflation as far as it possibly can. I do not suggest the Government can avoid inflation altogether, nor am I one who pretends for a moment that the financial practices since the last war have been either sound or just. One means by which it has been unsound and unjust is that currency inflation has been adopted in many countries as a mean, underhand method of evading the payment of debts, which probably could not have been paid in any case. All of us remember

that soon after the close of the last war Mr. Balfour, or Lord Balfour as he became afterwards, urged the cancellation of all international war debts. I do not think there is much reason to doubt that had his advice been acted upon, the conditions that led up to the present war might have been entirely avoided.

Now, we hear a lot of talk as to what is to happen after this war. But to my mind we have to concentrate now on winning the war. It may be hoped that after the war the statesmen of the world, having received so recent an experience of the follies and errors of the last peace, will discover some way of avoiding the troubles that have come upon us during the last 20 years. But those things are for consideration after the war. They are for consideration when we have won the war, because then it will be for us, the people of the British Empire, the people of the democracies, to determine just how the post-war difficulties are to be met. But if we do not win the war we shall have no voice in determining these things. And so in connection with this matter we have to consider what is the best way of winning the war. We have to-day to choose between two alternatives—the issue of more paper money and the maintenance of high spending power among the people and undoubtedly extravagance, of which we have far too much already both publicly and privately, that being one mode, and the other mode being by saving, by taxation, by cutting down the non-essentials of life, and by economy. Is there one member of this Chamber who can for a moment doubt which of those courses is most likely to result in victory?

I do not wish to detain the House longer, but I would repeat that one branch of the Legislature having instructed the Government to forward a certain resolution to the Commonwealth Government, this branch of the Legislature should have been consulted, and that not having been consulted we not only have the right to voice our opinion, but if we fail to do so, or adopt the amendment proposed by Mr. Wood, we shall be endorsing the resolution, with which I am sure the majority of members of this Chamber are not in agreement.

Amendment put and negatived.

On motion by Mr. Seddon, debate adjourned

BILL—MUNICIPAL CORPORATIONS ACT AMENDMENT.

Received from the Assembly and read a first time.

BILL—REGISTRATION OF FIRMS ACT AMENDMENT.

Assembly's Message.

Message from the Assembly received and read notifying that it had agreed to the amendments made by the Council.

BILL—OPTOMETRISTS.

Assembly's Message.

Message from the Assembly received and read notifying that it had agreed to the amendments made by the Council.

BILL—MONEY LENDERS ACT AMENDMENT.

In Committee.

Resumed from the 20th November. Hon. J. Cornell in the Chair; Hon. E. M. Heenan in charge of the Bill.

The CHAIRMAN: Progress was reported after Clause 3—Amendment of Section 10—had been partly considered.

Hon. H. S. W. PARKER: What is the meaning of paragraph (a)? It seems to me it has the effect of making legal something which up to the present has been illegal. I move an amendment—

That paragraph (a) be struck out.

Hon. E. M. HEENAN: I have considered the provision and it seems to me not to have any virtue; although I cannot agree with Mr. Parker that it seems to make legal that which has hitherto been illegal.

Amendment put and passed; the clause, as amended, agreed to.

Clause 4—Amendment of Section 11:

Hon. H. S. W. PARKER: I ask Mr. Heenan what will be the effect of striking out the words which this clause proposes to delete.

Hon. E. M. HEENAN: This is a consequential amendment and should be agreed to.

Clause put and passed.

Clause 5—New Sections:

Hon. H. S. W. PARKER: I know what the clause intends to provide, but the question is whether it actually says so. Even if it means what I think it is intended to mean, I still consider it is useless. It is intended to provide a maximum rate of 20 per cent., but it proceeds to say "from the commencement of the Money Lenders Act Amendment Act, 1940" and then a different rate is fixed.

Hon. E. M. Heenan: What is wrong with that?

Hon. H. S. W. PARKER: The rate of 20 per cent. is already provided for.

Hon. E. M. Heenan: That is the first mention of 20 per cent.

Hon. H. S. W. PARKER: I am wrong. Subsection (1) of proposed new Section 11A says that there shall be a prescribed maximum. It then proceeds to say that until the maximum is prescribed the rate shall be 20 per cent. Under the Interpretation Act "prescribed" means prescribed by the Act wherein the term is used or by a regulation, rule or by-law made thereunder. It appears to me that when a loan is to be made the Minister must, under the provision I have quoted, draw a regulation to prescribe the rate of interest for that particular loan. The proposed new Section 11C provides that, subject to the proviso to Subsection (1) of Section 11A, the Governor may make regulations. The question is not that the Governor "may" make regulations; he must do so. Subsection (1) of proposed Section 11C is entirely useless. Subsection (2) of proposed new Section 11C deals with small loans. I draw attention to these points in order to show that the verbiage makes the Bill more complicated. Referring again to proposed new Section 11A, provision is made that for a loan of £10 for a period of six months 60 per cent. interest may be charged.

Member: Per annum.

Hon. H. S. W. PARKER: Yes. This Bill is designed to protect borrowers from unscrupulous money lenders. A Royal Commission was appointed to inquire into the business of money lending, but for some reason or other effect was not given to its

recommendations. Section 4 of the Act provides—

Where proceedings are taken in any court by a money lender for the recovery of any amount lent . . . or the enforcement of any agreement or security . . . in respect of money lent . . . and it appears to the court that the interest charged is excessive, or that the amount charged for expenses, inquiries, fines, bonus, premiums, renewals, or any other charges is excessive, and that in either case the transaction is harsh and unconscionable . . . the court may re-open the transaction and take an account between the money lender and the person sued . . . and may satisfy either wholly or in part any security given or agreement made in respect of money lent by the money lender; and, if the money lender has parted with the security, may order him to indemnify the borrower or other person sued.

What better protection could any borrower get than that?

Hon. J. J. Holmes: This Bill does not do that.

Hon. H. S. W. PARKER: No. It kills that protection. Under this Bill a borrower may be charged up to 60 per cent.

Hon. J. J. Holmes: The money lenders must be behind this measure.

Hon. H. S. W. PARKER: Who is better able to fix a reasonable amount than is a magistrate? The Bill, however, provides that the Minister may fix the amount, because that would be the effect of prescribing it by regulation. What effect would it have on a magistrate if he found that Parliament had prescribed 60 per cent. as a fair rate? Under the measure, when a person wanted to borrow money, the money lender could charge 60 per cent. because he could lend £10 to-day, £10 to-morrow and so on.

Hon. G. Fraser: Are you sure it would be the same money lender lending the various amounts?

Hon. H. S. W. PARKER: It might not be; they work together. The clause, apart from being extremely difficult to understand, is entirely useless to assist the borrower.

Hon. E. M. HEENAN: I hope members have read the Bill as well as the Act. Mr. Parker's remarks are not a fair statement of the position. The Money Lenders Act is a good measure, but it has been found inadequate. Some of the weaknesses of Section 4 are that it necessitates an approach to the court and almost certainly the employment of a solicitor. This involves considerable expense. Further, the publicity is unpleasant. Civil servants and others do not want their names and the circumstances

attending their borrowing of money published in the Press. How seldom do we read of people approaching the court to have such transactions set aside? Additional protection is required for borrowers. The purpose of the clause is clear and simple.

Hon. C. F. Baxter: Do you say that the clause is clear?

Hon. E. M. HEENAN: To my way of thinking, it is simple enough. It means that during the period of the war, the maximum rate of interest on loans of over £10 shall be 20 per cent.

Hon. C. F. Baxter: One of the greatest difficulties is to make Clause 5 read sensibly.

Hon. E. M. HEENAN: At present the sky is the limit; money lenders may charge any rate they like.

Hon. J. M. Macfarlane: Subject to Section 4 of the Act.

Hon. E. M. HEENAN: That does not prevent their charging it.

Hon. H. S. W. Parker: It prevents their getting it.

Hon. E. M. HEENAN: The virtue of the clause is that it limits the rate of interest to 20 per cent. on loans exceeding £10. Numerous cases have been quoted to show that rates as high as 300 or 400 per cent. have been charged.

The CHAIRMAN: The schedule is being discussed, and I point out that if members wish to amend the schedule, they might have to amend the clause.

Hon. E. M. HEENAN: If the rate is fixed too low, we shall be doing a disservice to people who have to borrow. Undoubtedly borrowing is a bad practice, but there are occasions when it becomes a real necessity.

Hon. J. Nicholson: Did you read the letter in to-day's "West Australian"?

Hon. E. M. HEENAN: It was written by someone who knows nothing about the subject.

The CHAIRMAN: Then I ask members to refrain from quoting it.

Hon. H. SEDDON: We would be wise to delete the second proviso dealing with small loans and thus make the maximum rate of interest for any loan 20 per cent.

Hon. H. S. W. Parker: A clause in the Bill sets out that the interest shall be as prescribed.

Hon. H. SEDDON: I think it would be better to specify the rate.

Hon. E. M. HEENAN: If the second proviso is deleted, the effect will be that 20 per cent. will be the maximum rate.

Hon. H. SEDDON: Yes. I move an amendment—

That the second proviso in Subsection (1) of proposed new Section 11A be struck out.

The CHAIRMAN: Will Mr. Heenan explain whether this provision is supposed to be temporary.

Hon. E. M. HEENAN: It is to continue until otherwise provided.

The CHAIRMAN: Then it is temporary.

Hon. E. M. HEENAN: It is for an indefinite period.

The CHAIRMAN: The hon. member will recollect what I did the other evening to Sir Hal Colebatch.

Hon. E. M. HEENAN: I should say that the provision is for an indefinite period.

The CHAIRMAN: Then, again, I suggest that the hon. member refers the provision back to the sponsor of the Bill in order to make clear whether Italy and Germany are at war, or what the proviso means. It says that the maximum rate of interest is to operate during the continuance of the war with Italy and Germany.

Hon. E. M. HEENAN: That is clear because the proviso continues with the words "in which at such date His Majesty is engaged." The legislation is to continue after the war concludes until a different maximum rate is prescribed.

Hon. Sir HAL COLEBATCH: I support the amendment to strike out the proviso, the effect of which is to destroy the purpose of the Bill. If the proviso were retained, a money lender would refuse to lend £20 for, say, six months. He would tell the would-be borrower that he would lend him £10 and his wife £10 for a month, and the loans would thereafter be renewed from month to month. The result would be that instead of 20 per cent. interest being charged, the rate would be 60 per cent. If 20 per cent. is insufficient with regard to small loans for short periods, some totally different method of prescribing the interest rates chargeable should be adopted. The proviso is dangerous from the standpoint of the purposes of the Bill.

Hon. G. FRASER: The suggestion for an interest rate of 60 per cent. arose from the practice adopted at present. Generally speaking, the charge is 1s. per £1 per month. Of course, the money lenders have proceeded by various means to increase the rate and

have in some instances reached about 200 per cent. For my own part, I think 20 per cent. is ample, although I admit that business at that figure will not be very profitable seeing that it represents about 4d. per £1 per month. If we could dispense with the small loans, it would be of advantage of the people likely to be affected. Rightly or wrongly, civil servants seem to be regarded as the best customers for money lenders. As they have permanent positions, they are able to borrow money without security. One of the worst features of that is that many float loans to pay off old loans.

Hon. H. S. W. PARKER: If the desire is that money lenders shall not charge more interest than 20 per cent., a proper Bill should be introduced to amend the Money Lenders Act accordingly. The method suggested in the Bill is unsatisfactory. The construction of the first proviso is ungrammatical and is certainly not good English. A licensed pawnbroker is not registered under the Money Lenders Act. Therefore, a person can borrow money from a pawnbroker on jewellery, for instance, giving the man a promissory note, and the money lender can charge what rate of interest he likes. Why not deal with the whole question properly instead of pursuing the slipshod method outlined in the Bill? I am not prepared to agree to something that is not set out in good English merely because of some hard luck story. If such cases exist, why do not the people concerned take advantage of the Poor Persons Legal Assistance Act and get the matters rectified?

Hon. G. Fraser: And how many items have been cut out in respect of which relief will not be granted?

Hon. H. S. W. PARKER: The statement has been made that nothing is ever seen in the Press regarding cases taken in the local or other courts. The suggestion has also been made that the Bill is necessary because people will not seek publicity. Do members think civil servants will go to the police court or the criminal court and risk the publicity involved in order to establish that a money lender has charged undue interest rates? If the civil servant is afraid of publicity, the Bill will not affect him. I shall vote against the provision in the Bill because I certainly would not be prepared to go before a judge and argue the meaning of this legislation.

Hon. E. M. HEENAN: I shall not oppose the amendment. The original intention was to confine interest on loans to 20 per cent. It is easy for Mr. Parker to single out the Bill for such stringent criticism regarding the drafting, which is no more at fault in the Bill than it has been in many other measures. I challenge Mr. Parker to prove that it contains one sentence that is ungrammatical or not good English. If the Bill is rejected, another may be introduced next session to give effect to the present intention. I hope members will not allow 12 months to pass simply because Mr. Parker singles it out on account of its drafting.

Amendment put and passed.

Hon. H. S. W. PARKER: I should like to ask Mr. Heenan what is the meaning of proposed new Section 11C. I consider it is redundant.

Hon. E. M. HEENAN: I take it that the section simply provides for the making of regulations prescribing the maximum rate of interest. That is to say, the rate of interest for the duration of the war and thereafter will be 20 per cent. At some later period the raising or lowering of that rate may be thought desirable, and the section provides that regulations may be gazetted to that effect. I take it that the hon. member considers that in view of what is stated in Section 11A, the Government already has power to make regulations. For greater clarity, however, I think the proposed new Section 11C. should be agreed to.

The CHAIRMAN: I think it is a lot of verbiage.

Hon. H. S. W. Parker: It is.

Hon. E. M. HEENAN: I am inclined to think so too, but for greater clarity the section should be inserted.

Clause, as amended, put and a division taken with the following result:—

Ayes	..	..	..	..	8
Noes	..	..	..	..	9
					—
Majority against	..	..	..	..	1
					—

AVES.

Hon. Sir Hal Colebatch	Hon. E. M. Heenan
Hon. J. M. Drew	Hon. W. H. Kitson
Hon. G. Fraser	Hon. H. Seddon
Hon. W. R. Hall	Hon. W. J. Mann

(Teller.)

NOS.

Hon. C. F. Baxter
Hon. L. B. Bolton
Hon. V. Hamersley
Hon. J. J. Holmes
Hon. J. M. Macfarlane

Hon. J. Nicholson
Hon. H. S. W. Parker
Hon. G. E. Wood
Hon. A. Thomson
(Teller.)

Clause thus negatived.

Clause 6—put and negatived.

Progress reported.

BILL—NATIVE ADMINISTRATION ACT AMENDMENT.

Second Reading.

HON. A. THOMSON (South-East) [9.25] in moving the second reading said: This is a small amending measure, which was introduced in another place by the member for Williams-Narrogin (Mr. Doney) at the suggestion of several justices of the peace in the Williams district. Those gentlemen were of the opinion that the law as it stood was unbalanced and unfair. The Bill seeks to place a responsibility upon the native who solicits a white person for liquor. Section 48 of the Act provides as follows—

Any native who knowingly receives any such liquor or opium shall be guilty of an offence, and liable on summary conviction to a penalty not exceeding £5 or to imprisonment not exceeding one month.

At the time that sub-section was drafted it was thought that the native could be handled quite successfully as a result of the sub-section's embodiment in the Act. Events have proved, however, that it is not a satisfactory provision. Although it looked all right it has a weakness. No conviction can lie against the native unless he is caught with liquor in his possession. I propose to read a letter that was sent by justices of the peace to the Minister for Justice. Those gentlemen had recently dealt with the case of a white man who supplied liquor to a native and was fined £20, the minimum amount.

Hon. J. Nicholson: Under the Native Administration Act?

Hon. A. THOMSON: Yes. A native is liable to a fine of £5 if it is proved he obtained liquor, and the white man who supplied him is liable to a minimum fine of £20 and a maximum of £100.

The Chief Secretary: Was that under the Native Administration Act or the Licensing Act?

Hon. A. THOMSON: I understand the case was taken under the Native Administration Act. The letter to which I refer is as follows:—

The evidence showed that the native solicited the white man to obtain the liquor in the first instance for a consideration of the price of a glass of beer. We hold no brief for the white man, who deserved the penalty, knowing that he was doing wrong. Unless the native is caught in possession of the liquor, we are advised that it is not possible to get a conviction against him; and so we saw in this case the spectacle of the native being brought to give evidence against the white man for wrongdoing and yet the white man's evidence could not be used to convict the native. If a section were put into the Licensing Act making soliciting of liquor by a native from a white man punishable, the native would hesitate to solicit it, knowing that if the white man was caught he also might be caught and punished on the white man's evidence. Usually the natives involved in these cases are very cunning.

Of course, the Licensing Act was not the Act concerned. The letter continues—

At present the native can involve a white man in a serious charge and can with impunity give evidence against the white, knowing that he himself is safe unless caught with the goods. An admission that he has drunk the liquor is not sufficient. Some check to prevent the natives from soliciting youths to procure liquor for them (and we can quote here the recent case in Northam before Mr. Read, R.M.) should be provided in the Licensing Act.

We the undersigned justices of the peace make the following recommendation:—

That in cases of prosecution under Section 150 of the Licensing Act, it is a recommendation from us that there should be provision in the Act to provide for a prosecution of, and penalty against, the natives soliciting and receiving the liquor. If the liquor is solicited from the white man by the native the penalty should be heavier than that inflicted for the supply without solicitation.

It is for this reason that the Bill was brought down. It seeks to amend Section 48, as follows:—

(a) by inserting in the section after sub-section (3) a new subsection, as follows:—

(3a) Any native who asks, solicits, or otherwise attempts to procure any other person whomsoever to purchase or to obtain the supply or gift of any fermented, spirituous or other intoxicating liquor in any quantity whatsoever, either alone or mixed with any other substance, or any opium for such native, shall be guilty of an offence, and be liable on summary conviction to a penalty not exceeding five pounds or to imprisonment not exceeding one month. It shall not be a defence to a charge of an offence under this subsection that no purchase was made or that no supply or gift was obtained as requested by the native charged.

The intention of this amendment is to throw a certain amount of responsibility upon the native who solicits a white man for the supply of liquor. With this brief explanation, I move—

That the Bill be now read a second time.

HON. J. CORNELL (South) [9.30]: The Bill appears to be harmless. The essence of it is that a native, including, I presume, half-castes—

Hon. V. Hamersley: Yes.

Hon. J. Nicholson: I think also quadrans.

Hon. J. CORNELL: —who asks any person for intoxicating liquor is liable to a fine of £5 or one month's imprisonment. A charge against the native can be lodged by the person from whom he solicits liquor. I should like to know whether there is going to be any corroboration of the act, or are we going to throw the native wholly and solely upon the mercy of the white man? Are we going to accept the word of the white person concerning the charge laid against the native? As the Bill is drafted it imports something new into the Act, and it appears that a native can be charged without any corroboration. That is not fair. We ought to give the native some protection. It ought not to be a question of one man's word against that of another.

Hon. A. Thomson: The same thing applies with regard to white men.

Hon. J. CORNELL: There is a big difference between white men and natives.

Hon. A. Thomson: Not in these circumstances.

Hon. J. CORNELL: Yes, there is. More consideration should be given to a native than to a white man.

HON. SIR HAL COLEBATCH (Metropolitan) [9.32]: Before voting for the second reading I should like to have the opinion of the department as to whether the passage of this Bill will be likely to increase the difficulty of securing a conviction against a white man who supplies a coloured man with liquor. That is the real point.

Hon. A. Thomson: The Minister in another place supported the measure.

Hon. Sir HAL COLEBATCH: It occurs to me that it is by no means an easy matter to secure a conviction against a white man

on a charge of this kind. I am afraid the passage of the Bill will make it difficult to induce a native to give evidence. He will be afraid of incriminating himself if he does so. If the Bill is going to have that effect I would prefer the position to remain as it is.

Hon. A. Thomson: In the case I quoted the native gave evidence against the man who supplied him with liquor.

Hon. Sir HAL COLEBATCH: I am not yet convinced as to the effect this Bill will have upon the point I have mentioned.

THE CHIEF SECRETARY (Hon. W. H. Kitson—West) [9.32]: The department has no objection to the measure, although it will not be of any great value. I understand that the Bill as introduced in another place contained an amendment that would have been of great value, but it was struck out.

Hon. A. Thomson: I propose to restore it.

THE CHIEF SECRETARY: If the hon. member will do that, I will support him. The Bill will not have the effect it is thought it will.

Hon. J. Cornell: Will it apply to Section 48 of the Act?

THE CHIEF SECRETARY: The amendment to which I referred had to do with the definition of liquor. Owing to a disability in the Act it does not contain a definition of liquor. It is necessary to get an analyst's certificate with regard to any liquor that is involved in a charge against a native. That makes the position exceedingly difficult. Although the Bill as it stands will not make the position more difficult from the point of view of securing convictions against white men, it will not help in the other direction to which I have referred.

On motion by Hon. W. J. Mann, debate adjourned.

House adjourned at 9.37 p.m.