

of this legislation he had been returned by a bigger majority than ever before. We must deal with things as we find them. Last session we were inundated by requests from local governing bodies. It is not a question of being directed by them. They do not say that sort of thing to individual members, but merely request them to do certain things. It is only right that we should give earnest consideration to such requests. We know the real difficulties that confront those unpaid members of road boards and municipalities, who are rendering such valuable but honorary service throughout the State. They deserve every consideration. I am waiting to have an assurance from the Chief Secretary that the country authorities will not be affected by this legislation. I may be regarded as unsophisticated when I say I am prepared to accept that assurance. At the opening of the session we were reminded of the dire period through which we are passing. It was decided that we should not be called upon to deal with contentious matters, and we were going to give the Government our whole support in an endeavour to win the war, but it is of no use to indulge in that kind of talk unless we back it up with our actions. The Government states that it wants the money, and that local authorities in the metropolitan area will not find themselves in the position they imagine will be theirs. I am awaiting an assurance from the Chief Secretary that country local authorities will not suffer by reason of this measure. If he can give me an assurance that that will be the position, I will seriously consider giving my vote in favour of the Bill.

On motion by the Honorary Minister, debate adjourned.

House adjourned at 8.14 p.m.

Legislative Assembly,

Wednesday, 16th October, 1940.

	PAGE
Questions: Rocky Gully, land repricing	1308
Seed wheat and bags, farmers' requirements	1308
Collie coal, average price	1309
Allowances to aliens	1309
Abandoned farms	1309
Bassendean road closure	1309
Leave of absence	1309
Motion: Economic problems, Commonwealth Bank and national credit	1309
Bills: Income Tax Assessment Act Amendment, returned	1342
Income Tax, returned	1342
Profiteering Prevention Act Amendment, 2a.	1342

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

QUESTION—ROCKY GULLY.

Land Repricing.

Mr. WATTS asked the Minister for Lands: 1, Has a decision been arrived at in regard to the repricing of the land at Rocky Gully (west of Mt. Barker)? 2, If so when will the new price list be available? 3, If not when may a decision be expected?

The MINISTER FOR LANDS replied: 1, No. 2, Answered by No. 1. 3, After completion of the Surveyor General's review of the reports in connection therewith.

QUESTION—SEED WHEAT AND BAGS.

Farmers' Requirements.

Mr. WATTS asked the Minister for Lands: 1, As a number of farmers will not obtain seed wheat from their crops and practically all wheat will this year be handled in bulk are steps being taken—(a) to ascertain what farmers will require seed wheat; (b) to ensure that clean seed wheat in bags will be available from farmers who will have it available; (c) to compensate such last-mentioned farmers for the extra expense incurred re bagging? 2, If arrangements are not already in hand will he take early action to ensure a satisfactory solution of the problem including, if necessary, the making of representations to the Australian Wheat Board to enable seed wheat to be sold by farmers possessing it?

The MINISTER FOR LANDS replied: 1, The Department of Agriculture and the Agricultural Bank are dealing with these

matters. 2, Arrangements have been made to submit proposals to the Australian Wheat Board, and the Board has already been communicated with requesting that seed wheat be exempted from acquisition. A personal appointment has been made with the Wheat Board to discuss further our proposals which have been submitted to them. We have also listed the matter on Western Australia's behalf for discussion at the Agricultural Council meeting.

QUESTION—COLLIE COAL, AVERAGE PRICE.

Mr. WILSON asked the Minister for Mines: What was the average price per ton of coal at the pit's mouth from the Collie mines for the 12 months ended the 30th June, 1940?

The MINISTER FOR MINES replied: The average price for the coal supplied to the Railways Department for the period mentioned was 14s. 9.4d. per ton at the pit's mouth. This is the only figure available.

QUESTION—ALLOWANCES TO ALIENS.

Mr. SEWARD asked the Minister for Industrial Development: 1, Is it a fact that the wife and family of an internee are allowed 9s. per unit per day whereas an alien who is not interned is denied employment by the Government and allowed 7s. per unit per day? 2, If so, why is the difference made?

The MINISTER FOR THE NORTH-WEST (for the Minister for Industrial Development) replied: 1, The wives and families of internees, under arrangement with the Commonwealth Authorities, are assisted at the same rates as apply to other families on the books of the Child Welfare Department. Aliens not interned are assisted by the Unemployment Department in the same manner as ordinary unemployed men who are not on relief work. 2, The difference is not because they are aliens. The men on the books of the Unemployment Department have the opportunity to obtain any work which may be offering, whereas the women the Child Welfare Department is assisting either have no breadwinner or he is too ill to work.

QUESTION—ABANDONED FARMS.

Mr. SEWARD asked the Minister for Lands: 1, Since the inception of the agreement between the Agricultural Bank and Goldsbrough Mort & Co., Ltd., for the sale of abandoned farms, how many of those farms has the company sold? 2, What sum of money has the Bank received in cash on such sales? 3, What amount of commission has been paid to Goldsbrough Mort & Co., Ltd., on those sales? 4, Have any of the properties sold since been forfeited or abandoned by the purchaser? 5, If so, how many? 6, Of the properties sold, how many were sold to adjoining owners?

The MINISTER FOR LANDS replied: 1, 694 properties, nine part properties. 2, £35,391 1s. 9d.; this sum represents initial deposits only. 3, £25,599 13s. 9d. 4, Yes. 5, Three known cases. 6, Not recorded.

QUESTION—BASSENDEAN ROAD CLOSURE.

Hon. W. D. JOHNSON (without notice) asked the Minister for Lands: Will he lay upon the Table of the House the file dealing with the protest of Mr. Charles Wicks, of Bassendean, against the illegal closing of Dodd-street, Bassendean, and the subsequent issue of legal process by him against the Minister and/or the Bassendean Road Board regarding such illegal closure?

The MINISTER FOR LANDS replied: There is no file dealing specifically with the points raised by the hon. member, but I have no objection to laying on the Table the file concerning this matter.

LEAVE OF ABSENCE.

On motion by Mr. Wilson leave of absence for two weeks granted to the Hon. P. Collier (Boulder) on the ground of ill-health.

MOTION—ECONOMIC PROBLEMS.

Commonwealth Bank and National Credit.

MR. MARSHALL (Murchison) [4.36]: I move—

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.

I sincerely hope that hon. members will not imagine that I am suffering from some obsession with regard to monetary reform. I deliberately forfeited my right to speak on the Address-in-reply because I knew that I would traverse the same ground when moving this motion. If I say things which appear to be not altogether correct, having regard to the fact that we are at war, I ask hon members not to misconstrue my remarks as being disloyal utterances. I believe the position to be so critical that people who think they can see some distance behind the international screen and are sure their opinion is correct, would be guilty of a crime in refraining from speaking their mind. It is wrong to hide the truth because of the opinions that might be formed by people whose mentality seems to be completely smothered by patriotism.

Mr. Warner: We are satisfied with your loyalty.

Mr. MARSHALL: I hope the hon. member speaks sincerely. The motion was inspired by a desire to help my fellow citizens in this country, to do something of a practical nature to release us from the deplorable position into which we are constantly and surely drifting. I may have to say particularly hard words about certain statesmen or alleged statesmen, even about my own Premier and leader. But I shall do so because I think that what they are doing is wrong and that they are doing wrong either quite conscious of the fact, in which case they speak with their tongues in their cheeks, or because they are entirely ignorant of a subject matter with which they should be thoroughly conversant. The motion has embodied in it the desire that the Commonwealth Bank should function in the interests

of the people of Australia, and that it should be called upon to do so immediately. What I cannot understand is that so long as we follow the procedure adopted over a long period, namely of permitting private institutions to expand and contract credit at will, no protest is uttered by any particular statesman or any particular leader of the people. The bogey of inflation is never heard of, or mentioned or referred to so long as private institutions can profit by the rapid expansion of credit, and create an inflationary state of affairs. Immediately an attempt is made to advance some argument that this particular function, now controlled by private institutions, should be handed to the Commonwealth Bank, the people's bank, the bogey of inflation arises. To the Press, and all those whose mentality is saturated with orthodoxy, the doctrine of inflation is the great weapon of opposition. If members have followed the history of finance in connection with the war in England they will readily appreciate the fact that the inflationary doctrine has been to a marked degree prevented by the Imperial Government during the last six or eight months. I think that Government is spending £1,000,000 per week in compensating retailers for losses so that the price of necessary commodities may be established at a given figure. We never see these facts in the Press. They are not advertised. There is no attempt to inform the people that there is a method by which inflation can be prevented. I have no desire to admit, and do not intend to admit, that if the Commonwealth Government was called upon to make available the necessary funds for the thorough prosecution of this war, for the successful inauguration of a policy for the future defence of Australia, and for the proper care and welfare of the people and the industries of this country, inflation would come about. With proper control there can be no danger whatever of such a thing. It is remarkable that never a protest is levelled against private institutions when they expand credit and create an inflationary condition, and it is only when one wishes to take that power from them, a power that by right should never have belonged to them, that anything is said. Those institutions have used a power which belonged to the people and the Crown. The sovereignty

of the people is involved in the matter. No Government rules in any State of the Commonwealth, nor does the Federal Parliament rule in the Commonwealth itself. Rothschild once said, "Let me control the money of a nation and I care not who makes its laws." We find the Premier affords an example of what I mean, for he must in a humiliating way appeal for funds with which to carry on the administration of the State. Who has the final say as to the amount he shall handle? Where does the sovereignty of the people come in because of such a state of affairs? How can we say the Government rules the country when it has not the finance with which to rule it, but has to go to private institutions for that finance? Who is the real ruler, the private institutions which finance Governments, or the Governments which the people really believe and foolishly believe do the ruling? We have heard Treasurers say that finance is Government and Government is finance. If that be true we do not govern. The avenue through which all Governments are financed is owned and controlled by private institutions, so they must do the ruling. They do rule and they have ruled behind the scenes for years, taking no responsibility themselves whatever. They are continually behind the scenes, frequently operating and forcing all Governments into the invidious and humiliating position of having to appeal to them as to what laws they shall pass and what money they shall use.

The Premier: Oh, no!

Mr. MARSHALL: I do not say the banks of Australia have told the Premier of this State what laws he shall bring down, but I do say that the Bank of England has told the Imperial Government what laws it shall introduce.

The Premier: The Imperial Government has told the Bank of England what it shall do.

Mr. MARSHALL: No. The Bank of England has a complete and final say in regard to all banking laws that are passed through the Imperial Parliament.

The Premier: That is definitely wrong.

Mr. MARSHALL: The Premier is entitled to his own opinion. Here is a remarkable thing. If the Imperial Parliament holds full authority and sway, how came it that the very enemy of the British

Government today became so formidable in a few years? Who was it financed Germany? We had Germany down on her knees, humiliated and defeated, and from that position that country could never have arisen without the aid of other nations.

The Premier: That is true.

Mr. MARSHALL: The Premier admits that the Imperial Government of its own volition dictated to the Bank of England that it should endeavour to stabilise the mark and re-establish the industries of Germany. Does he admit that?

The Premier: Yes, in collaboration.

Mr. MARSHALL: If that be so, the enemy of Australia was re-created by Imperial Governments in the past.

The Premier: All right.

Mr. MARSHALL: I did not know the Premier would admit that.

The Premier: It is admitted everywhere.

Mr. MARSHALL: I would not admit, and will not admit now, that Imperial Governments in the past, like the present Government of the Commonwealth, have been foolish enough to permit high finance to dictate terms to them.

The Premier: Not at all.

Mr. MARSHALL: I do not admit that any Imperial Government was responsible for bringing Germany back into the military arena as the potential enemy of the British Commonwealth of Nations.

The Premier: I do not agree with that.

Mr. MARSHALL: But the Premier has just admitted it by interjection.

The Premier: Let us get on.

Mr. MARSHALL: Let us view the matter from the angle that for years past there has been a definite, but nevertheless sincere, movement on the part of different financial groups, led on particularly by a group of American bankers in Wall-street, who are in close association with groups in England, France, and other parts of Europe, to dominate the world. Unless we prevent that, we shall drift on until we reach the point of abject slavery. Of that there can be no doubt. I intend to quote a brief extract from a book written by A. N. Field entitled "The Truth About the Slump." He wrote the book immediately after the depression of 1930. I shall quote one letter only which was read in the Ameri-

can Parliament many years ago. It will give members a very good idea of the move that has been apparent for a considerable time, a move that has made such progress that any member observing the position to-day can note that it is going ahead rapidly and most effectively. Hon. members should be well aware of the position and ever alert, because there can be no doubt of the fact that the British Empire is to-day the last bulwark of democracy. It represents the sole remaining nation with free institutions and the present war has been provoked ostensibly and purposely to accomplish the downfall of the British Empire. Democracies are of no use to high finance. While one semblance of a democracy exists, the safety of high finance is always in jeopardy, and the objective of the present war move is without doubt to bring about the defeat of the British Empire. Strange to relate, while people in England were preaching a reduction in armaments, they were at the same time financing Germany and re-establishing her economic position, so that she could become not only our potential but our actual enemy to-day.

People associated with high finance have no nationality. The world is their chess-board and the component parts of it represent the pawns which high finance proceeds to move. There is the invidious position that while we call upon people of this sunny land of ours to make sacrifices and while we call upon mothers, sisters and sweethearts to suffer anguish and misery and shed tears of sorrow as they see their sons, brothers and menfolk generally leaving our shores for foreign battlefields, we allow this particular oligarchy, who provide the process by which our men can be blown into bloody shreds of brawn and muscle, to profit by the process. That is what is going on all the time and we speak about equality of sacrifice! Good Australian citizens are going to foreign battlefields and, if necessary, sacrificing their lives for 6s. a day to provide institutions with the opportunity to expand public credit as though it was their own and at the same time rake off millions in the shape of profits. That is the equality of sacrifice of which we hear so much! Has the Premier, in his capacity as Treasurer, ever heard, in relation to the fixation and stabilisation of prices, any definite statement by the Prime Minister (Mr. Menzies) or the Federal Treasurer

(Mr. Spender) about the profits that the banks will make? No mention of anything of the sort is ever heard.

The Premier: If the profits were serious, interest rates would be increased.

Mr. MARSHALL: I really sympathise with the Premier.

The Premier: I sympathise very deeply with you.

Mr. MARSHALL: How the Premier of this State can make such a statement, I do not know. It will not be long before he and others will have to answer for their stewardship; in fact, that time is not far distant. For the Premier to talk about interest rates in connection with institutions that charge interest on the expansion of credit, which is merely a book entry, is bewildering. The banks give up nothing; they lend nothing. They simply expand national credit, which rightly belongs to the people.

The Premier: You would not say that all the funds that a bank uses do not belong to anyone?

Mr. MARSHALL: I want the Premier to understand the difference between money and credit.

The Premier: I do.

Mr. MARSHALL: The Premier does nothing of the kind, or his statements would not be forthcoming as they are.

Mr. SPEAKER: Order!

Mr. MARSHALL: The position is that the funds of the bank, looking at the matter from the Premier's point of view, represent about one-half of the legal tender within the Commonwealth. That represents all the funds that the banks have at their disposal. There is only £55,000,000 in legal tender in the Commonwealth.

The Premier: There might not be £5,000,000 of legal tender.

Mr. MARSHALL: When the Premier refers to the funds used by the bank, he should remember that 99 per cent. of the commercial transactions within the Commonwealth is done by way of cheques, which is illegal money.

The Premier: No.

Mr. MARSHALL: I say it is.

The Premier: You are wrong there.

Mr. MARSHALL: I adhere to my statement, which is correct.

The Premier: What is the objection to writing cheques?

Mr. SPEAKER: Order! I must ask the Premier to keep order.

Mr. MARSHALL: The Premier may have his own views on the subject, but let me ask him this: Is it not remarkable that while Commonwealth Governments have been most careful with regard to the protection of legal tender money so that anyone caught counterfeiting it—

The Premier: Or forging a cheque.

Mr. MARSHALL: — or doing anything regarding legal tender money in the way of defacing coins, destroying them or issuing imitations, is subject to very heavy penalties.

The Premier: Just as they are with regard to cheques.

Mr. MARSHALL: Such importance does the Commonwealth attach to this phase of the matter that very strict laws have been passed dealing with it, but, strange to relate, while very careful with regard to protecting legal tender money, which represents 1 per cent. of the money available in the Commonwealth, it discloses a state of utter apathy with regard to the other 99 per cent. of the money made available throughout the year.

The Premier: If the Commonwealth Government printed a thousand million notes, would they represent legal tender?

Mr. MARSHALL: Whoever would suggest that such a stupid performance would take place?

The Premier: It could take place.

Mr. MARSHALL: And I assert that if a private bank went smash, the Commonwealth Bank would have to do it and would have to go to the rescue of the people's savings, securities and reserves, and give them protection against the difficulties arising from the failure of the private banking institution.

Mr. Abbott: Because the Commonwealth Bank controls all credit.

Mr. MARSHALL: Nothing of the sort. The Commonwealth Bank is not in control of credit.

Mr. Abbott: Then how could it come to the rescue of the private banks?

Mr. MARSHALL: Perhaps the hon. member does not appreciate the position; but what actually happens is that the credit which puts money in and out of circulation is issued by private banks, not by the Commonwealth Bank. Recently I noticed in the paper that the Bank of New South Wales had, during the first nine months of the war, issued credit to the extent of 4½

million pounds. That was not the Commonwealth Bank, but the Bank of New South Wales and it is only one of the private banks.

The Premier interjected.

Mr. MARSHALL: That money was subscribed by the Bank of New South Wales to loans.

Mr. Patrick: Where did the bank get the money from?

Mr. MARSHALL: By entering some figures in its ledger. It is almost impossible to convince members that there is no difference between credit and money. It is deplorable that that should be so in the case of members of Parliament. One would really believe that when the Treasurer goes on the market for a loan, the banks, which principally underwrite the loan, give the Treasurer a certain amount of legal tender or money. They do nothing of the kind.

The Premier: They undertake to provide money.

Mr. MARSHALL: They do not provide money at all. They underwrite the loan and guarantee the Treasurer so much credit. The Treasurer can operate on it after the bank has entered in its ledger the amount it proposes to underwrite. The Treasurer does not go to the bank, take out the actual money, put it in an attache case and depart in a motor car. He operates on the account by cheques. All the bank has to do is to honour those cheques, and that is all that is done in a transaction of that sort by the banks. I admit there is a distinction between such a procedure and the case of an individual subscribing to a loan, because the individual forfeits the right to use the money, which belongs to him personally. But that is not so with the banks, which merely honour cheques to the extent of the amount which they underwrite. The Premier is aware of that fact.

The Premier: I know that a lot of what you say is true.

Mr. MARSHALL: It would be futile for me to set myself up as an authority on banking. I admit I am not.

Mr. Lambert: That is apparent.

Mr. MARSHALL: Yes, quite apparent. Of that there is no doubt, nor am I egotistical enough to argue that I am an authority on banking. I am, however, not discussing banking, but the right of ownership of national credit, nothing more and nothing less.

The Premier: I agree with you there.

Mr. MARSHALL: Knowing my limitations, it would perhaps be well for me to quote from authorities in order to ascertain who is correct—the Premier or I. I put this to the Premier: Would he suggest that his knowledge of banking and its ramifications, such as the expansion of national credit, would exceed that of Mr. Graham Towers, the Governor of the Bank of Canada? The Treasurer would not be egotistical enough to say that his knowledge surpasses that of Mr. Towers.

The Premier: Or of Mr. McKenna.

Mr. MARSHALL: I have often quoted him as an authority. The Treasurer is nevertheless unconvinced; he is quite prepared to allow private institutions to control our national credit.

The Premier: Who said that?

Mr. MARSHALL: I say it.

The Premier: I did not.

Mr. MARSHALL: Yes, you did.

The Premier: No fear!

Mr. MARSHALL: A motion similar to this was moved by me last year and passed by this Assembly. At the first Loan Council meeting thereafter which the Treasurer attended, Mr. Dwyer-Gray, of Tasmania, moved a motion that £15,000,000 of the moneys required by the States should be made available by the Commonwealth Bank. Our Treasurer did not support that motion. I accuse the Treasurer of that in order to get a reply from him. That was the information I received.

The Premier: No fear!

Mr. MARSHALL: Very well, I shall not argue further. I have some extracts from the report of an investigation that was made into the banking system of Canada. As I said, Mr. Graham Towers is the Governor of the Bank of Canada and he was cross-examined by Mr. McGeer, K.C. I want the Treasurer to listen to these quotations, so that he may get a grasp of the situation. The following are the questions and answers:—

When 1,000,000 dollars worth of bonds is presented (by the Government) to the bank a million dollars worth of new money or the equivalent is created?

Mr. Towers: Yes.

Is it a fact that a million dollars of new money is created?

Mr. Towers: That is right.

New money, not legal tender, is created.

The Premier: It is legal tender.

Mr. MARSHALL: The next question is—

Now, as a matter of fact today our gold is purchased by the Bank of Canada with notes which it issues . . . not redeemable in gold . . . in effect using printing press money . . . to purchase gold?

Mr. Towers: That is the practice all over the world.

The banks merely honour their own cheques. The next questions are—

When you allow the merchant banking system to issue bank deposits, with the practice of using cheques, you virtually allow the banks to issue an effective substitute for money, do you not?

Mr. Towers: The bank deposits are actually money in that sense.

As a matter of fact they are not actual money but credit, book-keeping accounts, which are used as a substitute for money?

Mr. Towers: Yes.

Then we authorise the banks to issue a substitute for money?

Mr. Towers: Yes, I think that is a very fair statement of banking.

Would you admit that anything physically possible and desirable can be made financially possible?

Mr. Towers: Certainly.

There are only one or two other questions of importance. They are—

So far as war is concerned, to defend the integrity of the nation there will be no difficulty in raising the means of financing whatever those requirements may be?

Mr. Towers: The limit of the possibilities depends on men and materials.

And where you have an abundance of men and materials you have no difficulty, under the present banking system, in putting forth the medium of exchange that is necessary to put the men and materials to work in defence of the realm?

Mr. Towers: That is right.

There is only one limit to the effort that Australia can put forth in its own defence to-day, and that limit is the capacity of the people of the Commonwealth to produce goods and give services. That is national credit, but it is owned and controlled by private institutions. The Commonwealth Bank is the people's bank; it has all the resources of the Commonwealth at its command if it wishes to take control of them. It controls the note issue; it has all the powers that a national bank should have, but it does not use those powers. It has been hamstrung by design. That was done in England in 1922 in the Hotel Ritz by Stanley M. Bruce. In 1924, after the death of Sir Denison Miller, a material change took place in the Commonwealth Bank. It

has not since functioned in the interests of the people of the Commonwealth, but merely in the interests of private institutions. I have nothing to say against the trading banks in this regard; they are an absolute necessity to the present social organisation and are indispensable to the commercial life of the community. However, they do take charge of national credit. This belongs to the people, but the banks lend it as though it actually belonged to them. They charge the people interest for our national credit. High treason or grand larceny has nothing on this form of racketeering—nothing at all. Is it any wonder that we are continually faced with international conflicts while this great power rests in the hands of a very few men? Banks must exist in order to maintain the present economic and social standards. But the Commonwealth Bank belongs to the people and the credit created by the people should be used under the direction of the Imperial Parliament. It is a national gift which should be used so as to enable taxation to be gradually reduced. Instead of that being the case, however, the reverse has happened. Need I point out to hon. members opposite the deplorable condition of our primary producers? I need not, members know it full well. Need I remind members that thousands are depending upon the Government for a morsel to keep body and soul together? We all know that. Need I remind members of the deplorable condition of the State's assets—obsolete trams, obsolete trains, schools in want of repair, lack of water supplies?

Mr. Sampson: And ferocious tariffs.

Mr. MARSHALL: Everything that comes within the category of social services and State assets is rapidly but surely deteriorating for the want of money to modernise it or to put it in a decent state of repair.

The Premier: That is not true, either.

Mr. MARSHALL: If it is not true, I am blind. Will the Premier contend that the rolling stock on our railway system is modern? Will he say it is up to date?

Mr. SPEAKER: Order! I hope the Premier will not reply to that question.

Mr. MARSHALL: If I approached the Treasurer to-morrow for a paltry few pounds to instal a reticulation scheme in a promising goldfields town, I would be told there was no money. Last night the Treasurer painted a most deplorable picture. He told us that we have to be very careful and

must not spend a penny. We do not act in private life as the Treasurer is acting on behalf of the State.

The Premier: Yes, we do. We are living within our means.

Mr. MARSHALL: To exist, we are borrowing about two-and-a-half millions a year, and the Premier says we are living within our means. Admittedly the amount borrowed might be less this year, but without borrowed money we could not exist. That was exemplified in 1930 when supplies of loan money were cut off. What happened then? Crash went everything. We had a deficit of three-quarters of a million and 3,000 people in a state of poverty. Yet I am told we are living within our means, though it is necessary to borrow £2,000,000 or more every year. It is not the money we borrow but our credit that is my grievance.

Hon. C. G. Latham: You borrow against your credit.

Mr. MARSHALL: I should like the hon. member to read up authorities on this matter.

Hon. C. G. Latham: I should like to understand what you are saying.

Mr. MARSHALL: What is it the hon. member cannot understand that I have pointed out?

Hon. C. G. Latham: What do you mean by borrowing our credit?

Mr. MARSHALL: I will tell the hon. member for the third time. The wealth and services produced by the farmers, the miners, the industrialists, and the activities of the Government constitute the national wealth of the Commonwealth, and what the banks do is to issue credit against that wealth or convert that wealth into money by granting overdrafts and loans to individuals, semi-Government bodies and Government bodies. That is the potential wealth of the country.

The Premier: No, that is the actual wealth.

Mr. MARSHALL: The Premier can call it potential or actual wealth as he pleases. Evidently the Premier regards the matter with levity.

The Premier: Oh, no!

Mr. MARSHALL: He does not know what it is to want a meal, and I hope he never will. But there are thousands of people who do.

Mr. Sampson: Are you a prophet?

Mr. MARSHALL: The Premier will not have to go to this war and risk his life. He will not have to risk being killed in war and leaving a wife and family in misery and anguish. But thousands of men will. I am endeavouring to deal with this basic principle in this Christian and enlightened age.

The Premier: If we had the credit, that would not prevent a man from going to the war.

Mr. MARSHALL: If we had the potential wealth of the country monetised by the Commonwealth Bank, we would not be getting into debt.

The Premier: Or into war?

Mr. MARSHALL: Not for very long. Since 1914 we have not known what it was to be out of war. Although the 1914-18 struggle was said to be a war to end war, since then there has been perpetual war and this condition of affairs will continue so long as our present monetary system exists. How can we expect international peace when high finance, in order to protect its investments, creates international rivalry?

Hon. C. G. Latham: The natives in your own country, without any monetary system, have wars.

Mr. MARSHALL: Of course they do.

Hon. C. G. Latham: To fight is human nature.

Mr. SPEAKER: Order!

Mr. MARSHALL: The hon. member's remarks make me sad. I would not mind if they came from some member of the public unable to comprehend, but when they come from a man who is supposed to lead and represent the people aright, I must confess to a feeling of depression. The hon. member and his friends grip and hold tight to a system that has caused so much poverty and misery. With poverty and misery staring them in the face, they refuse to investigate the causes. The Leader of the Opposition says we cannot overcome the system and must go on.

Hon. C. G. Latham: I said nothing of the sort. You want me to say something to please you, and I will not do it.

Mr. MARSHALL: I do not want the hon. member to say anything. I am aware that interjections are disorderly.

Mr. SPEAKER: Order!

Mr. MARSHALL: But I did understand the hon. member to imply that rather than attempt to bring about any change, he would hold on to what we have. The Premier need not demur about it. To date he has not done very much towards throwing off the yoke fastened around our necks by the present monetary system.

The Premier: I have.

Mr. MARSHALL: No, not at all.

Mr. SPEAKER: Order! I draw the Premier's attention to the fact that I have twice asked members to refrain from interjecting. I hope I shall not have to ask again.

Mr. MARSHALL: True, Mr. Spender and Mr. Menzies did say that the national credit was being used. I have never denied it. In the name of goodness, how could we have had money in circulation for years past if it was not being used? I have not denied that the national credit is being used. But, I ask, by whom is it being used and for whose benefit? It is being used by private institutions for profit. That is what I am complaining about. I have before me a report of what Mr. Spender said on this matter. It appears in "Hansard." Speaking on one occasion as Assistant-Treasurer, he said—

The Commonwealth Bank can make loans to the Government free of interest.

No one disputes that.

I agree that the Commonwealth uses the credit resources of the country for national purposes.

The Government is prepared to admit that.

Obviously, in the years ahead, it might have to be resorted to substantially. As the Treasurer, Mr. Menzies, showed in his Budget speech, it has already been resorted to.

Quite right, but by whom? There is no disputing that the Commonwealth Bank can make loans available free of interest.

Mr. Patrick: You are not inviting interjections, are you?

Mr. MARSHALL: But the Commonwealth Bank does not do it. That is my complaint. I wish to give a few quotations. Unless a speaker on this subject had tacked on to his name the degrees of a University professor, he would find it impossible to convince some people of the truth of such statements. Therefore I have taken pains to obtain the views of authentic writers, not Labour men, not Socialists, not even reformers.

Mr. Sampson interjected.

Mr. SPEAKER: Order!

Mr. MARSHALL: I intend to quote men of intelligence—unlike the member for Swan—men who have written largely on this subject. I hope that members who have any doubt regarding the criminal aspect of private ownership of national credit will give very close attention to these quotations.

Mr. Patrick: You are not inviting interjections, are you?

Mr. MARSHALL: Abraham Lincoln said—

I have two great enemies, the southern army in front of me and the financial institutions in the rear. Of the two, the one in the rear is my greater foe.

Even Lincoln, in his age, realised what was coming. He knew there was a fight to be put up, but he lost his life while putting up the fight?

Mr. Seward: How?

Mr. MARSHALL: William Jennings Bryan said—

The money power preys upon the nation in times of peace and conspires against it in times of adversity. It is more despotic than monarchy, more insolent than autocracy, more selfish than bureaucracy. It denounces, as public enemies, all who question its methods or throw light upon its crimes.

The Lord Chief Justice of England in 1875 said—

The issue that has swept down the centuries and will have to be fought sooner or later is the people versus the banks.

As far back as 1875, that gentleman could see the move being made by a group of financiers to obtain control, which they have practically succeeded in doing. If they can defeat the British Empire on this occasion, they will have won, and it behoves us to take immediate steps to ensure that there is no shortage of money for the preparation of the defence of this Commonwealth and its free institutions. They are threatened, not by enemies from without but by enemies from within. Thomas Jefferson said—

If the American people ever allow the private banks to control the issuance of their currency—

That is the position here in Australia.

—first by inflation and then by deflation, the corporation that will grow up around them will deprive the people of all their property, until their children will wake up homeless on the continent their fathers conquered.

How true that is to-day! The farmers have awakened. Property which their fathers shed their blood to protect has gone from them. Those words are as true as if they were written of Western Australia to-day. Yet we go merrily on heading for disaster. Woodrow Wilson said cheerfully and sincerely a few days before he died—

Who is it that does not know the causes of war? The allied causes can be found in hot, successful, commercial rivalry.

I recall the time when Mussolini invaded Albania. He thought that invasion would not cause a crisis because there were no British interests in that country. A powerful nation could over-ride a small one so long as there were no British interests at stake.

The great monopoly in this country is the monopoly of big credits. A great industrial nation is controlled by its system of credit. The growth of the nation, therefore, and all its activities are in the hands of a few men who chill and check and destroy genuine economic freedom.

Thousands of passages could be quoted by men who could readily see what would happen, and many of them have endeavoured to avert the catastrophe, but unfortunately each in turn seems to have been removed either from office or from the face of this planet. We cannot go on much longer as a State Parliament unless some drastic change is made in the monetary system. I say that quite frankly, and if hon. members will view the statement with impartial minds they will agree that we are only carrying on as a State Parliament by sacrificing social services and State assets. If we attempted to afford the people those social amenities which they should enjoy, we would fall far short of having either sufficient credit or sufficient money. We are sustaining our existence by gradually cutting down those amenities. Therefore, I say we cannot expect to exist much longer under such a system.

I am becoming disturbed about the position, for I know that there is a move by high finance to get rid of Australian State Parliaments and also to get rid of the Commonwealth Parliament, and to establish in lieu thereof a Parliament inaugurated by high finance in Europe. Unfortunately the power I refer to is being viewed too lightly by many able men in England. Actually they are advocating quite openly that there should be a single world authority established some-

where in Europe. Thus the people would be robbed of the democratic principle of self-government. They are to be ruled by such an authority as I have described. Undoubtedly that move is being popularised by many men within the British Empire who should know better. I view the position as one of extreme gravity. One thing that strikes home as severely as any is the possibility of all our freedom being gradually filched from us, by virtue of the fact that we shall fall into a condition of dire poverty during the course of the next few years. Mr. Menzies, the Prime Minister, makes no secret of that. I well remember hearing him express himself to that effect over the wireless. He said, "What does it matter if you and I come out of this war with nothing?" He has been inculcating upon the people the poverty mind. "Be poor; you have to be poor; there is no alternative but to remain in a state of poverty. It matters not if you have nothing." It is not sufficient that Australia should make a great sacrifice—and I say she will make it—for the war. It is not sufficient that thousands of our able-bodied men will lose their lives or be maimed in the process of gaining victory. In addition to all that, we are to have around our necks for all time a debt which will strangle us economically and industrially and in every other respect. We have not paid off one shilling of the last war debt. Up to 1937 that war cost Australia £806,000,000, and of that amount £373,000,000 was credit, the balance being made up out of revenue and taxation. We have paid £375,000,000 interest on the £373,000,000, and we still owe the £373,000,000. Moreover, we are starting on another war. I will quote from the "West Australian" of the 11th of this month:—

For the first quarter of the financial year Australia spent £29,472,000 on defence and war services. This figure includes munitions and supply, but does not include all the expenditure on defence works. Of the war expenditure for three months, £25,297,000 was from loan funds.

Multiply the loan figure by four and one gets approximately £100,000,000 for the year. We have not yet got to our maximum effort, and we are restricted from producing that maximum effort because we have no money. The higher taxation becomes, the poorer we shall become. I do not know

how much beyond the amount quoted our war expenditure extends. The amount mentioned may safely be regarded as the minimum, and it adds another £4,000,000 annually to our interest bill. We are now paying something over a million pounds per week in interest. Having regard to the current year's expenditure, I should say that we are paying about £2 per second of our lives, and that is to go on for ever. Thus we make sacrifices not only in flesh and blood, in sorrow and tears, but our children's children's children will be loaded with the debts of today if we do not take immediate action to retrieve the position.

The position is becoming so acute that we shall be forced to take action. I venture to say that when next year's Federal taxation bills come in, there will be many men speedily converted to the views I now express. Our national debt amounts to something like £1,400,000,000. On that amount we have paid £1,090,000,000 in interest, and we still owe the £1,400,000,000. In the name of heaven, where are we getting to? Including the cost of the war, the very minimum we now have to expend—and I hope we may expend nothing else—is £150,000,000 per year during the progress of hostilities. Adding that expenditure to the existing national debt, we can imagine how deplorable our position will become in the course of the next four or five years. I have here some illuminating figures referring to taxation. In 1900 our national debt was £197,000,000; in 1910 it was £258,000,000; in 1930, £778,000,000. To-day it is just on £1,400,000,000. Interest on that will be about £6,000,000 per year, or £110 per minute, and 80 per cent. of that debt is bank-created debt, representing nothing, and we are still paying interest on it. The local governing bodies of Australia have an annual interest bill of nearly £4,000,000, while semi-governmental bodies face a yearly debt charge of more than £5,000,000. It has been calculated that if Australia's national debt increases during the next 70 years at the rate at which it has increased during the past 70 years, we shall then owe £780,000,000,000, and for interest alone each family would have to find £13,500 per annum. So we are getting along fairly well. If, as many foreshadow, we shall have to face other wars, if when we are finished with Germany we are to start on Japan, as has al-

ready been forecast, and if when we are finished with Japan we shall have to take on China, it is to be expected that within the next 70 years we shall easily outstrip the amount of the national debt that accrued during the past 70 years.

I need not read to hon. members the report of the Royal Commission on Banking. The Commission reported on two highly important aspects. It said that where the Commonwealth Bank and the Commonwealth Government were in conflict, the two parties should meet and discuss the matter, and that if they could not reconcile their differences, the Commonwealth Government should give an assurance to the Commonwealth Bank that it, the Commonwealth Government, would be responsible for everything and that the Commonwealth Bank should obey instructions. The Commission went on to say that this did not interfere with the administration of the bank, but merely amounted to directing a policy. And then the Commission went on to say that as the Commonwealth Bank had all the resources of the people and all the potential wealth of Australia at its command, it could make advances free of charge to any individual, any Government, anybody.

Mr. Seward: Nothing of the kind.

Mr. MARSHALL: That is a statement made by the Commission.

Mr. Seward: I challenge you to read that out of the report of the Commission.

Mr. MARSHALL: The hon. member can read it himself.

Mr. Seward: It is not in the report. I challenge you to produce the passage.

Mr. MARSHALL: I have read it over and over again. It is the first authoritative statement of the kind that has been made.

Mr. McDonald: Do you refer to paragraph 504?

Mr. MARSHALL: I think either 503 or 504. What is wrong with the member for Pingelly (Mr. Seward)?

Mr. Seward: What is wrong with the member for Murchison?

Mr. MARSHALL: The hon. member has no objection to bank control of politics, none at all. He has no objection to the destinies of this country being controlled by the banks, through these avenues.

Mr. Seward: I like the truth.

Mr. MARSHALL: But when it comes to the people taking control of banking, he first hesitates, and then says "No." The present system suits him. It suits any Conservative mind. No matter how deplorable the circumstances may be, it suits the minds of those who are well fed, well housed, well clothed, and very comfortable. But why should there be in this land, instead of full and plenty, factories closed because their products cannot be sold by reason of the people's purchasing power being insufficient? Why should there be primary producers walking off their farms because of inability to dispose of their products? Why should material wealth go to rot through not being sold? Here lies our economic and social trouble, and while I am here I shall fight against it. I am confident that in the very near future many members of this House will see the viewpoint as I see it now. I am convinced of that. Every day the points I have made are emphasised, and so, until we take back from the banks the right to issue and expand and contract credit, then we shall have no real sovereignty at all. We have to go back to the banks to borrow money to pay our debts. When a loan matures we have to ask the banks to lend us sufficient money to cover our liabilities. Then we are told that after the war we will experience a state of prosperity. What happened after the last war? Did we ever see so much poverty in this country as was in evidence between 1924 and 1934? And even from the commencement of the last war. All the result of banking manipulation! So I suggest to the Premier that the time is about ripe for action to defeat the monsters responsible for that state of affairs. If action is not taken, our freedom will go. We cannot put up our maximum effort on the existing form of finance. If we do we will lose our freedom, because we shall hand it over to the Shylocks. There can be no alternative, and I put it to members, "Can a beggar be a chooser?" Of course he cannot.

If this country is as poor as we are told it is, is it then worth fighting for? Here we have two and three and even four times a week hundreds of our people out on the streets begging. What for? Begging for funds to relieve and ease the burden of the dependants of those who have gone away to fight. Did anyone ever hear of such a thing? We are reducing the nation to a community

of professional beggars, and all the while a beautiful institution is in existence to do its job, to retain the moral standard of a country such as ours! We see begging on the highways everywhere and the Commonwealth Government shirking its responsibility by permitting this sort of thing to go on. The belief seems to be that by borrowing, begging and cadging we can finance this war. We can do nothing of the kind. If we are going to defend the free institutions of the British Empire, of which we are a part, we must put forward a maximum effort and we must provide for the future on sound lines. We have never paid a penny of our national debt, and it is rapidly increasing from year to year, more speedily now than ever, and we are told that we must look forward to the end of the war for prosperity. We can imagine what is going to happen. We will have a better idea of the position when the taxation assessments come in. Every shilling that is taken out of the pockets of the people reduces their standard of living. It is a crying shame that the people are so willing to make such sacrifices, believing it is necessary that they should do so, when we know it is not.

The Premier: Do you say that the standard of living is becoming worse in Australia?

Mr. MARSHALL: The higher the taxation, the lower must be the standard of living.

The Premier: No.

Mr. MARSHALL: Take money out of the people's pockets and you reduce their standard of living.

The Premier: We are taking money out of the rich people's pockets.

Mr. MARSHALL: How rich? The sustenance workers have been taxed for years.

The Premier: No.

Mr. MARSHALL: Does not the Premier understand that the rich people are those who are directly responsible for industry and employment? Does he not realise that they are the people responsible for stimulating industry and maintaining it? If he takes their wealth from them, what ambition will they have to continue to carry on? If we took money out of, say, the pocket of the member for Nedlands and put that money into mine, it would remain there, but we should remember that when we take money that has been paid away in interest,

a great portion of that money goes out of existence altogether. Just what proportion of our taxation goes in that direction I cannot say. It might be said that 80 per cent. of that money is cancelled out of existence immediately it is paid over. However, I would not argue about that, because a percentage, no doubt, would find its way back into circulation, though the major portion would not.

I may be permitted to quote a few figures to show the manner in which taxation has increased in recent years. In 1914 the Commonwealth taxation was £16,600,000, and in 1929 it had advanced to £400,000,000. That increase represented no less than 364 per cent. in 15 years. The most outstanding figures, however, are those of New South Wales. They are really remarkable. In 1914 that State collected by way of income taxation £2,000,000, and in 1929 the amount collected was £24,000,000. Western Australia is not too far behind that State. Then the Governments steadied up, but they added to the national credit by borrowing. The banks have now voluntarily agreed to issue credit at a low rate of interest. They know as well as anybody what will happen if they increase the rates by even a fraction. Therefore they do not do that, and thus save their skins. The time is well overdue for the Commonwealth Bank to exercise the power it already possesses, a power that will enable it to function in the direction of giving relief to those who have need of it, and so assisting to bring about a state of prosperity. In conclusion, I put this to members: that at the end of the last war England had millions of her most able workers under arms, out of production, and yet when the war ended, England was producing more wealth than she had ever produced. Immediately the war ended, along came the banks to the gold standard, and poverty and misery reigned, a state of affairs that England had never before experienced. That is what is coming to us again. We must gradually become strangled as taxation increases and then there will be bound to follow poverty, misery and starvation. So I hope the House will agree to the motion. It may be that it is drastically framed, but the times warrant drastic action. If we have any respect for the people who are suffering and if we have any regard for those who are offering their lives for their country, we will say that we will win this war with the aid of science, men and

material, and we shall then bring the country to such a state of prosperity that everyone will experience happiness and freedom. I hope the motion will be carried.

MR BERRY (Irwin-Moore) [5.56]: This is a somewhat voluminous motion, but I think it is exactly the same as that which was before this House last year and was agreed to. I congratulate the hon. member who not only dealt with the motion at great length but quoted extracts from the works of eminent people to substitute the points he wished to make. By doing that, the hon. member relieved us to some extent of performing a similar task. With regard to the question of financial reform, which is the essence of the motion, no sane man to-day will deny that there is definite and absolute need for the Governments not only of Western Australia and the rest of the Commonwealth, but of every country in the world, to tackle the problem and smooth out the difficulties—perhaps “disagreements” would be the better word to use—and find out once and for all whether “sound finance” should be permitted to continue to drag the people into a state of degradation and despair. I do not think there is any doubt that the synthetic system of finance which followed the last war has done nothing except to bring despair and ruin, not only to the country districts of Western Australia but to our cities and the cities of all other countries. There is no doubt that that system has taken a grip of the people, a grip of such magnitude that the working people as well as the farmers have become bankers’ labourers. There is no doubt about that whatsoever. I am not going to get into a controversy about credit; whether we do or do not issue credit is not our concern. Our concern definitely is the welfare of the people and there is no question that the welfare of the people is at stake and in jeopardy by this very “sound finance” which has led us in to despair and degradation. I recollect last year making a statement here that it was my considered opinion that the existing system of finance would not help us to win the war, was in truth the greatest factor in bringing the war about. I see no reason to alter that opinion. The control of finance having fallen into the hands of a few, has led us into all sorts of tragedies.

If the prevailing financial system could be rectified to work fairly, there would

be no war between England, Germany, Italy or any other nation to-day. I do not think the people of any country wish to go to war unless they are forced to do so economically. We have had a good deal of evidence to indicate that our international financial system has led to much distrust between the nations. I am quite sure the present war is the outcome of that distrust. If the whole world could adopt some satisfactory international currency, that distrust would tend to disappear. And peace, as we wish it, would follow. The conditions in the country districts of Western Australia are extremely bad and that is expressing the situation mildly. This distress has been occasioned by the existing wanton financial system which has been responsible for deflation and has destroyed happiness. The school I went to divided its pupils into three sections. One consisted of boys who displayed a certain amount of intelligence and who were earmarked for the university and for various professions. The second consisted of those of less intelligence designed for commercial jobs. Those who were fitted only to be farmers because they did not wish to learn, together with bankers who could not learn, were placed in a class of their own. After 30 years I discovered that the banker class has the impertinence to tell us that they are the only people in the world who know how to create credit and control finance. I have here an extract which was not read by the member for Murchison (Mr. Marshall) and I propose to read it to the House. It appeared in “Hansard” of last year and deals with a question asked of Mr. Fitzhardinge, a famous banker, obviously not in the third class—Class “C” to which I referred earlier. Mr. Fitzhardinge was asked—

Suppose a loss is suffered in regard to any writing down of liability to the bank, would it be possible to deal with that loss without any actual loss to shareholders’ capital or depositors’ funds?

The banker’s answer was—

I should say so. Even if we lost the whole £10,000,000, it would not matter very much.

Thus we have a banker who stated definitely that £10,000,000 could be wiped off and it would not make any difference. How would he be able to write off £10,000,000? Where did the money come from, to whom does it belong? If it belongs to the depositors—and we are told that the banks lend the depositors’ money—how can this

great financial magnate write it off? That banker's remark is evidence of the fact that credit is being created somewhere. If the money to which Mr. Fitzhardinge referred belonged to creditors, he would not dare to write it off. As time goes on, I think it will be found that without question there is such a thing as the creation of credit, and the sooner people see to it that credit monopoly is placed in the hands of the Commonwealth Bank the better it will be for them and for the Governments of Australia and the quicker the war will end. I was not in the least satisfied when I was told that Italy was financially unsound when she set out to conquer Abyssinia. The big financial institutions told us that. In spite of it, Italy captured Abyssinia very quickly. We who had all the money, all the resources, all the brains and all the power were incapable of stopping her from completing that conquest. Yet that country was supposed to be insolvent. The same story is told about Japan and Germany, but we have only to consider those countries to realise how unsound is the statement. It is the duty of the Government to send the motion moved by the member for Murchison to Canberra, and not to ask but to demand that consideration be given to it. In a few weeks' time my son will go to the war; he is in the Navy. I am aware of the fact that other sons are going overseas, too, and I intend to do everything in my power to see that he and every other Australian boy receives every possible material consideration. If a banker—a "C" class, an "A" class or any other type of banker—does anything which I consider to be prejudicial to the life of my son and the sons of Australia, I will do everything I can to prejudice the erring banker. The motion is a good one and the Commonwealth Bank as originally constituted is alone in a position to grapple with this problem of war finance in a satisfactory manner. The member for Murchison referred to the Banking Commission's report. That report was available to the public until quite recently, but I was told when I sent out to obtain a copy a little while ago that it is not now on sale and is apparently unprocurable. Why? I am not sure of the truth of the statement, because I did not go myself, but if it is true, I want to know why the report is unavail-

able. Many financial suspicions have been engendered in our minds that need clearing up for the benefit of the people as a whole and particularly for the benefit of the sons of the Commonwealth who are going overseas and who constitute the greatest heritage Australia possesses. It is our duty to see that these boys return. If the motion is given consideration by the Commonwealth Bank, and the bank performs for us the service asked of it and brings our boys back again, the mover of the motion and the movers of similar motions throughout Australia will have done something more than a national service, they will have done something Christlike. Because of that, I feel certain that the House will pass the motion. It was said we would not win the war unless we altered the present system. I do not agree with that because I think we shall win the war whatever happens, but if the Commonwealth Bank will do what we are asking it to do and control this monopoly of credit, I believe we will win the war so quickly that we shall be surprised at the speed with which our sons return to us. If sound finance is going to prejudice our boys in any way, then sound finance must go on the muck heap so far as I am concerned. That is why I support the motion and hope it will be carried and submitted to the proper authorities with such vehemence that they will pay heed to it, and implement it practically.

A similar motion was passed last year. In my blissful ignorance of conditions in Parliament then, I thought we had done something worth while, until I discovered that motions passed here can be just as pious and useless as those passed anywhere else. I trust that will not happen again in this case. If that sort of thing occurs in respect of our deliberations, there is no point in our sitting here and discussing these matters till midnight. We have reached the stage when this Parliament must wake up and realise that people are growing tired, and with very good reason, of nothing being done. I am appalled at the fact that we have to refer to the Commonwealth Government everything we want to do. The only State enterprises with which the Commonwealth Government does not want to have anything to do are those that are insolvent. The situation is almost beyond control and it behoves this State to voice a protest. We rebelled in a verbal

sense on a previous occasion against this encroaching attitude of the Commonwealth Government. We engaged in a movement for secession, but the only result is that a heavier yoke has been placed upon us. It is up to the Government to take notice of this motion and to compel the Federal authorities to give heed to it. We should appeal to the Federal Government to cease making stupid suggestions such as the one recently made, namely, that the State should borrow another £250,000 to alleviate drought distress in the country, that money to be a charge on the farmers. The matter is too ridiculous to dilate upon. We are all so heavily debt-ridden and oppressed and fed-up that it is no use the Federal Government attempting to add more burdens on to backs that are already bent more than double. That £250,000 distributed amongst the farmers would mean an individual amount of approximately £30 to enable each farmer to carry on. That adds to the irony of the suggestion. Sound finance is becoming a stupid joke and we are the poor fools upon whom the joke is perpetrated. The member for York (Hon. C. G. Latham) said that tribal wars amongst native races were fought without money being an incentive. I do not think that is quite correct.

Hon. C. G. Latham: If you will quote what I said, you may get somewhere. I did not say anything of the sort. I referred to the natives of Australia.

Mr. BERRY: Even the natives of Australia, of whom I know least—

Hon. C. G. Latham: I thought so!

Mr. SPEAKER: Order!

Mr. BERRY: I beg your pardon, Mr. Speaker, but I am prepared to challenge the Leader of the Opposition—

Mr. SPEAKER: The hon. member is not allowed to challenge anybody in the House.

Mr. BERRY: Then it almost seems that I cannot reply to the Leader of the Opposition. But knowing the native people as I do, I would suggest that money of some sort has much to do with tribal wars in Western Australia or in Australia as a whole. To the native mind money is not necessarily pounds, shillings and pence.

The Minister for Mines: Gins are medium of exchange.

Mr. BERRY: I thank the Minister. Women constitute an enormous source of profit to the natives, if not to us. I know

that in the old days wars in Malaya, and in the South Sea Islands where I lived, were fought with a view to "catch as catch can."

Sitting suspended from 6.15 to 7.30 p.m.

Mr. BERRY: We were discussing tribal wars, and with the help of the Minister for Mines I was able to reply that perhaps the gins were the real cause of such wars. A military war is really an economic war, whether it be a tribal conflict or a battle amongst educated people. The whole thing is a matter of economics. It is wrapped up in the question of sound finance. Sound finance is such, and our system is such that the only method by which we think we can get ourselves out of debt, as the member for Canning pointed out in connection with the Bill to amend the Money Lenders Act, is by borrowing money for the purpose of paying our way out of debt. An interesting point missed by the member for Murchison (Mr. Marshall) was in connection with New Zealand. In that dominion the small amount of £77,000 was involved in one particular loan in connection with the Maori war. The Government of New Zealand borrowed that sum to wage the war. For 31 years interest at 6 per cent. has been paid on that loan, and up to date no less than £278,000 has been paid away in interest alone, the debt itself still remaining against the people of New Zealand. That sort of thing is pathetically stupid.

Hon. C. G. Latham: A sinking fund would have put that right.

Mr. BERRY: I do not know whether a sinking fund was established, but I do know there is no fund of common sense in a country that will put up with that sort of thing.

Hon. C. G. Latham: The debt would have been relieved by a sinking fund.

Mr. BERRY: But the debt remains.

Hon. C. G. Latham: I will check that statement, I think.

Mr. Hughes: The debt is still there.

Mr. BERRY: In the Napoleonic wars the position was exactly the same. Something like £600,000,000 was borrowed for the conduct of those wars, and payment after payment of interest has been made on the loan, but the original amount is still a debt

against the British people. This system of borrowing money to pay interest on loans, whilst leaving the loan intact, is a type of madness that my education will not help me to understand, nor can it be absorbed by educated people generally. We are sending our sons away to the war and in that alone are making a big sacrifice. The mothers and fathers of the boys will suffer anguish. We are all going to suffer. If we continue as we are going, the end will be that we shall lose lives that are more valuable, that are irreplaceable, and are going to find that we are still more hopelessly in debt under this horrible banking system than ever before. Let me instance the financial position of Western Australia. I remember a year or two ago when I was a new member of this House attempting to point out the invidious position that was coming about in consequence of interest payments. I said that originally we would need a 10-acre paddock on which to write our debts and interest bills. Later on I suggested we would require a thousand acres for the purpose, but to-day I do not think Australia will be big enough to write those amounts in the sand. If we go on as we are doing at present with debt issued money—

Mr. Abbott: Why not wipe out the debts, such as by repudiation?

Mr. BERRY: I am not referring to repudiation.

Mr. Abbott: Why not? It provides a good way of getting out of our difficulties.

Mr. Marshall: We did that in 1930.

Mr. BERRY: I have one or two figures on the question of debt that I would like to give the House. Great Britain is spending over £9,000,000 a day on the war. This works out at 6 per cent. interest at about £4 per second. For every second that passes we are getting further into debt to the tune of that amount. The member for Murchison pointed out that if we continued with this funny monetary system—it is both funny and ridiculous—at the end of 70 years the interest bill for each family would be in the region of £13,000. I do not know how he arrived at the family figure. I have the figures for a family of four, and have computed the interest bill 70 years hence for such a family at £3,500 for each member of it. That sort of thing cannot continue. I feel certain that the weight of the debt will be too great for the people to bear. I am afraid

that if we as responsible people do not pay more heed to this need for financial reform, and do not straighten out the currency problem so that we may have a chance to survive, something unpleasant may be the outcome. As a member of the British Empire I am proud of it, and would hate to see anything unpleasant happen to it. If, however we tackle the problem as it should be tackled, we shall have no need for fears. I point out that in 1914 Great Britain owed £650,000,000, whereas in 1938 she owed £8,026,000,000, an increase of £12,000 per cent. in 24 years.

Mr. Cross: There was also a big increase in revenue.

Mr. BERRY: Probably. But with all the increases in revenue and the taxation put upon the people, the unpleasant fact remains that the community is going steadily bankrupt each year because we are stupid enough to allow ourselves to be overridden by the banks. Their type of debt is really creeping paralysis. No industry, primary or secondary, can stand up to it for any length of time. Taxation is part and parcel of this debt business, for the bigger the debt the bigger becomes the taxation. The Premier said that apparently taxation does not affect the people to that extent, because we tax the rich. I do not hold with that. The standard of living must always be affected by taxation. The rich are not so foolish as to allow money to be taken out of their pockets without increasing prices which continue to go soaring up. So long as we have the burden of debt we shall have the burden of taxation. This will continue to grow until the collapse I have been speaking about will come upon us. In connection with this sound synthetic finance we are told to swallow—I refer to the private banking institutions—those institutions are now taking as securities the life insurance policies of people in the country. They have been taken as further security from wretched people who have nothing else to pawn. I was approached during the week-end by people in Calingiri to do something about a man who will lose his life policy. He is so agitated about it and so upset in his mind that I was asked to do something if possible, because the people were afraid there would be another tragedy such as we have had already in different parts of the country, and to which an indulgent Press refers as being due to the circumstances of

war. It is one of the last straws that will break the camel's back. Unless we do something in connection with this pernicious matter, mental peace will not be possible. If we allow the present financial system to continue there can be no peace. So long as there is a monopoly of credit, so long as financial magnates—I would like to call them something else—are allowed to control the situation and go on their way unchecked, we shall remain in trouble in every direction. Anything we do to check those institutions and magnates must be done in such a way that the individual to whom interest means a livelihood—such as the old lady who relies upon the interest on her small capital in order that she may live—is cared for. If there is a grain of truth in the business of credit expansion, and it can be proved to us, and if we go about things in the right way, we can deal with the situation without hurting people who are dependent upon the payment of interest for their livelihood. I am sure a Labour Government would have sympathies in that direction, just as would any other Government. There is no risk of damage to such people, and no need to hurt them. The member for Murchison pointed out that President Lincoln was alive to the things we are talking about to-day. His name has been coupled with numerous articles that have appeared in different books recently. We know he made the remark that, "The enemy behind us is more dangerous than the enemy in front." Many of us believe that. Lincoln was, however, assassinated. I read the other day that his assassin, a man named Booth, was paid to do his dastardly work. There is no reason to believe that the statement is not true. It is time we took heed and passed a motion of this kind. It is time we used every national asset we possess, our money, our men, our brains and our material, for the purpose of winning the war and the peace to follow.

I have no intention of going much further with my remarks. I support the motion and I hope that the Commonwealth Bank, in accordance with Section 504, will go about its business and do what many of us feel convinced Sir Denison Millar would have done without the necessity for the member for Murchison, myself or others to speak as we have done.

[Resolved: That motions be continued.]

HON. C. G. LATHAM (York) [7.46]: 1 move—

That the debate be adjourned.

Motion put and negatived.

Mr. F. C. L. SMITH (Brown Hill-Ivanhoe) [7.47]: I can quite understand a proposal to adjourn the debate on the motion, because I have never known a discussion to melt an audience so quickly as one relating to banking and currency. It is because of the lack of interest in this subject that I feel we shall not get very far with it. The motion under discussion is very involved, but not nearly so involved as the subject it deals with. So much has been written on the monetary question that it has filled many volumes. What there is yet to learn about the subject will in all probability fill a still greater number of books. In spite of the alleged simplicity with which the monetary system can be reformed, I have always regarded it as a subject quite to the contrary, one that is abstruse, difficult and complex. The motion that we have before the House brings into the discussion the whole question of money, the source from which credit is derived, the character of credit as a circulating medium, the manner in which it is created, issued and controlled, the supply of the means of payment available to Governments and others requiring to secure command over goods and services, the profits associated with the privilege of credit creation, the fixed charges established by the credit issue, the effects on prices and production of credit issues, the world-wide character of monetary control, the interdependence of nations on each other's monetary policy, international debts—

Mr. Hughes: That was exploded.

Mr. F. C. L. SMITH: —the power of debt as an instrument of coercion in international relations, the sanctity of contracts, the terms underlying the debt contracts, forces that control debt payments, the causes of inflation and deflation, and a host of other issues too numerous to mention.

The Premier: Hear, hear! That is quite true.

Mr. F. C. L. SMITH: Some members may say that all these issues are not implicit in the motion before us, but we have to remember that the monetary policy of a country can have far-reaching repercussions, favourable or unfavourable as they

affect the internal or external stability of the currency. The motion explicitly aims at the creation of credit by what is called the people's instrument of credit creation—the Commonwealth Bank—for the purpose of defence and to assist primary producers' credit, together with the general welfare of the community, without inflation and without charge. In respect to the reference to "without inflation and without charge," I will leave it to the member for Murchison (Mr. Marshall) to explain just how that will be done. The creation of credit is governed by three main factors. These are the demands that there are for credits, the cash holdings of banks and the prospects of borrowers being able to repay on the due date or on demand. I think the fact that the banks do create credit is becoming increasingly recognised and that while it is possible to quote a number of authorities to prove that contention, it seems to me to be quite superfluous to deal with that aspect of the problem.

In the creation of credit there are certain fundamental propositions. The first of these is that under our highly-developed credit system most of the purchasing done by the community is by means of promises to pay and not per medium of material money. These promises to pay are the currency of the community and they mainly take the form of bank deposits which represent purchasing power. Any person entering upon a large undertaking or a Government engaged in war, requiring to have great command over goods and services, must have a large supply of this purchasing power, these bank deposits or this bank credit at their disposal. The most serious blunder to make, and one that is most common and most difficult to dissipate, is the idea that this purchasing power is created by money being paid into a bank. Instead of in the main being the result of money being paid into the bank it is purchasing power created by the bank and placed at the disposal of its bank's overdraft customers. The bank acts as an intermediary between the debtors and creditors of the community. The bank assumes the liabilities of the debtors by giving the creditors deposits as claims against the bank against which cheques may be drawn with which to purchase goods or services in return for the debtors becoming interest-paying debtors of the banks. These debtors no longer owe their creditors, but they owe the banks and pay interest to them.

Mr. Needham: They become bank slaves.

Mr. F. C. L. SMITH: It is this function that explains why it was that the deposit in the Australian banks during the last war increased by £100,000,000, and the deposit in 42 English banks increased during the period by £1,000,000,000. When it is understood that those increases represent the extent to which the banks assumed the liabilities of debtors in return for those debtors becoming interest-paying debtors, members will appreciate why the deposit in banks during the last war increased by millions in spite of the unparalleled destruction that took place during those hostilities. The next point in the proposition regarding the creation of credit that it is necessary to understand is why it is the banks are able to assume liabilities to such a vast extent. The means by which they can assume those liabilities depends upon their holdings of legal tender money or their rights to acquire legal tender money when circumstances dictate that their existing supplies of legal tender money should be augmented. During the 1914-18 war their holdings of legal tender money were largely augmented by the Government issuing vast supplies of paper money. When the war broke out in England—I think the member for East Perth (Mr. Hughes) mentioned this point the other evening—there was a run on the banks, or at least there was every prospect of such a course being pursued by people. That was because at that particular time England was on the gold currency, and anyone could go to a bank and demand gold against their demand deposits in that particular bank or any other bank. In time of national emergency people seem to feel great security in gold, and there becomes apparent a tendency to hoard gold if it is at all possible. On the other hand, there is a tendency for Governments to endeavour to monopolise the gold resources of their people. That is for the purpose of meeting possible requirements arising out of the contingency of confronting them. So it was that in England the banks closed their doors for several days because there was a possibility of insufficient supplies of legal tender money being available to meet the demands made by clients against their respective banks forming portions of the bank-group in England. The bank closure had lasted for about four days when the British Government came to

the rescue by first destroying the convertibility of the note issue, that is to say the right to secure gold against demand deposits. Secondly, the Government printed approximately £280,000,000 worth of Treasury notes and made them legal currency, paying the notes into the Treasury account at the Bank of England. By this means the run on the banks was effectively stopped because the demands were met. All the customers could then get were the notes that were legal tender money, the notes that had been printed by the Treasury. There was no possibility of their obtaining gold owing to the fact that the convertibility of the notes had been destroyed, and so the run on the banks was effectively stopped. Much the same thing happened in Australia. The Commonwealth Government issued large quantities of paper money. Prior to the war the note issue stood at £9,600,000, but during the currency of the hostilities of 1914-18 the note issue was increased to £59,000,000. The Government in issuing paper money did not use it for the purpose of making purchases. That money was paid into the Treasury account at the Commonwealth Bank, thereby increasing Government credit to the extent of the face value of the notes that had been printed.

Hon. W. D. Johnson: The Government controlled the Commonwealth Bank at the time.

Mr. F. C. L. SMITH: Certainly the Government controlled the note issue at the time.

Hon. W. D. Johnson: And that controlled the bank.

Mr. F. C. L. SMITH: The bank was under the direction of a Governor who had some responsibility in the matter.

Hon. W. D. Johnson: At any rate, the Government was in partial control of the bank in those days.

Mr. F. C. L. SMITH: However, the Commonwealth Government increased its credit at the bank to the extent of the notes which were printed and paid to its credit. But the Government was engaged in a war and was therefore the greatest purchaser in the community. It had to buy not only services but a great quantity of the necessary commodities of war. For that purpose it worked upon its credit at the Commonwealth Bank, a credit that had been amplified by the note supply. Government cheques were paid to companies, corpora-

tions, syndicates and individuals who had their accounts with the trading banks. As a result, the exchange position between the private banks and the Commonwealth Bank became adverse for the Commonwealth Bank. The adverse exchange between banks is met daily, and that adverse exchange had to be met by handing out notes to the extent of the difference, or the balance in favour of the private banks. In that way the note issue ultimately reached the coffers of the private banks, thus adding to the resources upon which credit could be created by those banks and extending the facilities upon which that credit rested.

We talk about gold backing against the note issue, but we must remember that gold backing is not only against the note issue, but against the credit that is created by the note issue. This, in all probability, is six or seven times greater than the note issue. During the last war—and this is an aspect I desire to take the opportunity to touch upon—the banks' capacity to create credit did not rest entirely upon their holdings of legal tender reserves. In addition to those holdings, the banks were granted rights by the Government. Sir Earle Page, in a very interesting speech on the Commonwealth Bank Act Amendment Act, 1924—a speech well worth the attention of every member of this Chamber—said—

Among the rights extended by the Government to banks was one under which they had the right to get three notes for every sovereign presented to the Treasury. Two out of the three pounds of notes so issued were treated as a loan to banks, which were required to pay interest at the rate of 4 per cent. per annum, and to repay the principal not later than 12 months after the war.

Sir Earle Page also said "the banks used this power sparingly, the loans never exceeding £2,000,000 under the arrangement." He went on to say that certain measures which the Government took to make gold payments overseas were not considered sufficient, so the banks were asked to part with another £5,000,000 in gold, and in return got notes in an equal amount, and the right to get a similar amount, provided they deposited war bonds as security, at an interest rate fixed at $4\frac{1}{2}$ per cent. When primary produce could not be disposed of readily and it was necessary to make advances to producers in anticipation of realisation, the banks undertook to make the advances. They were given the right

to secure paper money by way of loans from the Treasury up to the amount of the advance, at the rate of 4 per cent. Similarly, at later dates arrangements were made separately for advances against wool and wheat, the interest payable by the banks on these loans of notes varying from 4 per cent. to $5\frac{1}{2}$ per cent. The assistance of the banks was invoked for the sixth war loan. The banks, in order to enable their customers to subscribe to the loan, agreed to grant overdrafts up to 90 per cent. of the subscriptions, the rate of interest on the overdraft to be 4 per cent. per annum. As the war loan carried interest at a rate varying from $4\frac{1}{2}$ per cent. to 5 per cent., the acceptance of the overdraft proposal was attractive, and the war loan proved most successful. On its part, the Treasury undertook to make any bank a loan of notes, if needed, up to the amount of the overdraft granted to customers. The interest paid by the banks for these loans was fixed at 3 per cent. I wonder if we will have any more of that kind of finance during the present war. The Government gave the banks the right to get notes at 3 per cent.: the banks made advances to their customers desiring to buy bonds and charged them 4 per cent., and so the banks made 1 per cent. profit on the transaction. The bondholder, whose capacity to buy the bonds was created by the advance made to him by the bank, got $4\frac{1}{2}$ per cent. to 5 per cent. in turn from the Government.

Hon. C. G. Latham: And the banks held the bonds as security.

Mr. F. C. L. SMITH: Whether they did or not—

Hon. C. G. Latham: They did.

Mr. F. C. L. SMITH:—there is the proposition, 3 per cent. payable by the banks, which charged their customers 4 per cent., while the customers were paid by the Government $4\frac{1}{2}$ per cent. to 5 per cent. The point I desire to emphasise is that the right could be exercised by the banks at will; the banks were not obliged to exercise it. Sir Earle Page said that the banks only exercised their right to secure three notes for one sovereign to the extent of £2,000,000. As I pointed out when quoting Sir Earle Page, the banks could get the notes, if needed. If the right were exercised by the banks, it cost them money, because they had to pay interest; but,

merely as rights, they could be added to the cash reserves of the banks for the creation of additional credit. In the same speech Sir Earle Page said—

Since the Notes Board has been in charge of the issue, many of the rights of the banks to get advances have ceased to exist. The board was convinced that the banks had built credit on their rights to get notes just as freely as they would have done if the notes actually had been in their own possession.

It is that kind of financing for Government requirements that I object to, especially in war time. The motion says the community's credit requirements should be created by the community's instrument of credit creation, the Commonwealth Bank, at no cost to the community. The following quotation from the London "Economist," a financial journal known throughout the world, is, I think, particularly applicable:—

It was suggested last week that for genuine savings the Government should offer about 3 per cent. There would be no justification whatever for the payment of so high a rate on created credit. Normally, when a bank creates credit by making an advance on good security, it is performing the necessary and valuable function of turning illiquid wealth into liquid credit, and it is entitled to the going rate of remuneration for that service. But in the circumstances here envisaged, it would be the community's credit that would be liquefied. . . .

Mr. Marshall: Get that!

Mr. F. C. L. SMITH: The quotation continues—

. . . and the community, represented by the Exchequer, would be entitled to require that the rate of interest should be no more than the cost of handling the funds, say, half per cent. per annum.

Mr. Marshall: What a difference!

Mr. F. C. L. SMITH: That is a very important admission made by this leading financial journal. It avers and it argues that credit on the community's credit—the resources of the community, the development of public utilities, the taxable capacity of the community—should be made available to the community at the cost of handling the funds.

Hon. C. G. Latham: To what extent?

Mr. F. C. L. SMITH: To any extent that is required.

Hon. C. G. Latham: An unlimited extent?

Mr. F. C. L. SMITH: I should say that there should be no limit while we are engaged in war.

Hon. C. G. Latham: Of course not.

Mr. F. C. L. SMITH: The contingencies of war will measure the extent of our credit requirements.

Mr. Marshall: Quite right.

Mr. F. C. L. SMITH: As far as peace time is concerned, the question of finance will have to be submitted to the test of commonsense and experience. I know it will be said—it has been said often before—that interest-free Government-created credit will lead to inflation. This word “inflation” is a great bogey. Personally, I believe it would lead to inflation, because I feel we can say with absolute confidence that if the total amount of money in the community is increased, then the proportion of it that is being used for making purchases at any given time will be correspondingly increased. Unless there was a corresponding increase in the production of goods flowing to meet the money flowing to meet them in exchange, inevitably there would be a rise in the general price level. Another factor with regard to money is that its value varies precisely in proportion to its quantity. That is something that does not apply to any other commodity. Scientific thought upon that point has reached fairly definite conclusions, but notwithstanding these and notwithstanding the large amount of paper money issued by Governments during the last war, statesmen and legislators still sought to maintain the fiction that the currency unit remained unaltered. In my opinion, the chief point to be considered with regard to this motion is that if inflation follows the creation of credit and prices rise, whether they will not rise just the same if the credit is created by banks at fixed charges, as they will if created interest free on behalf of the community. There could be no difference in the effect it would have on prices and on production. During the 1914-18 war with all the facilities for credit creation in the hands of private enterprise and private institutions, inflation occurred and prices rose. Sir Earle Page, in the speech to which I have referred, said—

The flotation of big war loans in Australia, as in other countries, was rendered possible by the continued inflation of the note

issue from £9,600,000 to £59,000,000. With inflation, price levels rose, as was to be expected, from 100 in 1913 to 247 in 1920.

There is another point on the question of inflation, although I seem to be in conflict with the member for East Perth. This is that inflation is the common experience in every trade cycle. Professor Irving Fisher, a well-known authority of the United States of America said—

Abundance and scarcity of goods have never substantially moved the price level, which please remember is an average, but inflation and deflation have from times immemorial moved it up and down like a child's skipping rope.

What people do not seem to recognise, particularly during a depression or a slump, when deflation takes place, is that inflation occurs during a period of boom. As a matter of fact, during a boom period, not only is there a greater supply of the means of payment but a greater volume of transactions, and prices rise in consequence. Hence a greater increase in the assets created. The problem that confronts us, in the final analysis, is what procedure should the Government adopt to create its credit requirements free of debt?

Hon. W. D. Johnson: The State Government?

Mr. F. C. L. SMITH: I think the matter of banking reposes with the Commonwealth.

Hon. W. D. Johnson: Of course it does.

Mr. F. C. L. SMITH: Then what procedure should the Commonwealth adopt to create its credit requirements free of debt? Sir Earle Page, in his interesting speech, said—

Banking policy aimed at the maintenance of the interests of the community often requires a sacrifice of or abstention from profit and, without any reflection upon the individual banks, I submit it is too much to ask that the ordinary banker shall exercise the self-denial which is involved.

So the question arises, should the ordinary banker be compelled, in a national emergency, to exercise the self-denial which is involved? If the answer to that question is in the affirmative, the next question is, how far should the compulsion go? Should all the credit be Government-created credit, or should the credit-creating facilities still be left in the hands of the private trading institutions and should they be compelled to issue the credit requirements of the commun-

ity created on community credit at the cost of handling the funds? Personally, I think that if it is unjust to charge more than handling funds for the creation of credit that is based upon the community credit to meet the necessities of war, then it would be unjust to charge more than handling funds for credit created and extended to enterprises engaged in the production of the necessary commodities of war.

While I hold those beliefs, I realise that the problem confronting the Government in trying to give effect to the terms of the hon. member's motion, with practically all the banking structure in the hands of private enterprise, is bristling with difficulties. The Commonwealth Bank is a central bank, a bank for bankers. It is not a trading bank in the ordinary acceptance of the term. If it is a trading bank, it does not exercise that function to any great extent. Therefore it seems to me that if the Commonwealth Government wishes to create a credit in its account sufficient to finance its war expenditure, a very difficult problem is raised, one that I personally cannot solve. I know that the Government could do much as it did during the 1914-18 war, that is, if it could get the Notes Board to agree to an increase of the note issue, and could create credit for the purpose by paying those notes into its account in the Commonwealth Bank and draw cheques against the credit to meet its obligations. But we have to remember in that connection that all the banking that is done by members of the trading community, who would be supplying the Government and receiving the Government's cheques in payment for services rendered and goods supplied, would have their accounts at the private banks, and so the notes issued would ultimately find their way into the coffers of the private trading banks. If, on the other hand, it was said that the Commonwealth Bank could create a credit without a note issue, against which the Commonwealth Government could draw cheques, the Commonwealth Bank could assume the liabilities of the Government to a certain extent and pay the creditors while the cheques that would be paid them would be paid into the private trading banks, that is, under the existing banking structure of Australia.

The adverse exchange between the banks would be much the same in this war as it was in 1914-18, and so it would have to be

met by a note issue. The Note Board in those circumstances would have to agree to a further note issue in order that the adverse exchange between the Associated Banks and the Commonwealth Bank could be met. Another thing that I cannot see clearly is the effect this would have on currency stability and the economic life of the community. It would represent an injection of fresh capital into the community. If the Government's requirements were financed by the issue of free credit, it seems to me this would ignore the possibility of attracting the savings of the people into war loans, and would leave those savings free to make demands upon other production which would be detrimental to and to the disadvantage of the interests of the Commonwealth engaged in a war.

I would hazard a guess that of the last war loan of £20,000,000 raised by the Commonwealth Government, no less than £15,000,000 would have represented the savings of the people and probably only about £5,000,000 would have represented bank-created credit. Of course, later on, as more loans are floated, the proportions will be different. In time these notes would find their way into the coffers of the private trading banks, just as they did during the 1914-18 war, and the private banks would then have increasing supplies of legal tender holdings and extending facilities for the creation of credit, and as they were denied the opportunity of financing the Government's requirements, they would have diminishing opportunities for extending credit. But credit extension is what the banks live on; that is their source of profit, and so they would endeavour to extend credit. They would encourage the extension of credits seeing that their facilities to create then had been increased. They would probably encourage this by lowering interest rates and so the supply of means of payment in the community would be greatly augmented. This, I think, would have a detrimental effect upon the price level generally.

If the banking system was nationalised an entirely different position would be set up. The interest-free credit would probably be extended in much the same manner as has been suggested, but the central authority controlling the national bank would have the control of all credit extensions and could minimise the extension

of credit by charging high interest rates. This authority would not be actuated in its policy by a desire for profit, nor would it be actuated by a need for profit. So the matter could be well controlled if banking were nationalised. It could be controlled to the extent of advancing credits only for the purpose of encouraging production that was absolutely essential to our war effort and denying credit that was required for other kinds of production. Thus an entirely different set of circumstances would be brought about if the whole banking structure was nationalised, as compared with what exists at present when the greater part of the banking structure is in the hands of private enterprise.

I do not wish to be at all dogmatic on this question of money, because, as I indicated at the outset, I have always found it a most difficult subject. Any member who has made a study of the subject will agree that it is both abstruse and complex. The further I go into it, the more I realise how little I know of it. It is a subject full of pitfalls. In the early stages of examination, I thought I had the whole thing right when I discovered that banks did create credit, but later I found out that banks had been creating credit since the old days of Babylon when payments even to distant places were made by means of orders drawn upon bank deposits. While I am prepared to condemn as a principle the rights of private banks to create credit at high interest rates, either to Governments or individuals, I am not so foolish as not to know that the possibilities in that direction represent a development that is the outcome of long experience, and that experience is required to operate it. I support the motion because I know, or feel, that to some extent what is aimed at by it has already been done, and that quite possibly the absolute national control of the banking structure will be further extended. But I regard those who are active in advocating the reforms pertaining to the monetary system as being the pioneers of a movement that may attain its objective in a hundred or two hundred years' time from now.

Hon. W. D. Johnson: What about New Zealand?

Mr. F. C. L. SMITH: That remark applies even to New Zealand. Certainly New Zealand took over the Reserve Bank which was

established by an earlier Government, with half of the shares held by private enterprise. The present Government bought the shareholders out and established the Central Bank. I know that New Zealand has made great strides in certain directions. The last time the Dominion went on the London market for a loan, it was not so popular an oversea debtor as it had been when a Government of a different complexion was in office there. I know that New Zealand's loan conversion requirements were met by short-term conversions. Those short-term loans resulted in a tighter grip upon the debtor and increased opportunities for dictating, in some directions, the policy pursued by a particular country in connection with banking. In point of fact, an ambassador was sent out to New Zealand from Great Britain for the purpose of informing the Dominion Government of British views on the monetary policy of New Zealand. Therefore I repeat that the monetary policy of a country can have far-reaching repercussions. However, I shall not discuss that phase at this juncture. I know what took place when the Commonwealth Government went on the market for a conversion loan not so many years ago. At that time New Zealand was a highly popular oversea debtor and the London financial journals were filled with laudatory remarks on the people of New Zealand and their Government, and were condemnatory of the Australian Commonwealth in view of the possibilities of Mr. Lang for the purpose of discrediting Australia in the loan market and compelling us to accept short-term loans at higher rates of interest. I know what can be done overseas in connection with debts, and I know something about the power of debt as an instrument of coercion in international relations.

Hon. W. D. Johnson: The fact remains that New Zealand is still trying.

Mr. F. C. L. SMITH: Quite so, and I hope New Zealand will prove successful. But I was talking about the pioneers of the movement which I think might prove successful in 200 years' time. I was moved to say so by a remark of Sir Josiah Stamp, who expressed the view that we are still in the Stone Age of economics. But I would like to learn more about the subject.

Hon. W. D. Johnson: Go to New Zealand.

MR. F. C. L. SMITH: I have been there, and not so very long ago. In fact, I discussed New Zealand banking policy with one of the directors of the Reserve Bank, the representative of the Government on the board. But I do not know enough about the matter to discuss it this evening. It is not an easy matter to discuss at any time on one's feet, this question of banking and currency. It is a highly difficult question to discuss, and there is so much to learn about it that one almost forgets half as much as one has learnt. However, I would like to know more about the subject, and if the member for Murchison in his reply can give further information upon it I shall be pleased to have it. The hon. member who moved the motion should seek the support of other members by enlightening us all as to the procedure he would adopt if he were the Prime Minister of a Government that was aiming to put into practice the policy advocated by the terms of the motion we have before us.

MR. HUGHES (East Perth) [8.36]: I move an amendment—

That the following be added to the motion:—“And this House further suggests that the principle embodied in the above statement could be given practical application in the following manner, which would be of great benefit to the people of Western Australia in general and in particular to those citizens of Western Australia engaged in primary production; that is to say, (a) by the Commonwealth Bank advancing to each primary producer who so desires on first mortgage of his assets a sum sufficient to discharge any existing first mortgage, (b) such mortgage advance to carry interest at 1 per cent. per annum, (c) the principal of such mortgage advance to be repayable by annual payments equal to 4 per cent thereof, subject to the suspension of such principal repayments either wholly or partly until the mortgagor's net income from the mortgaged property exceeds the basic wage after allowing adequate remuneration to those members of the mortgagor's family engaged in working the mortgaged property; (d) the Note Issue Department of the Commonwealth Bank be authorised by necessary legislation to issue to the General Banking Department of such bank as and when required Commonwealth notes equal to the sum advanced to any of the aforesaid mortgagors.”

Hon. W. D. Johnson: And if not, why not?

MR. HUGHES: The member for Brown Hill-Ivanhoe (Mr. F. C. L. Smith) wanted to know what the member for Murchison

would do if he were the Prime Minister of Australia. I do not know whether the member for Murchison ever contemplates what he would do if he were a dictator, but I suggest to the member for Brown Hill-Ivanhoe that if I were a dictator I would of course start by hanging some people to lamp posts, because that is the symbol of the dictator's office, and surely those who were hanged would realise that their deaths were pro bono publico. However, I agree with practically everything that the member for Brown Hill-Ivanhoe has said, except as to inflation. He said that he and I disagreed on the subject of inflation. I do not know that we do.

One complaint I have against the motion, and against all books and treatises on monetary reform and economics generally that I have read, is that they are invariably too abstract, always dealing in abstractions; so that half-educated people like myself and other ordinary persons cannot get to grips with the real basic principles involved. I consider that one difficulty we have in understanding economics is that economists have created special terms which they use in their books and which have only technical meanings: and so get lost in a fog of terms. Some people say that the banks create credit, and others declare that banks monetise fixed assets. So the matter is highly difficult. I have always felt that many of the professors writing on economics get astray because they lack a training as accountants. They always deal with these problems from the purely theoretical side, whereas had they been trained, and had they practised, as accountants, they would have seen the problem from its practical side. They always get away into these abstract terms, and seem afraid to come down to earth and tell the common people how the theories would be applied to humanity in everyday life. That is the difficulty I have always found in reading works on economics and spending much time in studying authorities on economics in various countries of the world. The question I always ask myself under those conditions is, “How does that affect me in the perennial struggle to get a living as a citizen of Western Australia?” The reply is always that those details are to be worked out. Unfortunately, most of us can only understand something that is put up to us in relation to our every-

day life, and most of us ask the vital question, "How is this going to affect me?" That question I consider an entirely legitimate one. Even economists declare that the man who acts from intelligent self-interest, generally acts for the benefit of the country.

As regards the problem of credit, I hold that various things said by the member for Brown Hill-Ivanhoe on what creates credit could be successfully refuted by an analysis of the Commonwealth Bank balance sheets issued from year to year. Here is what I understand to be the basis of banking. It is a fact that banks take deposits from depositors and in doing so enter into a contract. When a Bank takes money on current account, it enters into a contract that on demand, on presentation of the depositor's cheque, it will pay the money in currency. And banks cannot do that. Although they contract that they will pay the money on demand, they lend the money out on the security of assets, principally realty if they can get it, and reserve a very small proportion of their total deposits in cash or legal tender. It is hard to imagine a more dishonest proceeding according to commercial policy. Here is a man who takes money and says the individual can secure its return in cash whenever he likes. On the contrary, he immediately alienates his right to pay over 90 per cent. Thus it is not money at call because when the individual lends that money, he knows the position. If a man has £600 out on mortgage over a freehold property, and that money is payable on demand, he knows very well when he lends that money that the borrower cannot repay it on demand. Obviously, he is aware of that fact because he knows that if the borrower had £600 in cash, he would not require to raise £600 and to pay $5\frac{1}{2}$ per cent. interest on that money. Therefore the lender knows that his client could not repay the amount on demand. Why is it that bankers the world over are able to enter into contracts that are payable on demand and yet not be in a position to meet such demands, and at the same time very seldom get into difficulties? The reason is that they find by experience that the law of averages operates. The bankers know that if they take £100 from ten depositors, they merely require to keep in reserve £7 or £8 in cash. Experience teaches that what "A" draws out, "B" pays in. The banks know,

therefore, they need not worry about depositors' money being lodged for repayment at call. The institutions know, on the basis of the law of averages, that not more than 5 per cent. of the depositors will demand repayment.

Hon. C. G. Latham: With the Commonwealth Bank there is protection, but if that were done solely through individual banks, the position would not be as you suggest.

Mr. HUGHES: I do not know what protection the Commonwealth Bank provides as a reserve bank.

Hon. C. G. Latham: The Commonwealth Bank issues notes and as they are paid in, they can be re-issued.

Mr. HUGHES: Re-issued against what?

Hon. C. G. Latham: Against the securities the bank holds.

Mr. HUGHES: Such as mortgages over the properties of farmers?

Hon. C. G. Latham: The securities may be Commonwealth bonds.

Mr. HUGHES: But the securities might be mortgages over farming properties.

Hon. C. G. Latham: There will be very little of that.

The Premier: No, they are not very liquid.

Mr. HUGHES: I do not know about the ingress and egress of notes to and from the Commonwealth Bank, but let members consider the position regarding the Commonwealth Savings Bank and see what that institution does. The Savings Bank contracts with its depositors to repay upon demand the money deposited with it. Quoting from the "Commonwealth Year Book" No. 32 of 1939, I find on page 811 details regarding the Commonwealth Savings Bank balance sheet for the year ended the 30th June, 1938. On the liabilities side—I shall quote round figures only—I find the bank had reserve funds totalling £3,000,000, depositors' balances, £147,000,000, and other liabilities representing £7,000,000. That shows that the Commonwealth Savings Bank for that year legally contracted to pay on demand £147,000,000. If all the depositors exercised their rights and made a demand on the bank for payment, what would the bank have with which to make those payments? The balance sheet shows that the bank had coin, cash balances and money at short call totalling £11,000,000, and less than £250,000 worth of Australian notes. Thus, if the depositors had demanded the £147,000,000 that the bank had contracted to repay, only about

8 per cent. of that aggregate amount could have been forthcoming. That is to say, the bank could have paid out only £8 in every £100. The result would have been that the bank would have had to close its doors, just as the Bank of England has had to do on several occasions because of an insufficiency of currency in legal tender. That course had to be adopted despite the fact that the banks had contracted to repay the money on demand.

Hon. C. G. Latham: The bank could not have lent out money at interest if it had retained all that money in cash.

Mr. HUGHES: True. In those circumstances, the bank would not be able to let the money out at interest. On the other hand, why do those in control of our banks, being honest men, talk about contracts to pay on demand? Why do not they say, "We shall not be able to pay more than 8 per cent. of your money on demand?"

The Premier: Because experience has shown that they can continue on that basis.

Mr. HUGHES: Yes, the law of averages has shown that what "A" takes out, "B" pays back, and in the ebb and flow the possibility is that the bank would have exactly the same amount in cash at the 30th June, 1938, as at the beginning of the year's operations.

Mr. Marshall: But that does not make the business honest.

Hon. C. G. Latham: Tell us what happened regarding the State Savings Bank?

Mr. HUGHES: I propose to do so. I will tell the hon. member, as an ex-Minister of the Crown, what happened to the bank under his very nose, and yet he did not understand. However, I am drawing attention to the position regarding the Commonwealth Savings Bank, and members may ask what else it had beyond what I have referred to. I find from the balance sheet published in the Commonwealth Year Book that it had £108,000,000 worth in Government securities and £33,000,000 worth in municipal and other public securities.

The Premier: And if all those securities had been placed on the market on one day, what would have been the result?

Mr. HUGHES: They would not have been worth a shilling each. However, the bank's main assets against the £147,000,000 worth of deposits, representing the amount the bank was bound under contract to pay on demand, comprised Commonwealth se-

curities and municipal bonds representing value of £140,000,000. What would be the position if to-morrow morning depositor made a claim for the payment of £20,000?

The Premier: They would be paid.

Mr. HUGHES: Paid with what?

The Premier: Out of money taken from the vaults and with notes.

Mr. HUGHES: But I have already pointed out the position as at the 30th June 1938.

The Premier: But you spoke about demand for £20,000.

Mr. HUGHES: I should have referred to £11,000,000. If a demand were made for the payment of such an amount, theoretically the bank would have to close its doors but it would not do so. All that would happen would be that the bank authorities would go to the Note Issues Branch of the Commonwealth Bank and hand over the necessary value of securities and obtain an equivalent amount in notes. Then the bank would start paying out those notes until people got tired of drawing out their money. In England when people started a run on the banks the British Government printed approximately £300,000,000 worth of notes and so the people found that they were getting notes for their deposits. The British Government would have printed another £300,000,000 or £3,000,000,000 rather than let the Bank of England close its doors. That would have been quite sound procedure. Assuming, for the sake of argument, that a run was made on the Commonwealth Bank and it was in need of £147,000,000 to pay its depositors. The bank would go along to the Notes Issue Board and say, "Here is £147,000,000 worth of interest-bearing Government and municipal bonds. Give us £147,000,000 in exchange for them." As a business proposition, the Notes Issue Board would agree it would issue notes to the amount of £147,000,000 in exchange for the securities. It would be beyond the ability of the Commonwealth Savings Bank to do that, because there is nothing to stabilise that bank except the reserve power, if necessary, to print notes. What happened in New South Wales? In that State there was a run on the State Savings Bank. That bank occupied an unfortunate position; it had lent out its funds in the same way as other banks had, mainly in Government and municipal securities. It had no reserv-

power to issue notes and could obtain no money from the State Government. Therefore, when the depositors demanded their money, the State Savings Bank had no means of quickly turning its fixed assets into liquid capital and consequently had to default. There was also talk of a run on the State Savings Bank of Western Australia, which was in exactly the same position as the State Savings Bank of New South Wales. It had a percentage of cash, besides assets consisting of Government and municipal securities, but no reserve power to issue notes in exchange for them. Had the depositors made a run on our State Savings Bank, it would have defaulted.

The Premier: The depositors did make a run on it.

Mr. HUGHES: But the bank did not close its doors; it managed to save the situation. The Commonwealth Bank, which had in the background the power to issue notes through the Notes Issue Board, was able to say to our State Government, "We will take over the Western Australian Savings Bank and meet its commitments." The Commonwealth Government could have met any demand made by the depositors because of its reserve power to issue notes. The Commonwealth also took over the State Savings Bank of New South Wales for the same reason. A curious thing happened at that time. I think my figures are correct, although it is about ten years since I made the calculations. When our State Savings Bank was in danger of defaulting, it could have paid 1s. 10d. in the pound in cash; but it was handed over to the Commonwealth Bank which, at that time, could pay only 1s. 8d. in the pound to its depositors. So that the bank that could pay 1s. 10d. in the pound was saved because it was absorbed by a bank that could pay only 1s. 8d. in the pound!

Hon. W. D. Johnson interjected.

Mr. HUGHES: I do not think the private banks had anything to do with the matter.

Hon. W. D. Johnson: The people took the money out of the Savings Bank and deposited it with the private banks. The private banks had a messenger running to and from the State Savings Bank.

Mr. HUGHES: That could not have lasted more than 24 hours. The private banks went to the assistance of the Savings Bank to a limited extent. Had that

run continued for three days, there would have been a run also on the private banks, which were in exactly the same position.

Hon. W. D. Johnson: No. It was after the Commonwealth Bank had taken over the State Savings Bank that the private banks went to the rescue.

Mr. HUGHES: I think the hon. member will find that when the run was made the private banks had some cash which they made available on the spot. They did so because had the run continued on the savings bank, it would have extended also to the private banks. Of course, the Commonwealth Bank would also have been in the same position but for its power to print notes. Suppose all the depositors in the Commonwealth Savings Bank decided tomorrow to withdraw the £147,000,000 held on their behalf by the bank, what would happen?

The Premier: It would not be secure.

Mr. HUGHES: That is so. They would look for somewhere to place it in safety. The principle is this: The depositors can have their money, provided they do not all want it at the same time. Four per cent. or perhaps eight per cent. could be paid out at the one time. It is quite secure, because it is not at all likely that the total amount will be demanded at the one time. The basic principle is that if "A" withdraws £10 to pay to "B," "B" will probably pay it into the bank. Banking is based on the law of averages. Insurance companies are in exactly the same position. No insurance company in Australia to-day could meet its commitments if all its clients died immediately.

The Premier: That is highly improbable; in fact, almost impossible.

Mr. HUGHES: Once again the law of averages comes into play. The insurance company knows very well that it is unlikely it will have to meet all its commitments at the one time. Nevertheless, it enters into a legal contract with every person it insures to pay a certain amount at his death or upon his attaining a stated age. There are no reservations at all in the contract.

The Premier: Insurance companies know that all their clients will not die at the same time.

Mr. HUGHES: Why do they not make reservations in their policies?

The Premier: Because their experience shows that that will not happen.

Mr. SPEAKER: Order! I cannot see any reference to insurance in the motion.

Mr. HUGHES: I was illustrating the argument. The Commonwealth Bank—not the Commonwealth Savings Bank—had at the 30th June about $4\frac{1}{2}$ per cent. in cash available to pay its depositors. It had about half the percentage that the Savings Bank had, but not such a large proportion of its assets was represented by Government bonds. It had assets in the way of Government bonds and municipal securities, as well as trading securities.

Mr. Seward: And fixed deposits.

Mr. HUGHES: Yes, but the fixed deposits are invested. About 50 per cent. of the total money lodged in all the banks is at call on current account and the banks are getting that interest free. If hon. members look at the Commonwealth Savings Bank general balance sheet for the 30th June, 1930, and at its profit and loss account, they will find that for six months the note issue department made a profit of half a million pounds. How could the note issue department make a profit? Because it issued notes and charged interest for them. If hon. members look at the note issue return, they will find that against about £66,000,000 worth of notes in circulation there is £15,000,000 worth of gold and nearly £50,000,000 is secured by debentures. As a result of the notes issued against those debentures, the department is able to earn interest. So the note issue department earned half a million pounds in six months according to the last bank statement and that half a million pounds has been transferred to the general profit and loss account of the Commonwealth Bank.

The Premier: Some goes into sinking fund.

Mr. HUGHES: It first goes into the profit and loss account at the national bank, and then it is divided, some of it going into the national debt sinking fund and some to reserve. But the point is that the Commonwealth Bank has no fears because it is aware that although it has only $4\frac{1}{2}$ per cent. to pay in cash, if there were a demand from current account, it could go to the note issue department and say, "Give us another £50,000,000. Here are 50,000,000

Government securities." The securities would be given to the note issue department, which would then issue £50,000,000 and charge interest on it, taking the Government bonds as security for the advance. So the Commonwealth Bank would pay interest and the note issue department would show a profit, and the note issue department would then transfer the interest back to the Commonwealth Bank. The only purpose I can see in that is to pretend to people not specially trained in examining balance sheets that this is a commercial transaction by means of which the note issue department is making a profit which it subsequently transfers to the bank.

The stability of the bank rests on the reserve power to issue notes. There are two other sources from which banks make their profits. The main method of profit making by banks is to lend money on overdraft to people who have assets. Interest is charged to the people who have the assets. There are two first-class types of assets—Government bonds and first mortgages on real estate. They are regarded as so solid and suitable that trustees are allowed by law to lend trust funds against them and the banks have advanced enormous sums of money against property throughout Australia. If there were a bank crisis they would surrender those securities for notes, and the note issue department would probably make a profit. The bank takes a property worth, say, £1,000 and advances £600 against it on first mortgage, for which it charges $5\frac{1}{2}$ per cent. It says, "That is a first-class security not only for the repayment of the principal but for repayment of the principal plus interest at $5\frac{1}{2}$ per cent." I venture to say that there are many primary producers in Australia to-day who have paid more in interest for the money they have borrowed from banks during the last 25 years than the principal borrowed. They have only to pay interest for 20 years at 5 per cent. to repay the whole of the principal. As a matter of fact, probably they would pay more than that. If it is good security for the principal plus the interest, surely it is better security for the principal plus a very low rate of interest.

I suggest that the principle embodied in the motion could be given a practical application by the Commonwealth Bank advancing the whole of the money to buy out the first mortgages owing by primary producers

to-day. This, of course, would require an amendment of Section 10 of the Commonwealth Bank Act to allow the note issue department to issue against first mortgages on real estate.

The Premier: But the first mortgages are higher than the equity.

Mr. HUGHES: Twenty shillings in the pound would not have to be paid for a first mortgage. Take the case of a farmer who has a property worth £4,000 and a mortgage of £5,000. He knows he can get the money to repay the bank. He does not, however, go to the bank and say, "I can get £5,000 and will pay off your mortgage." He says, "I owe you £4,000 on first mortgage, and my property is worth only £1,500; how much will you take for your first mortgage?" If the property is really not worth £5,500, the banker will say, "I will take £3,500 cash." So the farmer can go along and say, "Give me £3,500," and pay the mortgage. The banks would probably be glad to get some of these accounts off their books.

The Premier: No, they would not.

Mr. Seward: How would the Commonwealth Bank get on?

Mr. HUGHES: Let us assume that the bank took over a mortgage for £3,500 on a property on which it had previously advanced £5,000.

Mr. Seward: And it is worth £1,500!

Mr. HUGHES: I did not say that.

Mr. Seward: Yes, you did.

Mr. HUGHES: I said nothing of the sort. I said that if the property was worth £4,000 the farmer would say it was worth £1,500, because he would want to commence bargaining low. He would be a fool if he did not. Or are farmers so imbued with honour that when they want to bargain for a loan, they tell the banker that the property is worth more than it really is? If the Commonwealth Bank took over the whole of the mortgages, it could let them have the money at 1 per cent. because there would be no need for the bank to have notes printed for the whole of that money. All it would need to do would be to have reserve power so that if and when notes were required it could get them quickly. So the bank could, with its reserve power, take over all the mortgages of all the primary producers, and the 1 per cent. interest charged would pay for handling costs and create a reserve. Not-

withstanding all that has been said about the depreciation of property I venture to say that the financial institutions have not lost 1 per cent. of the principal of their first mortgages. The second mortgagees and the unsecured creditors are the people who have lost. So, out of the 1 per cent. a reserve could be created against possible losses. When the credits were established, so long as there was a reserve power to approach the note issue department at any time and say, "We want £20,000,000; here is £20,000,000 worth of securities on the assets of our primary industries," there would be no risk of default because, as the money went out, so it would come in. A farmer whom we will call "A" might receive £3,000, and if he was a client of the bank, he would immediately deposit the money in the bank. That is being done in principle with the note issue to-day, with the result that there has been half-a-million of profit in the last six months. So I say the farmers should have the money at 1 per cent. But it would not be wise to tell them that they could have the money at 1 per cent. without the repayment of principal. I could produce any number of farmers who are paying 5 per cent. interest to the banks, and who have to pay it. If the interest falls into arrears, their position becomes worse because the bank at the end of the year debits the client's account with the interest arrears and charges compound interest. Compound interest is something that the law will not allow moneylenders to charge, but the banks charge it to primary producers who are struggling to sustain an essential industry.

Let the farmers pay 5 per cent. but receive a credit of 4 per cent. against the principal. If, during the year, the Commonwealth Bank had to get £20,000,000 worth of notes to meet the currency requirements and if as a result of the payment of the 4 per cent. it received £5,000,000 in notes, that amount would be withdrawn from circulation. As the money was received, so the note issue would be reduced and, of course, it would be expanded as money was required. Thus there would be a completely controlled plan of economy based on the fact that we were prepared to issue currency against first mortgages of real estate—the best security in the world. No economist ever denied that first mort-

gage of real estate is the best security. It is better than Government bonds because they are apt to be repudiated. All over the world they were repudiated, but real estate could never be repudiated. There was as much land in Germany after the inflation period as there was before, and its natural productive capacity did not diminish, but Government bonds went up in smoke. Thus there would be the best security and the primary producers would be afforded much-needed relief. I suggest to the member for Pingelly that I would undertake to go to his electorate and convince nine farmers out of every ten that I was right.

The Premier: But you have to convince the bank, not the farmers.

Mr. HUGHES: That is so. Take the other angle: Suppose the mortgages were taken over, this would put the Associated Banks to a fine test. If we talk to a banker about the indebtedness of farmers, he says, "I wish we had no farmers' accounts; we would be glad to get rid of them." Here is a proposition that would please the bankers 100 per cent.; they would get rid of all their primary producers' overdrafts. Could anything be more pleasing to them?

Mr. Mann: They would be out of business in a few weeks.

Mr. HUGHES: The moment the mortgage money was paid off, the banks would find themselves in possession of many millions of repaid money and would be looking for investments in which to place that money so that it could earn interest. Practically the only investments they could get at the present time would be Government bonds, and the Commonwealth Government would not pay $3\frac{3}{4}$ per cent. or 4 per cent. interest if the money market had eased. If there was a plentiful supply of cheap money, the Commonwealth certainly would not pay those rates. The banks, of course, would object to the scheme on the ground that it would produce a surplus of money which in turn would produce supply in excess of demand and bring about a reduction of interest rates.

The Premier: It would bring about inflation.

Mr. HUGHES: How would the reducing of interest bring about inflation?

The Premier: There would be too much money with which to buy requirements.

Mr. HUGHES: I cannot see how any more money would be available. The first mortgages on the properties of primary producers exist to-day and all are bearing interest at 5 per cent. and upwards. By a process of transferring them to another institution there would be no increase or decrease; we would merely be offering 1 per cent. as compared with $5\frac{1}{2}$ per cent. interest. By paying off the mortgages to the banks, a larger supply of money would be available for investment, and a consequence of that would be a fall in interest rates. How could that cause inflation?

Interest is a very vital part of the costs of every manufacturer, every producer and every dealer. As a matter of fact, we have interest to the right of us, interest to the left of us, interest all around us. The food we eat and the clothes we wear have to bear interest charges. Everywhere there are interest charges. A man of my social status buys a radio and has to pay interest because he gets it on time payment. Could anything be more beneficial to the Commonwealth of Australia than a substantial fall in interest rates? I cannot see how that would cause inflation. If we said we were going to issue to the primary producing community without any security at all, so many millions of money and use the note issue for the purpose, that would be inflation, because the money would be issued without any security behind it. If, on the other hand, we issued the money against a good security, there would be no inflation at all. It would amount to what the banks are doing to-day. The best illustration of inflation is as follows:—A man may receive £600 and spend it on a trip. He has no means of repaying the money, so that his currency has become inflated, although it cannot be recovered. If another man has a block of land and wishes to put upon it a house costing £1,000, and a sum of £600 is advanced on first mortgage as the house is being built, that is not inflation. The £600 advanced on the house is represented by a utility asset. That is the difference between inflation and advancing money against a security.

The Premier: If the banks cannot invest in securities, they will have to buy something with their money.

Mr. HUGHES: Interest rates would then come down. Rents, for instance, could not go up because that would be prevented by the Price Fixing Commissioner. Suppose

here was a rise in prices; would that be such a disastrous thing? I do not think it would be disastrous. A rise in prices would be followed by an increase in the basic wage.

Hon. C. G. Latham: Would you not then defeat your own object?

Mr. HUGHES: I would be indebted to anyone who could show me why the Commonwealth Bank and the State Government cannot do directly what private individuals and private banks are doing indirectly.

Mr. Watts: An increase in prices would be detrimental to primary producers.

Mr. HUGHES: The rise might be in the price of their particular commodities.

Mr. Seward: They have to sell their goods on the world's market.

Mr. Watts: Your scheme will not affect the export market.

Mr. HUGHES: If the hon. member would read Lloyd George's book on war debts and reparations, he would see the difference between the internal adjustment of currency and dealing with overseas goods. The only means whereby we can pay our interest overseas is through the medium of wheat, wool and gold, and such other commodities as the world is willing to take from us. Whatever we do internally has no bearing upon what we do externally. Lloyd George explained that when dealing with the attempt to make Germany pay reparations while at the same time preventing that country from exporting its manufactured goods.

Hon. C. G. Latham: He was part of that arrangement.

Mr. HUGHES: By 1923 Lloyd George saw what had happened at Versailles.

Hon. C. G. Latham: He knew that beforehand, but wanted to placate his public.

Mr. HUGHES: I know what he said later when he wrote his book on war debts and reparations. He pointed out that within the borders of Germany, and any other country situated in a similar manner, it was possible to adjust internal commerce and currency and so distribute the burden, but that so far as external debts were concerned it was only possible to pay them by goods that were exported to other parts of the world.

The Premier: Those countries could have borrowed money. The United States lent enormous sums to Germany.

Mr. HUGHES: It was the final death knell to reparations. Streseman told the

financial powers that Germany could not pay more than £150,000,000. They originally came down to £660,000,000, but when Streseman at the final conference explained that £150,000,000 was all that Germany could pay, the English bankers agreed to accept it, having already wiped out £200,000,000 of debts. They also praised Streseman for his frankness and lent him £150,000,000 with which to pay the debts. I do not know whether that money was ever repaid. The financiers of Great Britain, France and America thanked Streseman for his exposition of the case and accepted it. That was the death knell to reparations. He was able to point out that Germany could not export its commodities outside its own boundaries, and asked how it could pay reparations when it had no gold and nothing but the commodities it manufactured. He said, "If you will not take those commodities, how can we pay our debt to you?"

The Premier: They had £80,000,000 in potential customs.

Mr. HUGHES: America came badly out of the deal. It lent large sums of money to Germany but Germany defaulted. America then found so much money was owing to it from Europe that unless it lent still more money to Europe, its debts could not be repaid.

Mr. Marshall: That is the position in which the Commonwealth Government finds itself; it cannot pay without borrowing more money.

Mr. HUGHES: I cannot see how the transference of existing first mortgagees from one creditor to another will inflate prices. I suggest there is a practical way of assisting primary industries in this State in particular and of Australia in general. All my contentions may be wrong and based on false premises, and, even if they are founded on right premises, I may arrive at wrong conclusions. Let members show me in what manner my proposition will injure the primary producers.

Mr. Patrick: Show us how it will profit them.

Hon. C. G. Latham: You are only misleading them.

The Premier: Show me how the bank would help them.

Mr. HUGHES: The Commonwealth Parliament would have to do that, and this

motion asks it to provide the necessary assistance.

The Premier: Show us how we could get results.

Mr. HUGHES: We could get results only by using the power that is vested in the Commonwealth Parliament.

Hon. W. D. Johnson: Of what use is it to talk to us? Why not appear at the bar of the Federal House?

Mr. HUGHES: Of what use is the motion? I am prepared to make one of five members to present our case to the Prime Minister by way of deputation.

Hon. W. D. Johnson: That is a practical suggestion.

Mr. HUGHES: Will the hon. member make one?

Hon. W. D. Johnson: I know nothing about the subject.

Mr. HUGHES: Then I am so far in advance of my army that the reinforcements have arrived before I have started. I think I could explain the matter to Mr. Menzies, and could convince him if I had time.

The Premier: You require to have a Labour Government in office before you can do that.

Mr. HUGHES: I am not sure about that. The motion is a suggestion from this House to the Prime Minister. It is something of a constructive nature that will be of assistance to Australia in general and this State in particular. I should like to see the House appoint a deputation of five members to present the case to the Prime Minister, if the motion is carried.

The Premier: Suppose he was too busy, or had something more important to do?

Mr. HUGHES: I do not think, if five members went about it in the right way, the Prime Minister would refuse to see them.

The Premier: He might be too busy.

Mr. HUGHES: A motion similar to this was carried last year. Were we not genuine then?

Mr. Watts: There is nothing about this in your amendment.

Mr. HUGHES: That is an addition to the motion. The object is to present the motion to the Prime Minister as the considered opinion of 50 of the most intelligent citizens of Western Australia. The deputation would say to the Prime Minister, "We have gone carefully into this matter and have called on all the knowledge avail-

able in our Legislative Assembly, and we have come to the conclusion that this proposal will be beneficial to Australia."

Hon. W. D. Johnson: You did that last year, and you are doing it this year. Will you do it next year?

Mr. HUGHES: I will state what I think ought to be done. If the House carries a motion that something shall be done and the Premier does not do it, we should immediately carry a vote of want of confidence in him and turn him out of office. If the Premier will not give effect to a resolution of the House, he assumes a dictatorship and defies the highest authority in the land.

The Premier: Will the House carry this motion?

Mr. HUGHES: I am willing to support the member for Guildford-Midland (Hon. W. D. Johnson).

Hon. W. D. Johnson: Why bring me into it? I have not said a word yet.

The Premier: The resolution will be forwarded in whatever form it may be passed.

Mr. HUGHES: That is the maximum effort this legislature can make. We can put forward our considered opinion to the Commonwealth. That is all we can do, and that is all we can expect to be done. Personally I would like to see the resolution supported by a deputation of five members to present the case to the Prime Minister.

Hon. W. D. Johnson: You can go before the Disabilities Commission.

Mr. HUGHES: I doubt if this is a matter for the Disabilities Commission. If we went before that Commission with a proposition like this its members would immediately say that it did not come within their scope.

Mr. SPEAKER: Order! There is nothing in the motion dealing with the Disabilities Commission.

The Premier: We could go before a representative of the Commonwealth in this State.

Mr. HUGHES: I consider that if we go before anyone, we should go before the Prime Minister. That is the suggestion I have to offer, probably starting from wrong premises and arriving at incorrect conclusions. I shall be most happy if any member will explain to me where my proposal is wrong, and I shall be happier still if he then will, after demolishing my proposal, propound one that is practical and will give effect to what we all desire. In the main

we are all seeking the same objective. It is easy to say, "Oh, that is wrong." That is a weakness of the Leader of the Opposition. He thinks that if he issues his fiat that something is wrong, that is the end of it. I hold that one who condemns a proposal when we are trying to solve some problem has a moral obligation to propound something in its place. Mere negative criticism is not enough. I have little doubt that I could convince the farmers and primary producers generally of Australia that I am right, and that those who say I am not right are wrong.

Hon. W. D. Johnson: Why not go on the Esplanade?

Mr. HUGHES: No; I shall go into the centres of the farming community. I venture the opinion that it would be quite safe for me to go to York and address to a public meeting the views I have propounded here.

Hon. C. G. Latham: Quite safe. The York people are civilised people.

Mr. HUGHES: Then, obviously, people cannot always be judged by their representatives.

Hon. C. G. Latham: I hope the East Perth people cannot.

Mr. HUGHES: I have much pleasure in submitting my amendment, and I shall have greater pleasure upon hearing what practical scheme those who say my proposal is wrong have to substitute for it.

HON. C. G. LATHAM (York) [9.42]: I move an amendment on the amendment—

That the following words be added to the amendment:—

But if this proposal is objected to, on the ground that by payment off of all first mortgages, there would be so great a decrease in interest rates that the income of lenders particularly of trust estates and small investors would be so substantially reduced as to create hardship, or if for other reasons the proceeding to operation of these proposals is likely to be delayed, this House, bearing in mind that so far as the rural industries are concerned, the day of adjustment cannot be delayed, urgently requests the Federal Government immediately to give consideration to the provision of money to enable the debts of rural mortgagors to be written down to 75 per cent. of the ascertained value of their security, such fund to be expended in paying to the mortgagees concerned the difference between the 75 per cent. of the mortgage debt

and the value of the property; the balance of the debt (if any) above such value to be then written off without compensation.

What I am concerned about is that it might take forty or even a hundred years to give effect to the motion before us now. I am most desirous, and I think the great majority of members of this House are desirous, that some immediate relief should be afforded to the people for whom the member for East Perth is so deeply concerned, namely those engaged in the rural industries of the State. It is no use asking for something that is not obtainable if we can get something on the instalment plan. I believe this House is just as likely to agree to the instalment as to the entire request advanced by the member for East Perth. I listened attentively to the speech of the member for Murchison (Mr. Marshall) in moving the motion. I listened very attentively also to the remarks of the member for Irwin-Moore (Mr. Berry). I heard the very excellent speech of the member for Brown Hill-Ivanhoe (Mr. F. C. L. Smith), and I agree with the sentiments expressed by him. Lastly I have listened to a long and interesting speech by the member for East Perth. But when I look for a solution of the problem of to-day, I can see none whatever. After all, like, I believe, many other members, I am not prepared to swing a bait before the necessitous farmer, such a bait as was used by the sage of old to encourage his donkey over a bad road—a carrot held in front of the donkey's nose for about half a mile. I know that to-day the farmer's position is so desperate that he is willing to grasp at any slightest thing offered him. What the member for East Perth said in moving his amendment is quite correct, that if he went to any part of the wheat belt to-day and offered anything whatever, the farmers would be prepared to accept it as a substitute for their existing position. The position is so desperate that we have no right to trample on the feelings of the farmers or to capitalise their misfortunes. What Parliament should do is to endeavour to provide such tangible relief as it is possible for us to make available. That is why I have moved the further amendment in which I ask the Government to go some distance but not so far as the member for East Perth suggests. I desire to deal with this matter frankly. I know what is in the minds of

the people in the country districts and I really believe members of this House appreciate the seriousness of the position. I am not at all prepared to play on the feelings of men who find themselves in such a desperate position.

On motion by Mr. J. H. Smith, debate adjourned.

BILLS (2)—RETURNED.

1, Income Tax Assessment Act Amendment.

With amendments.

2, Income Tax.

Without amendment.

[The Deputy Speaker took the Chair.]

BILL—PROFITEERING PREVENTION ACT AMENDMENT.

Second Reading.

MR. WATTS (Katanning) [9.48] in moving the second reading said: The Bill was introduced in another place and passed. During the course of the debate, many observations were made concerning the Price Fixing Commissioner operating under the State Profiteering Prevention Act, some of which were not of a complimentary nature. While in approaching this matter I am definitely of the opinion, regarding the subject I shall refer to, that the Price Fixing Commissioner made a mistake, may I make it quite plain at this juncture that I do not subscribe to some of the observations concerning that officer. It is possible for any of us to make mistakes, and it is necessary only for those mistakes to be rectified either by ourselves or by someone else. Members will all agree that the man who never makes a mistake rarely attempts to do anything. With that view in mind, I approach a consideration of the Bill.

The genesis of the measure was the action taken by the Price Fixing Commissioner in July last regarding meat, whereby, by an arrangement with the wholesale butchers, the prices of beef and mutton were fixed at maxima of 5½d. and 6d. per lb respectively. The situation in the agricultural areas during the early part of this year was of such a nature generally as to render it extremely

difficult to provide decent quality meat for sale in the metropolitan markets. Hand feeding had to be resorted to in order that farmers and graziers who were accustomed to supplying the market with prime quality meat, could continue supplying to customers an article worthy of distribution as up to standard. The expense incurred was very high. The cost of hand feeding, as members no doubt will be aware without their being told by me, probably ranged as high as 9s. a head. Particularly was that so when it became necessary to provide large quantities of hay, chaff and other materials to keep the livestock in a reasonable condition for likely markets in the future, and this at a time when no green feed was available and the rains refused to fall, so to speak, until well into the winter months.

Before I proceed any further, I wish to outline my attitude regarding profiteering. I contend that the legislation on the statute-book is, generally speaking, very necessary. It is useless for us to attempt to comfort ourselves with the idea that if left to themselves those who have to sell at a profit goods that they previously purchased from others, are going to do so with any great regard for the interests of the consumers. It is only natural that they should endeavour to make the most they can get out of the transaction. In wartime there has been in the past—we have only to read the history of the 1914-18 war to be aware of the fact—an inclination to ask for too great a measure of profit on goods sold. It is useless for the price to the consumer to be raised too high because, on the basis of wage adjustment that prevails under our Australian industrial laws, any increase in the cost of living merely results in a corresponding increase in the basic wage, the fixation of which in itself results in a further increase in the cost of living, and so it goes on ad infinitum. Thus it becomes necessary to prevent as far as possible the charging of too great a price for a commodity. At the same time, in considering what is to be done regarding the fixation or control of prices, it is always customary to take into consideration the cost of producing the article that is to be sold to the consumer. In regard to the action taken by the Price Fixing Commissioner, to which I referred earlier in my remarks, so far as I can ascertain, and I think I am right in my contention, prior to the action that was taken no at-

tempt was made to give consideration, as it would have been in regard to a manufactured article, to the cost to the producer of the article which he had for sale. That is the first thing. In addition, the situation was that the livestock, prior to being killed, was being sold—as it always had been—at public auction at Midland Junction. Auction sales at Midland Junction are, as most members know, the basis on which livestock is purchased and sold in country districts, whether privately or at auction. It is the basis upon which country sales take place during the following period. There was little justification for the action taken at that time, bearing in mind the fact that the cost of production incurred by the producer was not taken into consideration, and that in any event the action was an interference with the sale of the article at a public auction. It will be clear to members that there cannot be any profiteering in the accepted meaning of that term in regard to goods sold at public auction. We are always inclined to the belief—I think a right one—that, commensurate with supply and demand, the price obtained at public auction is fair and reasonable at the time. I would point out that in the average year there is always an uplift in price at livestock sales at Midland Junction during the month of May. This year that rise did not take place until the month of July. It was then that objection appeared to have been taken by the master butchers to the prices which they were paying, because in the middle of July the following article appeared in the "West Australian" newspaper:—

Meat Prices.

Commissioner Effects Reductions.

Retail butchers have been complaining that owing to the high prices of beef and mutton consumers have been restricting their purchases both in quantity and quality. Last week many consumers informed butchers that they could not afford to buy meat on the usual basis of quantity and quality at the prices then ruling.

Asked yesterday whether he was taking action in the matter, the Deputy Prices Commissioner (Mr. W. A. White) said he had been conferring with wholesale and retail butchers with a view to easing the position. As a result of the discussions, the wholesale butchers had agreed to charge retailers not more than 5½d. per lb. for beef by the carcass or side. This will result in a considerable reduction in last week's retail prices, as the wholesale price reached 6½d. per lb. last week.

Bearing in mind what I said a moment ago with regard to the fluctuation in price which usually takes place in May, but this year took place in July, we must realise that throughout the greater part of the year the prices of livestock at Midland Junction are comparatively low; and, where hand-feeding was necessary, such prices would certainly not be profitable. About the beginning of June there commenced a rise which in the first week of July reached a rather high level. I have a graph which I propose to lay on the Table, if I may, at the conclusion of my remarks, so that hon. members can ascertain for themselves the rise that took place in the early part of July. The peak point is just before the Price Fixing Commissioner took action. Immediately he did so the market fell; the graph shows a decline, as members will see. The prices fell to a level lower than those obtaining before any rise took place.

The Minister for Lands: Was there no other contributing cause?

Mr. WATTS: I am of opinion that this was the chief contributing cause. It is apparent that at the sale when high prices were realised, the price was considerably more than would justify 6d. per lb. as the price from the wholesaler to the retailer for mutton. As a matter of fact, subsequently—and after representations made by the Primary Producers' Association and others—within two or three weeks the Deputy Price Fixing Commissioner raised the price by ½d. per lb., making it 6½d. per lb. for mutton. I understood at the time—and I still understand, although I am open to be convinced by argument or by evidence to the contrary—that when he raised the price by ½d. after those representations were made, it was an admission that the prices at auction had fallen in the meantime, and that consequently there was justification for the belief that his action had depressed the price. In addition, it appears to me to be impossible to believe that if the maximum price which the wholesaler is to get from the retailer is fixed at a certain figure—in this case 6d. per lb.—the wholesaler, in making his bid at auction for the article which afterwards he is going to retail, will not take into consideration the maximum figure he will receive from the retailer. The wholesaler is not a philanthropist. Like all business men, he is out

to make a profit in order that he may carry on his business. Therefore, he will say to himself, "The maximum price I can get is so much; and so the maximum price I can offer is so much." If the market price he can obtain is reduced, then I submit that automatically the maximum price he can offer is also reduced. I submit that is what happened in this case and that it is the reason for the collapse in the prices immediately after the price-fixing venture to which I have referred.

Mr. Cross: What is your attitude—

The DEPUTY SPEAKER: Order! Will the member for Katanning kindly resume his seat? There is far too much private conversation being carried on in the Chamber. There has been a continual buzz practically the whole time the present speaker has been addressing the Chair. Hon. members are quite out of order in standing about the Chamber and in the alleyways. The Standing Orders provide that members shall keep their seats during debate. The conversations that have been taking place have prevented even me from hearing the speaker. Such conversations must cease. I shall not continually call members to order. They should act with decorum while a member is orderly addressing the Chair. The member for Katanning may proceed.

Mr. WATTS: This measure seeks to prevent a repetition of the process to which I have referred during the last ten minutes and which, as I have submitted, has resulted in substantial loss to a number of producers. All the evidence points to that fact.

It will be recalled that in the parent Act "commodity" is defined. It is proposed by the Bill to add to the definition a provision to the effect that it shall not include any agricultural or pastoral product, so long as such product is in the ownership or possession of the grower or producer thereof and has not passed into the ownership of another person. Members will realise, therefore, that the definition of "commodity" in the Act will not apply to a sheep or to any agricultural or pastoral product of whatever nature so long as it is in the possession and ownership of the farmer himself. If such products are submitted to sale at a public auction, I would say that the ownership would continue in the farmer until the product was knocked down by the auctioneer to the purchaser. The Act also provides that the Commissioner may declare a

price. I feel, as I said earlier, that it is necessary to preserve, in the interests of the consumer and of the public generally, the right of the Commissioner to say that there shall not be too great a margin of profit made by any retailer or other person who is disposing of goods which he has purchased.

Mr. Cross: Why not fix a price on the farm?

Mr. WATTS: That is a more difficult matter than the hon. member is aware of.

Mr. Cross: The price of wheat is fixed.

Mr. WATTS: That is all right. The provision in the Bill is to allow the Commissioner to fix a declared margin of profit. If an article costs £1 and the Commissioner considers that 25 per cent. is a fair margin of profit, then 25s. will be the price which the purchaser will be entitled to obtain. If the article costs £2 it is doubtful whether the Commissioner would consider 25 per cent. was not too great a profit in those circumstances. On the other hand, he might consider that some greater percentage was warranted. Whatever his belief in that regard, the Bill makes provision, as hon. members will find in Clause 5, for different maximum margins of profit to be arranged upon various scales as set out or relatively to such standards of measurement, weight, capacity or otherwise as the Governor deems proper. It is therefore—and I want to make this very clear—not intended by this Bill to prevent the Price Fixing Commissioner from protecting the public from inordinately high prices which may be charged by anyone. That is the last thing we desire. I have explained my views on the Profiteering Prevention Act and the conditions and circumstances which surround it, and I want that to be made perfectly clear.

There is also a provision in the Bill that the Commissioner shall not interfere with or attempt to interfere with or influence the prices or conditions at or under which agricultural products are sold at public auction. We contend that the Commissioner did not exercise his powers under the profiteering Prevention Act to fix a declared price in the manner contemplated by the Act in regard to the particular commodities we are discussing. What he did do was—by an indirect method of arrangement between the wholesale and retail

butchers, without a proclamation, and without invoking the aid of the Act—to enter into an arrangement that definitely did affect the prices which were paid at public auction. We wish to prevent him from interfering by such means in the future in regard to the sale of such articles at public auction. We wish to confine him to his right to fix a declared margin of profit in regard to the articles after they have been purchased at the auction and not otherwise. The Bill provides, complementary to the provisions of the parent Act in regard to a declared price, that there shall be penalties for failure to sell at the declared margin of profit and for refusing to sell reasonable quantities, just as there are penalties with regard to a declared price under the parent Act.

There is a part of the Bill I should perhaps make plain and that is the portion of Clause 5 which states, "There shall not be a declared price for any commodity mentioned in the Schedule to this Act." The Schedule comprises the words "cattle, sheep, pigs and other stock, the carcases or dead bodies of such animals when intended for human consumption: meat, chaff." It is my intention, if the Bill reaches the Committee stage, to move an amendment to that Schedule to provide for the addition of the words "any other commodity which the Governor may from time to time by proclamation declare." It seems to me it may be desirable at some time, at the discretion of the Commissioner or the Governor, to include other commodities other than those mentioned in the Schedule.

The Minister for Lands: Do not you want to exclude any of those?

Mr. WATTS: Not at the moment, though I am prepared to give consideration to that.

The Minister for Lands: The sponsor of the Bill says so.

Mr. WATTS: I shall be glad to discuss that with the Minister.

Mr. Cross: Do not you want the price of chaff fixed?

Mr. WATTS: That is included in the Schedule. However, we are not going to pass the Bill to-night. This fixed maximum margin of profit is intended to apply to the commodities which I have just read

out and which are referred to in the Schedule and I intend to move for the addition of the words "any other commodity which the Governor may from time to time by proclamation declare," with a view to enabling the Minister or the department to give consideration to any other commodity which it is deemed advisable should be covered by this system.

I think I have made the major portions of the Bill fairly plain but, in conclusion, I would like to read a statement which appeared in the "West Australian" and was made by a man well-known to this House, of which he was formerly a member. I refer to the Hon. P. D. Ferguson, who is recognised as having a considerable knowledge of the agricultural industry. He wrote to the "West Australian" in July as follows:—

A farmer had 500 wethers for sale last November. The best price he could get for them at that time was 15/ per head. Rather than accept this figure which left no margin of profit for him, he decided to hold on to his stock and submit them for sale at a later date. By the provision of feed, lupins, oats, hay, and agistment at a cost of 6d. per head per week he has been able to retain his wethers till the present time. At last week's market these sheep would have returned 35s. per head, or an increase of 20s. per head over the November price. As I pointed out, the cost in the meantime has been in the vicinity of 14s. per head or say 15s. after providing for natural losses. This would return a profit to the farmer of 5s. per head as against the November price, a not unreasonable expectation. But as a result of the action of the Price Fixing Commissioner the price of sheep at Midland on Wednesday dropped approximately 10s. per head as compared with last week's price. This leaves the unfortunate farmer with a loss of 5s. per head instead of a profit. This instance can be multiplied ad infinitum.

I suggest that all producers' organisations, stock firms, financial institutions, and others interested should combine in an emphatic protest to the Federal Price Fixing Commissioner who could scarcely refuse to reverse the action of the local Commissioner when all aspects of the case were presented to him.

In case any hon. member may be in doubt as to the views of the stock agents who sell at Midland Junction, I would refer them to the "West Australian" of the same period in which it was stated in the weekly report of those gentlemen who act as stock-brokers that there was no question in their opinion that the action of the Price Fixing

Commissioner contributed to the collapse in prices at the previous sale. This measure, as I have said, does not propose to deprive the Commissioner of his power to protect the consumer but only seeks to take from him the right to do again that which he has done in the past to the detriment of the primary producer, who—struggling against a most adverse season when there was only a limited number of producers able to put on the market prime stock for the purpose of human consumption—found himself losing money which he was entitled to have, as referred to in the letter from Mr. Ferguson, without any inquiry having been made of him as to what it had cost him to produce this article for sale or what was a reasonable price. I venture to say that in no circumstances whatever would similar action, or action with a similar result, have been taken in regard to the product of a manufacturer or goods sold by a retailer that had been acquired from a manufacturer without the fullest inquiry as to what his costs were and the reason why such a price should be fixed by the Commissioner. In those circumstances it appears to me that the House will have little difficulty in agreeing with another place that this measure is reasonable and should receive favourable consideration. I have much pleasure in moving—

That the Bill be now read a second time.

On motion by Minister for Lands, debate adjourned.

House adjourned at 10.15 p.m.

Legislative Council,

Thursday, 17th October, 1940.

	PAGE
Questions: Trolley buses, restrictions on privately-owned vehicles	1346
Public buildings site, as to proposed new road	1346
Bills: Supply (No. 2), £1,200,000, 3s., passed	1347
Income Tax Assessment Act Amendment, Assembly's Message	1357
Feeding Stuffs Act Amendment, 2s., Com.	1357
Motion: Rural relief, to inquire by Select Committee	1347

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

QUESTION—TROLLEY BUSES.

Restrictions on Privately-owned Vehicles.

Hon. J. A. DIMMITT asked the Chief Secretary: In view of the inability of the trolley bus services to cater adequately for the increased passenger traffic brought about by petrol restrictions, will the Government immediately remove the transport restrictions which prevent privately-owned and operated buses and parlour cars from picking up and setting down passengers on trolley bus routes?

The CHIEF SECRETARY replied: No. It is not the intention of the Transport Board to relax the conditions relating to the taking up and setting down of passengers along the trolley bus route as the Railway administration is making efforts to cope with the problem of increased traffic.

QUESTION—PUBLIC BUILDINGS, SITE.

As to Proposed New Road.

Hon. H. S. W. PARKER asked the Chief Secretary: As regards the proposed public road on the west side of the Christian Brothers' College,

- 1, What is the estimated cost?
- 2, What purpose is it intended to serve?
- 3, When is it proposed to build the road?
- 4, What authority will build the road?
- 5, What authority will pay for the road?

The CHIEF SECRETARY replied: 1, As it is very unlikely that this road will be constructed in the near future, an estimate has not been prepared. 2 (a), To provide access to the public buildings at