

Legislative Council,

Wednesday, 10th September, 1930.

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

BILLS (3)—FIRST READING.

1. Vermin Act Amendment.
2. Bees.
3. High School Act Amendment.

PERSONAL EXPLANATION.

Hon. H. Seddon and interest rates.

Hon. H. SEDDON: I wish to correct a statement I made in the course of my remarks yesterday on the Address-in-reply, for it conveys an entirely wrong impression. That statement referred to the savings to be effected by a one per cent. reduction in interest as against a one per cent. increase in the efficiency of production. What I really wished to compare was the figure which would be obtained by reducing the rate of interest by one per cent. as compared with the figure obtained by increasing our efficiency.

Hon. J. Nicholson: That is what I understood.

Hon. H. SEDDON: The correct position is that the reduction of our rate of interest by one per cent. would reduce the average rate of interest from 5 per cent. to 4 per cent., which would save £11,005,972. That sum would be equivalent to an increase in efficiency of 2½ per cent. instead of one per cent., as I stated. I wish to make this correction, because I do not want to give a misleading representation of the position.

ADDRESS-IN-REPLY.

Tenth Day.

Debate resumed from the previous day.

HON. A. LOVEKIN (Metropolitan) [4.40]: The Hon. C. H. Wittenoom, when addressing the Chamber, told us that the parlous condition of our finances had come

upon him like a bolt from the blue. He said he never realised that things were as bad as they are. At the same time he informed us that he had never been to Bunbury. It is not surprising therefore that the hon. member, who has never visited the "birth-place" and who has confined himself to the serenity of that salubrious outpost known as Albany, should not have been in touch with the affairs of the greater world outside. The matter, however, is far from new. I indicated it myself in 1922-23 when the Federal authorities were promoting the superannuation fund for the public servants. I then pointed out that our production and our national income accruing therefrom did not warrant lavish expenditure in regard to the favoured few—expenditure on a superannuation fund in the interests of those in sheltered occupations, the Federal civil servants. But, as Mr. Glasheen suggested, we have been prophets in our own country, and therefore have cut no ice. Mr. Holmes and other members also have commented on the fact that Australia was living beyond her income. Later, in 1926, when Mr. Bruce went to London, the financial authorities had something to say about the position. I happened to be in London at the time. Mr. Cooke and Mr. Davenport, the one a well-known broker and the other a well-known banker, issued a pamphlet on Australian finance. Sir Hal Colebatch, who was then in London, and I, thought it up to us as good Australians to refute the pamphlet as far as we could, because undoubtedly it reflected on Australia's prospects in the money market. However, it proved to be the most difficult job I ever undertook in my life, because the writers had used nothing but official figures. The purport of the pamphlet was telegraphed to Mr. Bruce at Malta, and he replied that he would undertake to deal with it when he arrived—which relieved us from great difficulty. But at that time, when the pamphlet was published, the "Economist" and other papers were discussing Australian finance. Let me quote a paragraph or two from the pamphlet as showing what was put before Mr. Bruce at the time. One paragraph reads as follows:—

In the whole British Empire there is no more voracious borrower than the Australian Commonwealth. Loan follows loan with disconcerting frequency. It may be a loan to pay off maturing loans, or a loan to pay the interest on existing loans, or a loan to repay temporary advances from the bankers. The

British public, kept in splendid isolation by the financial advisers of the Commonwealth and State, has no means of judging one loan from another No dominion takes such full advantages of its unique opportunities of raising cash as the Australian Commonwealth. But is the system safe? It is in fact high time to ask the question, is Australian finance sound.

The pamphlet traverses the borrowings and the financial income, and shows from the official figures of the Commonwealth Year Book that 30 per cent. of the total visible wealth, both private and public, of the Australian Dominions, was then already mortgaged. Sir Joseph Cook wrote an article about that time to the "Economist," in which he stated that "these cash reserves had behind them 6,000,000 industrious people of good British stock in a country of infinite potentialities." The writers of the pamphlet criticised this and said—

According to Mr. Sutcliffe's investigations, Government and municipal property in Australia in 1921 was valued at £657,000,000; whereas the debt of the whole of Australia was £828,000,000.

They added that the earning power of a country of "infinite potentialities" is not a realisable security for a mortgage, and that the cash assets referred to by Sir Joseph Cook, on closer investigation, took the appearance of bank overdrafts. The writers went on to say—

It is because we fear that uneconomic borrowing must eventually lead to financial disaster we urge reform in the present system. Our analysis of Australian finance leads us to certain definite conclusions.

They go on to suggest various conditions which must be applied to the future raising of loans. Mr. Bruce subsequently met a body of financiers at which the position was discussed. At that meeting he was plainly told whither Australia was heading. He came back to Australia, and, as is known, propounded the Financial Agreement as a means of establishing the Loan Council, and limiting borrowing. He promised the financial people at Home that he would do something in that direction, and also in other directions with regard to public prospectuses in connection with loans. He got that Financial Agreement through, but the curious part of the business was that the Bruce-Page Government, in the succeeding year, became parties to adding to the overseas indebtedness by no less than £54,000,000. I take

it that is what brought to a head the present position. The Nationalist Party, and the Country Party behind the Bruce-Page Government, must share the blame that attaches to the transaction.

Hon. H. Seddon: The £54,000,000 included sums raised on behalf of the States, did it not?

Hon. A. LOVEKIN: Yes, it included all Australian borrowing, which was added to the Australian overseas indebtedness at a time when the figures clearly showed that we were not exporting produce to the extent that we were buying goods. Following upon that, the Economic Commission, the Big Four, visited Australia. They emphasised the position taken up by London financiers. Most of us understood where we were going if we took any heed of them. Certainly no steps were taken by the Government, although the country paid the expenses of the commission. Apparently nothing at all resulted from the visit. One could understand the Commonwealth Government continuing to borrow as much as possible, because they were spending money right and left, and out of every £100 borrowed the revenue benefited by 22½ per cent. from the Customs. Money comes to us in goods, not in coin. The goods come through the Customs, and every individual in the Commonwealth has a duty levied upon him for the clearance of those goods. Therefore, the Commonwealth levied the average of £22 10s. upon every £100 that was borrowed. We know the waste that has been going on, a colossal example of which is to be seen by anyone who visits Canberra. One can perhaps understand why there was no immediate hurry to limit the borrowings. Mr. Wittenoom will see that up to that point the matter was not new. I am inclined to think that Mr. Bruce, fully realising the financial position, rode for a fall at the last elections and duly got it. Mr. Scullin then took office, and found the parlous condition of the finances. To his credit I would say he took very bold steps to meet the situation, although I cannot agree they were in a very wise direction. In order to fortify himself he arranged with the Bank of England to send out Sir Otto Niemeyer. As Mr. Glasheen has said, that gentleman told us nothing that is new to many of us. Nevertheless, he was not a prophet in his own country, and was able to emphasise the

position with more effect than any of us in Australia could have done. Behind him was the solid fact that London had refused to find any more money. That had its effect upon the Government as it had upon the whole community. Mr. Scullin preceeded first to produce a prohibitive tariff in order to reduce importations and minimise the oversea cash commitments. I suggest he might have done this better in another way. When Mr. Theodore was a member of the Opposition, he made a speech in the House of Representatives. He was dealing with the adverse overseas balance, and laid a good deal of stress upon the fact that we were buying from America £35,000,000 worth of goods, and selling to that country only £5,000,000 worth. I wrote a letter to him in which I commended him for drawing attention to this matter. I suggested to him that we were really in a state of economic war instead of a physical war, and that we should apply war conditions, not that we should prohibit imports drastically, as has been done, but that we should issue permits to import so that those who wished to buy, say, motor cars, from America, would have to show that they had funds in that country with which to effect the purchase, funds outside the ordinary banking channels. In other words I suggested that they should have to supply America with kind, our wool or skins, upon which America was levying heavy duties, and of which the importation was practically prohibited. They should have to find in America actual kind in exchange for motor cars or other goods. That would have had a good effect. The Americans are pretty keen settlers. If they had been faced with the fact that they could not sell unless they also bought, they would probably have made some effort to allow the exchange of kind instead of payment in gold. I pointed that out to Mr. Theodore. When he assumed office he had not the opportunity to give effect to it. The Government imposed other taxation and employed other methods to achieve the same objective. My own opinion is that they are on the wrong track, and that their methods will do more harm to Australia than good. I have pointed out the position as it affects Australia. I now wish to show that this is nothing new, and that the conditions which apply to-day are applying world-wide. There is universal financial

difficulty and universal unemployment. These things are not singular to Australia. It is true that Australia in recent years may have indulged in what Mr. McCormack has termed "a financial jazz." But we cannot say that Germany has been indulging in a financial jazz, or that Great Britain or America has done so. Yet the same conditions apply in America. Although she has abundance of gold, she is faced with very severe exchange difficulties and has millions of unemployed. It is the same with Germany and Great Britain. What we may have wasted or spent in financial jazz, is as nothing compared with what Germany and Great Britain spent on the war. We must come back to some cause which is common to all parties, because the same conditions prevail everywhere. I wish to draw attention to the fact that in England for centuries an ounce of gold has been the basis of currency. An ounce of gold has had a ratio to the currency of, in round figures, £4 to the ounce. In America the ratio was about the same, 4.86 dollars to the pound and 20 dollars to the ounce of gold. The ratio in Germany was 100 marks to the ounce of gold, parity with Great Britain. In France it was 100 francs to the ounce of gold, also parity with the world gold standard. It is a curious fact that those countries, Great Britain, America and Germany, which are adhering to the world gold standard, are at present the countries in which unemployment is most severe, and the countries which have altered their basis of currency, re-stating their currency as it were, are the countries in which there is very little unemployment. France, which had a ratio of 100 francs to the ounce, has restated her currency and now, in round figures, appraises the ounce of gold at 500 francs. In Italy the standard was 100 lire to the ounce; it is now nearly 400. In Austria the gold ounce was 80s.; to-day it is 140s. To what this is accountable I do not know, but it is a curious fact that those countries which have restated their currency have little unemployment, whilst those that have stood strictly to the old gold standard basis are overwhelmed with unemployment. There are a number of factors which require to be looked at to try to get at the cause of the present troubles, because unless we can get at the cause, we cannot apply the remedy. There is one matter which may be the cause and which wants attention given to it, the

credit ratio to currency. Here is another factor. As is well known, during the war the nations had not sufficient reserves to meet their engagements and they worked upon their credit; they inflated their currency. America saw the opportunity and made an effort, by the accumulation of gold reserves, to oust London from being the centre of the world's money market. By the cleverness of the British financiers, America was not able to achieve her object and she stored vast quantities of gold which she is now having to lend at a price. France, too, endeavoured to seize the opportunity to make Paris, instead of London, the banking centre. She, too, has so far failed, but from what one can gather, the Mother Country, unfortunately, is up against a very tough proposition to-day. France sought to become the money market and also endeavoured to create a storage of gold because she anticipates another war, and, speaking for myself, I think that, in spite of all we are trying to achieve at Geneva, the world is not as far off another war as most people to-day imagine it is. Argentina, too, has been accumulating gold largely from the proceeds of her exports of primary products. To-day Argentina is Australia's principal and most to be feared competitor in the production of wheat, wool, grain, hides and primary products generally. To-day there is a scarcity of gold. It is accumulated in various countries. There is about £4,000,000,000 worth of gold in the world and three-eighths of it is held by five countries, as follows:—

Argentina—£87,000,000; £8 3s. per head.

France—£328,000,000; £8 per head.

United States of America—£760,000,000; £6 6s. per head.

Great Britain—£183,000,000; £3 2s. per head.

Australia—£15,000,000; £2 5s. per head.

It is these accumulations that is making gold dear. If money is dear, a greater quantity of commodities has to be exchanged for it, in other words, there is a drop in prices. Due to this drop, England's debt to America has appreciated by no less than £1,500,000,000. In other words, it requires more produce to that extent to enable England to liquidate her obligations, and the drain falls upon London. There is, therefore, less money available for Australia. I have no doubt that the Prime Minister, while in England, will endeavour to get the Mother Country

to reduce or postpone the interest on the debt Australia owes on account of the war, and I have no doubt that England, with her usual generosity, will help Australia as far as she can.

Hon. G. W. Miles: The Prime Minister did not go Home with that object in view. He has stated that we will have to pay every penny we owe.

Hon. A. LOVEKIN: Those that have been left behind state that that is one of the objects of the Prime Minister's visit. That, too, has also been told us by the various trades halls throughout Australia, the purpose being to enable the Commonwealth better to balance the Budget. I have no doubt that the Mother Country will help Australia as far as she possibly can, but in view of her own commitments, I question whether she will be able to do much. There has been a heavy transfer of gold from Australia to London to enable England to meet the existing situation. So as to keep stabilised her own pound sterling, England must square her ledger with America every year, and what she cannot supply in dollars she has to supply in goods or gold, otherwise the pound sterling will depreciate and the bottom will be knocked out of British finance. If wheat and wool and other commodities suddenly became scarce, the position would rectify itself because supply and demand would operate and prices would become dearer. Unfortunately, however, there seems very little prospect of anything of the kind eventuating, even though America has suffered some measure of a drought which will enable her to dispose of the 150,000,000 bushels of wheat which she carried over from last year. America's position, due to the drought, might for us be a helpful factor if it were not for the more fortunate position of Canada and Argentina where the harvests have been more abundant than ever. Thus one will offset the other. Unfortunately, we shall probably not get any better price for wheat, because in the case of Canada only 2s. 6d. per bushel is being advanced against the new season's crop and the carry-over. Here in Australia we cannot produce wheat at that price. In respect to wool also the carry-over is large. Possibly, as Sir Otto Niemeyer tells us, this commodity cannot be expected ever again to reach past prices, and so the outlook is somewhat dark. The reason is that chemists have been able

to invent a substance which is better liked by the wearers than wool, and also because that article can be produced at a cheaper rate. It is often said that history repeats itself. The position to-day is not new. In 1816, the year after the battle of Waterloo, the British paper pound was at a discount of 16³/₄ per cent. Gold was then dear. In 1864, following the American war between North and South, the paper dollar was worth 38 cents only. It did not again reach par—100 cents—until 1879. Gold was dear and commodity prices were low, which is the condition prevailing to-day. Now we have a new factor operating which did not operate in the periods to which I have referred, and that is, world-wide unemployment. All have tried to find the cause. All sorts of theories have been advanced as to how it can be ameliorated. The principal one is urged by our professional economists who say that if wages and salaries could be reduced by 5, 10, or 15 per cent., the national income would suffice to go all round, and there would be work for all. I suggest there is fallacy in this view. Assume such a reduction, what work is to be provided? Take the primary industries. Would the availability of more money for their development serve any useful purpose when, at the present time, it is beyond all question there is over-production? In the great wheat-producing countries there are large carry-overs. Certainly wheat cannot be produced and sold at a profit under Australian conditions. To-day we are witnessing what has not occurred for a long time, the reappearance of Russia and Rumania as wheat-producing countries. For the first time since the war Russia last year was able to feed her own people and soon she will have wheat for export if she can get her peasants to grow it for the Soviet Government to seize. Perhaps by some measure of force at their heels the peasants will have to grow wheat, and then our wheat will have to be sold in competition with theirs. Then take the wool industry. We have been told by Sir Otto Niemeyer that we cannot hope for wool to reach its previous prices owing to artificial substitutes. If it does not pay to produce wool to-day, to produce more seems to point to disaster rather than advantage to the pastoralists who grow it. Take cotton: it is produced artificially cheaper than by the natural methods. Silk is in the same category. In Japan even the silk worm has been thrown out of its job at

the instance of the chemist. When I was in Japan at the beginning of 1926, silk worms were bred in huge houses or cages and thousands of Japanese were employed in growing and picking mulberry leaves on which to feed the silk worms. All that has gone by the board, because the chemist has demonstrated that he can produce a mile of the very same substance as against the silk worm's yard. Consequently silk has fallen to a price that it does not pay even the Japanese to carry on the industry, with the result that there are hundreds of thousands of unemployed in Japan as well as in other countries. Years ago there was a class in the community known as the hewers of wood and drawers of water—the unskilled. To-day we have no use for hewers of wood and drawers of water. Machinery cuts up the wood, and pumps, driven by power, cheaper than man power, pump the water. The farmer, not many decades ago, sat on his fence supervising 50 or 60 labourers reaping his wheat with their sickles. To-day those labourers sit on the fence, or walk about unemployed, while the farmer sits on his harvester and does the work without the aid of the men whom the machine has supplanted. When I was a boy we used to get our boots made by a bootmaker who needed two or three days to turn out a pair of boots. They were good boots, too. To-day there are no bootmakers; there are workers in machine shops, and a man, instead of taking two days to make a pair of boots will, as a unit in a factory, turn out 200 pairs against the two he used to make before. In each of these instances the men have been displaced, and the question is how are we going to place them in work again. When the motor car supplanted the cabby, there were comparatively few cabbies and they were able to fall into other avenues of employment, but the mass production of the present day has become so colossal that there is no possible chance of absorption in other avenues of men displaced by the large factories. We have to look the matter in the face and realise that unemployment has come to stay, unless something happens that we cannot at present foresee.

Hon. J. Nicholson: In the early part of last century, was not a good deal of trouble created by the change over to machinery, especially in connection with the looms?

Hon. A. LOVEKIN: Yes, but it was a comparatively small matter. In the course of time those displaced employees were able

to fall into other avenues, whereas to-day there are not other avenues for them to fall into because those avenues themselves are also supplied with machinery with its mass production.

Hon. J. Nicholson: It is an age of mechanisation.

Hon. A. LOVEKIN: Yes. The other day I received a circular from the Bank of New South Wales which indicates much the same views that I am advancing. It says—

We are not the only folk in trouble. Adversity grips all mankind from Chili to Peru. Wool, cotton, wheat, sugar, tea, coffee, tin, rubber, copper, silver, all alike are at ruinous prices. Manufacturing as well as agricultural peoples are in difficulties. Unemployed are numbered in millions in the United States, Germany and Britain. There must be world-wide causes at work.

Seeing, too, that people in every continent are offering masses of goods, and all at bed-rock prices, the difficulty must lie in arranging terms and media of exchange, that is, money. The essence of trade is in exchange of surplus goods. There are goods in plenty, but men cannot buy from others until they sell their own. It is not a lack of physical means of transport. Never was there so much idle tonnage rusting in port. Never was such a variety of rail and road vehicles, nor so many well-made roads. The goods are there; the prices asked for them are low.

One obvious bar to the exchange of these abundant goods is the universal levying of high and increasing Customs duties Australia bids our farmers grow more wheat. She wants credit in London with which to pay her interest bill. Such pressure to find exports and gather gold inevitably raises the value of gold, that is, forces down the price of all other goods. Every plan to subsidise export industries out of imposts on local consumers (i.e., bounties) involves a burden increasing with the proportion exported, which burden cramps other local production. The gains of one industry are the costs to others.

That is true. It is one of the reasons why the Federal legislation recently inflicted upon us is in the nature of panic legislation. It has not been properly thought out. It seeks to benefit the revenue of the secondary industries in the Eastern States, but has no regard to the primary industries of other parts of Australia, with the result that while, on the one hand, it may temporarily benefit one industry, on the other hand it must injure other industries. Some years ago we were told by a writer named Maltius, who posed as a prophet, that the world in a few years would not be able to feed its people; there would be so many people that the world would not be wide enough to raise

the food necessary for them. That prophecy has been quite falsified and the opposite has been the experience. The other day Mr. Macfarlane referred to a pamphlet recently issued, written by Mr. F. W. Wright, in which he dealt with the effect of over-production of wheat. I suggest that members read that pamphlet because it is highly informative and provides much food for thought. One of the paragraphs states—

No one seems to have realised that, by supplanting the horse on the farm and in the city with the tractor and the motor truck, the modern world has robbed itself of its biggest consumer of wheat.

He points out that one tractor will do the work of ten horses, and that as there are 1,000,000 tractors, 10,000,000 horses have been displaced. Those horses would have required 50,000,000 tons of hay a year to feed them. As the average hay yield is one ton per acre, 50,000,000 acres are now stripped for grain which would otherwise have been cut for hay. In other words, the production of wheat would have been lessened by 500,000,000 bushels, which shortage would have had the effect of enhancing prices. Had Australia retained its horses, it would have been feeding them from the produce of its own land, instead of buying motors and petrol in America, where we have great difficulty in meeting our payments.

Hon. J. Nicholson: That was pointed out by Mr. Wilding, of Mokine, some year or two ago.

Hon. A. LOVEKIN: The pamphlet is informative, and I commend it to the attention of members, especially the representatives of our primary producers.

Hon. H. J. Yelland: To that you could add the quantity that would have been consumed by the lighter class of horses which also have been displaced by the motor.

Hon. A. LOVEKIN: Yes. I now wish to traverse the general position existing to-day, but only for a minute or two, because I do not feel competent to discuss the local situation in the absence of information which will later be made available by the Premier. We, in common with the other States, have been told that we must balance our budget. The Premier has said, and properly so, that we cannot afford any more taxation. How he is going to balance his budget without imposing

further taxation, I cannot understand. I cannot conceive that the economies which may be effected in this State will be sufficient to meet the need, especially having in view the figures quoted by Mr. Seddon yesterday. Talking of economies, I do not know whether one is entitled to rely altogether upon figures published in newspapers, though my experience is that newspapers always try to be accurate. We have been told by the leading paper in this State that the Premier proposes first of all to tax the salaries of members of Parliament to the extent of 10 per cent. I cannot vouch for the accuracy of the statement, but if the Premier made that suggestion, I should advise him to consider it further before proceeding to give effect to it. Although I am personally opposed and have always been opposed to the payment of members, I would not be disposed to vote for singling out one class of the community and saying that they must bear an imposition of 10 per cent. on their salaries, simply because that course might be popular with some members of the public seeking a view to put forward. I must say that since I have been in this House I have come to the conclusion that the public fail to realise what members of Parliament do. Apparently they gauge us by the number of hours or minutes we are on our feet here speaking. Some of us would not get very much pay if we were paid by the time we spend on our feet in this Chamber. What we may say in this House is only a small part of the work members do. For my part I know that what I do here is a mere bagatelle in comparison with what I do outside the Chamber, and I am in a better position than a good many hon. members, because I represent a metropolitan constituency and therefore am not pestered about roads, culverts and bridges, and conveyance of wheat to sidings, and all that sort of thing. Yet I have quite a number of constituents who want something done, one way or another, even if it is only a matter of trying to find them jobs. I suppose I average throughout the year 10 or 12 letters per day to constituents in the metropolitan area who want something done or some advice given them. So that if one tries to do his job properly, a good deal of time must be given up to it. Further, one must get the reports and papers and read them, and that cannot be done whilst one walks

about the streets, as the general public thinks. For two reasons I would not support a Bill reducing the payment to members of Parliament. One reason is that I do not wish to stultify this Parliament by making it a glorified municipal council as compared with the Federal Parliament, and the second reason is that members of Parliament should be treated exactly as other members of the community are treated in a crisis such as this. We are facing unemployment, and my contention is that all those who, to-day, are more fortunately situated must turn round and, according to their means, make sufficient sacrifices to maintain the people who are out of jobs. That is the principle. The public call for reduction of members of Parliament and reduction of civil servants. I am not disposed to single out these classes. That would be unjust and inequitable. Some civil servants receive £1,000 a year, some £200. To put the same flat rate tax on all of them is not just. One cannot afford to yield as much as the other. However, I am willing to support any movement which would help the unemployed, provided we begin right at the top and, according to the emoluments which the holders of jobs receive, arrange a sliding scale in accordance with which they should contribute towards the support of the unemployed. I am perfectly willing to fall into line with such a scheme, and whatever amount I might be called upon to pay I should pay only too willingly.

Hon. G. W. Miles: What percentage would you suggest?

Hon. A. LOVEKIN: I think I would begin at 1½ per cent. with those receiving £200 a year, and I would carry it up at different rates of percentage to £1,000, where I would leave it at 10 per cent.

Hon. G. W. Miles: Why leave it at 10 per cent. on £1,000?

Hon. A. LOVEKIN: I do not know that that would be quite equitable even there. However, I am thinking of members of Parliament and civil servants when I get up to 10 per cent. Everybody—capitalists and judges—must go into it; everyone, from top to bottom, must make sacrifices for the common cause of relieving the sufferings of the unemployed.

Hon. H. Seddon: Have you worked out the figures of what would happen on your percentages?

Hon. A. LOVEKIN: No. It is suggested by another section that we should reduce wages, including the basic wage. Wages as they are to-day I am not in favour of reducing. Real wages mean what it costs a man to exist. That is his real wage. If we are going to impose tariffs, sales taxes, primage dues and other charges, they all must be loaded on to the prices of commodities, and therefore must all re-act upon the man's wage. So that if we are to talk of reducing wages, it must be only reduction of real wages; that is, those wages which are in ratio of their purchasing power. As a fact, in view of the charges and the taxation placed upon commodities to-day, wages should be really higher, and not lower. Therefore I cannot agree with those who suggest that we should reduce wages. But there are the trimmings. There are, for instance, persons who are in favoured employment; those who get district allowances; those who work short hours; those who get perquisites in other ways. These all should have their privileges suspended, at any rate, until we can better afford to pay for them. However, as regards the basic wage, and wages generally to workers, I am not in favour of decreasing them until we are satisfied that their purchasing power has increased.

Hon. G. W. Miles: Are you in favour of payment by results?

Hon. A. LOVEKIN: Many other economies can be effected. The State's huge printing bill might well be reduced by thousands. Here I have a return which has cost £380 for the printing of 750 copies. There is in the 750 copies a ton of paper, on which commodity the Federal Government are now levying a duty of over £4 per ton. These are matters which we could curtail at the present moment. I think we should also cease to give everybody free hospital attention. That is a service people ought to pay for. Again, free university teaching should cease—not under all heads, but under many heads which might well be cut out. Thus the grant to the university could be reduced. A number of the State departments could be merged, and overhead administration charges thereby reduced. Take the two water works departments, metropolitan and goldfields. The Engineer in Chief, with no loan money to spend, has little work. Why could not the Engineer in

Chief look after those two departments as well as his own, and effect economy by that means?

Hon. G. W. Miles: Will not you have any retrenchment in those departments when there is no money to be spent?

Hon. A. LOVEKIN: As to that we have not heard yet. We shall hear later.

Hon. G. W. Miles: But you know that the Government have not got the money.

Hon. A. LOVEKIN: The position of an engineer who retired has not been filled.

Hon. G. W. Miles: Half of them should be retrenched.

Hon. A. LOVEKIN: I do not see why the State ships should have separate administration to run two ships per month, when there might be an agency established with private companies whose staffs also are not fully employed. Again, we could cut down a lot on the losing State activities. We could even economise on the Government motor service. That service has now got beyond all reason, and should be much curtailed.

Hon. J. Nicholson: We thought it was bad enough when it was just a percentage of the present-day cost.

Hon. A. LOVEKIN: In some quarters it is urged that interest must be reduced.

Hon. E. H. Harris: Do you approve of that?

Hon. A. LOVEKIN: I certainly do not approve of it, for the reason that it is a form of confiscation. If people lend to the Australian Government £100 bearing interest at 6 per cent. and that 6 per cent. is reduced to 3 per cent., the Government have obviously confiscated half the amount of the capital lent. That is not right or just, especially when the Government already tax the interest by means of income tax and so on. To reduce the rate of interest and at the same time tax it is not fair, nor would it be in the interests of the country, since it would re-act the next time the Government wanted money. The people then would not subscribe, but would say, "Once we put our money into your bonds you will confiscate a quarter or a half of it, as the case may be; and therefore we will not lend to you."

Hon. J. Nicholson: It would be good-bye to the prospects of capital coming here.

Hon. A. LOVEKIN: There must be no repudiation of any kind. At the meeting of

the Bankers' Association on the 14th May last Mr. Goodenough said—

It was thought by some people that high taxation was not an impediment to the prosperity of industry, but the banker's experience led to quite a different conclusion. Everybody knew that one of the greatest essentials to prosperity in business, whatever business it might be, was the creation of reserves, and it was easy to understand that when as much as 22½ per cent. of the profits earned by a business which was a limited company, and possibly even a larger proportion in the case of a business individually owned, had to be paid away in taxation, as a first charge, there was little opportunity left, especially in these days, to build up reserves. They all knew that reserves were the backbone of every business, to meet contingencies, to keep the business up to date, and to provide the power to expand. It was the putting back into a business of as large a proportion of the profits as possible that ensured success: it was the paying out of too large a proportion of profits that weakened the business. Reserves were infinitely preferable to borrowed capital, and the most successful businesses in the country had been built up through the creation of reserves. It was certain that high taxation led to the export of capital. It also increased unemployment, and in due course defeated its own object by reducing the taxable resources of the country.

I am quite in accord with that. It shows what will happen if we talk about either repudiation of debts or reduction of interest. On the same occasion the British Chancellor of the Exchequer, Mr. Snowden, said these words—

I have two guiding principles in my financial policy. The first is that the country must pay its way We have been living nationally upon our capital in the last few years. That may ease the taxpayers' pocket for a moment, but it is a policy that cannot be long continued. The day of reckoning must come, and the day of reckoning has come. My second principle is with regard to debt It is no use paying a debt with borrowed money. That will never get you anywhere, except possibly ultimately in the bankruptcy court, and therefore I decided, in the interests of sound finance, that I must make provision for the failure of last year's revenue accounts to meet the necessary sinking fund.

Hon. G. W. Miles: And Mr. Snowden was quite right too.

Hon. A. LOVEKIN: Mr. Snowden is in a position that enables him to secure an accurate knowledge of what is going on. He is in a position quite different from that of Mr. Scullin in Australia. I do not wish to reflect upon Mr. Scullin, but he is quite new to methods of finance in relation to

transactions running into millions of pounds sterling. I do not desire to delay the House any longer. I have dealt with the subject largely apart from the local position, which I must leave to a future occasion to discuss. I suggest to the Government that they should consider well whatever schemes they propose to put before us. I suggest to them that they do not rush headlong into any scheme because it may appear popular to the public, or may have the effect of gaining votes at a future election. I am perfectly sure that the public of Western Australia will appreciate their actions much better if they face the position straight out, irrespective of what the sacrifices may be to some individuals. If the Government do that, they may not gain the votes of some people, but they will certainly gain their respect, and that is assuredly worth more than votes. I thank hon. members for listening to me so patiently.

On motion by Hon. G. W. Miles debate adjourned.

House adjourned at 5.48 p.m.

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Wednesday, 10th September, 1930.

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

QUESTION—KANGAROO SKIN ROYALTIES.

Mr. DONEY asked the Chief Secretary: In view of the costly damage to crops by marsupials, will he consider the substitution of a bonus for the present royalty, the loss of the royalty to be made good by the revenue accruing from increased production, increased taxation and railway earnings?