

all work together. The question is too big for any suggested solutions to be disregarded.

Member: What do you suggest—another State steamer?

Mr. ANGELO: I suggest that the Minister for Industry should select two of the best brains on the Opposition side of the House and two of the best brains on this side, who could co-opt two good businessmen. Let those six people meet in a round-table conference and discuss the matter. It is not a question for the North-West Commissioner. It is a question which affects the whole of Western Australia. If the Minister would promise to do what such a conference would suggest, the matter would soon be arranged. One suggestion would be that the Government of Western Australia write to the Dutch Royal Packet Company inviting them to come on this coast, promising them assistance, promising them a rebate from the tremendous harbour charges made at Fremantle. Does the Minister know that it costs a foreign ship nearly five times as much to call at Fremantle as to call at Adelaide or Melbourne? What chance is there of a new trade while that condition of affairs exists? I repeat, this is a very big question, and not a question affecting only the North-West. It affects every producing industry of Western Australia. We must not sit down and be content to let the thing go. I ask hon. members to close their eyes and visualise the map of the Eastern hemisphere. Let them cast their eyes on the atlas, and what will they find? That the Great Architect of the Universe has placed Western Australia in her position to enable her to trade with the Far East. We are weeks closer to that market than are the people now supplying it. We must take advantage of our geographical position. As in the affairs of men, so in the existence of States, there comes a tide which, taken at the flood, leads on to fortune. I ask the Government not to forget this question, but to secure the best brains obtainable in Western Australia for the purpose of discovering a solution. The one problem is, how can we bring our products to the near Eastern market? The market is there, as I think I have shown; and we have the products. All that we want is to get over the intervening space.

MR. F. C. L. SMITH (Brown Hill-Ivanhoe) [5.36]: The Brown Hill-Ivanhoe district requires better transport facilities than it has at present. True it is that a large section of the district is well catered for by the tramway company; but another section, that which could be catered for by the railway between Kalgoorlie and Boulder, is at present badly served. Here is a striking illustration of a community having a railway line but having no railway service. Trafalgar and Brown Hill still have numerous residents, people who pioneered the district as a result of facilities formerly extended by the Railway Department, facilities in the nature of passenger conveyance. However, 12 or 18 months ago the passenger service was cut out entirely; and now Trafalgar and Brown Hill residents, although they have a railway line and occasionally see goods trains passing, are without passenger trains to convey them in and out of Kalgoorlie.

The Minister for Railways: I remember when the Perth express used to run there.

Mr. F. C. L. SMITH: Yes, at one time; but it does not do so now. I think that train ran to Boulder, whereas I am speaking of Brown Hill and Trafalgar. Perhaps the Minister will take into consideration the question of running one train per day for those people. He might also take into consideration the possibility of running a train out to the mines in the morning, and back in the afternoon. I understand that, in fact, an engine already runs out to the mines, but without any loading whatever. Surely it is possible for the Railway Department to arrange a train to take the workers out to the mines in the morning, and bring them back in the afternoon. I am merely suggesting one train in the morning, and another in the afternoon. Some 1,200 men are now working on the Chaffers mine, and on the Lake View and Star; and I understand that the majority of them have to change at the Chaffers shaft. In consequence they have a long distance to walk from the tramway terminus. A restoration of the train facilities which until recently they enjoyed, would represent a great convenience to them. In the matter of getting to and from the market, Trafalgar and Brown Hill residents are now catered for, in a small way, by a motor bus. That bus comes into Kalgoorlie on Tuesday at 9 a.m., and goes out again later in the

forenoon. Moreover, there is a fairly good bus service on Saturday. Possibly, if the cost of running a passenger train in that district would involve the Railway Department in too much loss, the Minister might consider the question of subsidising the motor bus. As the result of inquiries made of the proprietor, I am able to state that in return for a subsidy of £12 a year he is prepared to give a full service on an extra day per week. I hope the Minister will consider whether he cannot grant this small subsidy of £12 per annum in order to secure better transport facilities for the people who have pioneered settlement in the district. On a recent evening the Minister was interjecting with regard to cheap commodities to be bought on the Eastern goldfields as the result of trade with the Eastern States. I learn on reliable authority that the Railway Department appear to foster Eastern States trade with the metropolitan district. My authority states that when a consignment of goods comes from Adelaide to Perth, the State Railway Department receive a proportion of the freight. That proportion, I am informed, amounts to only one-fourth of the cost of consigning the same quantity of goods from Kalgoorlie to Perth. Such an arrangement certainly tends to help in the marketing of Eastern States products in our metropolitan area. Recently a Federal member voiced the platitudinous utterance that Australia has room for a hundred millions of people. No doubt it has; and, possibly, some day that room will be utilised. If I were asked to suggest the day on which it will be utilised, my suggestion would be the day on which the Archangel Gabriel sounds the last trump. We have to realise that people need more than room; that they need food, and need shelter. We cannot at this or possibly any other juncture concern ourselves with the potential population capacity of this country; we have to concern ourselves with its actual population capacity. The actual population capacity of a country is determined by the various utilities and public instrumentalities which its Government creates from time to time. The wise expenditure of loan money enters into that proposition. In the expenditure of loan money it is necessary that the productive value of the work on which the money is spent shall be realised at the earliest possible moment. I submit that the wisdom of

an Administration is indicated by the same way in which it spends loan funds. When a works proposal is under consideration, naturally its cost must also be taken into account, and likewise the interest and sinking fund involved. But the real test, I submit, is not whether the proposition will return so much in terms of pounds, shillings and pence, but whether the proposed work will increase employment opportunities within the State, and thus increase the population capacity of the country. A typical example that would bear examination in this regard is the proposal to give a permanent water supply to Ora Banda. This is a field that has wonderfully good prospects. I understand that the Minister has recently had an officer investigating the position there. At the deputation which waited on the Premier and the Minister for Mines in Kalgoorlie—

The Minister for Mines: I was one of the deputation, and supported it.

Mr. F. C. L. SMITH: I hope we still have the Minister's support. I do not wish to reiterate all that Mr. Argus said about the ore that was at grass or had been blocked out in the various mines; he mentioned the various mines that had stone ready for crushing totalling 27,000 tons, and he also added that the Gimlet mine had 100,000 tons of ore worth 10s. 9d. per ton, at the old gold rate. A field that has not a permanent water supply naturally will not attract capital to it, and because Ora Banda has not a water supply it has never had a chance. At various times the mines there that were showing good prospects have gone as far as to interest the representatives of various syndicates with a view to options being taken, but when it was discovered that there was a possibility of water being obtained at the field for only four months of the year, and that the other eight months were very dry, invariably the propositions were turned down.

The Minister for Mines: That is not a fair statement.

Mr. F. C. L. SMITH: Well, the position has been pretty bad in respect of the water supply, but it may be that the position is the other way about—four months of drought. The rainfall in the Ora Banda area is about as low as it is in any part of the State where records are kept. Ora Banda seems to be particularly unfortunate: when other districts around get rain, it often misses Ora Banda entirely. After the run-

ning of the mill for 18 months, there is still as much stone waiting to be crushed as there was when the mill started. The returns from this particular mill are higher than those of any other mill in the State. What I cannot understand—perhaps the Minister will be able to enlighten me—is that when the existing water supply was put in, consideration was not then given to the question of providing for a permanent supply in the way of constructing a pipe line from the Coolgardie main. On looking up old volumes of “Hansard” I find that the present pipe line and storage tanks and pumps cost £27,000. This is the method by which Ora Banda gets its water supply for certain parts of the year. I have it on reliable authority that the construction of a 3-inch pipe line from Coolgardie to Ora Banda would cost £16,000. Of course I recognise that had a permanent supply been put in in the first place, that in addition to the £16,000, storage would have had to be provided, and I do not know what proportion of the £27,000 storage and pumps represent. There are already eight miles of pipe line to Ora Banda from the 42-Mile, and at one period of the State’s history there was a pipe line also from Black Flag to Ora Banda carrying salt water. Thus, over £27,000 must have been spent, and so I cannot understand why a permanent supply was not provided in the first place. When speaking the other night I referred to the great possibilities of the gold mining industry, and I stressed the reasonableness of assisting the industry to expand, particularly by helping prospectors, and providing them with crushing facilities. We know that the State batteries have been run at a loss. Away back in 1913 the present Minister for Mines, when submitting the Budget to the House, said that the then Leader of the Opposition, when in power, had always budgeted for a credit balance, but had always shown a loss. He was not going to follow that example; he was going to present a fair statement. Of course we know that ever since then there has been pretty nearly always a debit balance. I have been wondering whether a good deal of the loss from the State batteries should not be cut out by the introduction of a system of purchasing prospectors’ ore on its assay value. Under the existing system of treating prospectors’ ore we cannot possibly expect the State batteries to pay. Those batteries, as we know, crush many parcels of 5 and 10 tons. Assuming

the batteries crushed 100,000 tons a year, and that the average parcel was of 10 tons—I would not say that each parcel would be of 10 tons, but I am assuming it—it would mean that there would be 10,000 stops at the battery in the course of the year. The stoppages would be necessary for the purpose of cleaning up, and, as we know, a clean up cannot be carried out under an hour. Thus there would be a dead loss to the batteries which I should think would represent an amount of about £20,000 in the year. Recently a request was made to the Minister for Mines that prospectors on sustenance should be allowed to take up prospecting areas and pay their fees when they were able to get a crushing out. I noticed that the Minister turned down flat this proposition. I am aware that the cost of a prospecting area is not very much, but I know also that the man on sustenance does not receive much, and it would only be right to give these men a chance of protecting their areas, because under existing conditions they are working their areas without protecting themselves by converting the areas into prospecting leases. At one time the present Minister for Mines I think used to be a little more sympathetic towards the industry than he is at the present time.

The Minister for Mines: You are due for another think.

Mr. F. C. L. SMITH: I am not saying that the Minister is unsympathetic now, but I think he is influenced by the fact that the mining industry—although generally speaking it is of great advantage to the State—does not directly assist the Treasury to a great extent. In 1920 the Minister for Mines, speaking on the mining industry generally and its value to the State in connection with revenue received, said—

It would of course be possible to increase the revenue under the Mining Act by increasing rents and fees, but it is recognised that every encouragement should be given to hold and work mining lands, as the indirect revenue received from this source and the employment of large numbers of men fully compensates the State for the comparatively small direct revenue obtained from them.

The Minister for Mines: What’s wrong with that?

Mr. F. C. L. SMITH: Nothing. The mining industry is compensating the State by employing a large number of men, and this is an important fact in these days when there is so much depression throughout the

community. I noticed in the evening Press that the Federal Government intend to cut out the gold bonus. When the proposal was first mooted, the Minister for Mines joined with others in entering a protest, and rightly so. When the Bill for the gold bounty was before the Federal Parliament the Minister who introduced it, Mr. Forde, made the reservation, in the course of his remarks, that the exchange at the time was 9 per cent., and that if it increased in all probability the provisions of the Act might have to be reconsidered. That is a point that has been lost sight of by those who have protested against the 50 per cent. reduction that was subsequently made by the Federal Government.

The Minister for Mines: That was an unfortunate statement to make.

Mr. F. C. L. SMITH: That may be so, but the statement was made by the Federal Minister. When financial emergency matters were being discussed by the Premiers of the various States, and it had been determined that all sections of the community would be called upon to make sacrifices, the position of the gold mining industry in relation to the gold bonus was considered. Cognisance was taken of the exchange position when the matter was under review. In my opinion, that cancelled Mr. Forde's reservation, because the exchange was at 30 per cent. when the Government, in accordance with the decision that there should be a general sacrifice, reduced the gold bonus by 50 per cent. I contend that having taken that action, the Federal Government can have no further grounds for an additional reduction of the gold bonus, simply because exchange is high. The position regarding exchange had already been considered and the bonus reduced accordingly, so that Mr. Lyons can hardly have any argument along those lines at the present juncture. I presume, however, he will be able to advance some arguments in support of the Government's determination to cut out the gold bonus. He will probably point to the financial position of Australia and justify the contemplated action on grounds similar to those upon which he will endeavour to justify a reduction in the old age pension. Notwithstanding the fact that I believe Mr. Lyons can have but few convincing arguments to submit regarding the cutting out of the gold bonus, I appreciate the fact that

he will be able to advance reasons that will be just as plausible and convincing as those the Minister for Mines could present for cutting down the concessions formerly granted to prospectors.

The Minister for Mines: He should be able to succeed—if he can do so. I don't think he can.

Mr. F. C. L. SMITH: Next I will refer to the position of men employed in the mines. The development of the mining industry and the enhanced price of gold have been constantly referred to by hon. members. The men who are working in the mines do not seem to have derived any benefit as a result of the 70 per cent. increase in the price of gold. During the war period when a substantial premium was available on gold that was produced, the miners were the poorest paid workers in the Commonwealth. It was then contended that as the industry was in so depressed a condition that operations were unpayable, it was impossible for the mining companies to pay any increase in wages. Now that the price of gold has increased 70 per cent., the wages paid to the miners do not seem to enter into the question at all. I know that miners are in receipt of slightly better wages than are, generally speaking, prevalent in other parts of the State, but—

Mr. Marshall: They deserve the margin.

Mr. F. C. L. SMITH: They certainly do. I have often heard people arguing regarding the necessity for a readjustment of the value of labour. When one goes down a mine and observes the hazards the miners must run and also becomes acquainted with the incidence of diseases attached to their occupation, one feels that if in any occupation there should be a readjustment of values, it is in that associated with gold mining, where men delve in the earth thousands of feet underground. I trust that as the men have had no special benefit arising from the increase in the price of gold, they will not be disadvantaged by any legislation that the Government may introduce, particularly with regard to the Miners' Phthisis Act, which, generally speaking, is working pretty well at present. I understand the Government intend to amend that Act, but I trust that, if amended, it will be in the direction of securing advantages to the men who are afflicted with the terrible diseases incidental to the occupation they follow.

The Minister for Mines: I will give you an undertaking now that any such legislation will not be dealt with as a party measure.

Mr. F. C. L. SMITH: Thank you.

Mr. Marshall: The Minister's interjection does not provide any undertaking that he will not reduce the advantages enjoyed by the men.

The Minister for Mines: If there is any increase or decrease in that respect, you will have to take your share of the responsibility. I will not make shuttlecocks in this House of men who are suffering from miners' diseases.

Members: Hear, hear!

Mr. F. C. L. SMITH: An endeavour has been made by tributers to secure what they understood was intended by the Mining Act. I refer to the payment of 50 per cent. of the premium received on the sale of gold produced. I take it the Act was framed to ensure that if there was any premium paid on the gold, the tributer would receive 50 per cent. of it. On the other hand, a case was tried in the court at Kalgoorlie and subsequently was taken to the Full Court. The decision was that the tributer was not entitled to 50 per cent. of the premium received as the result of the sale of gold, as the Act did not lay down that the tributer concerned was entitled to it. It is a remarkable position, and shows that in addition to the mines being able to charge a royalty on gold recovered, after certain charges have been deducted, they can also charge a royalty on 50 per cent. of the premium derived as the result of the sale of the gold. The applicable section of the Act, Section 152, paragraph (b), reads—

The owner of the treatment plant shall also account for and pay to the tributer not less than 50 per centum of any premium received by such owner on the sale of the gold obtained from the ore treated.

That seems to give the tributer a right to 50 per cent. of the premium, but apparently the law is that if the tributer makes an agreement that is not in conformity with the Act, then he is bound by the amount specified in the agreement. That is rather a peculiar position. I always understood that under English law, it was not possible for anyone to contract outside the terms of an Act. Speaking on the subject of agreements, on 13th October, 1920, the Minister for Mines—I quote from "Hansard" of that date—said—

It is true that the agreement between the tributer and the leaseholder must be submitted to the mining warden for approval; but

when an agreement has been signed by the parties to it and when there is no objection raised to its terms by either party, the warden, who may be without practical knowledge of the subject, will be apt to infer that the agreement must be satisfactory and proper. The tributers, however, say that nowadays they have no option but to accept the agreements as drawn by the mining companies, since otherwise they would get no tributes.

That is also the position to-day.

The Minister for Mines: What is wrong with that statement?

Mr. F. C. L. SMITH: Nothing at all. While the mining warden may not have a practical knowledge of the subject, I claim that he should at least have a practical knowledge of the law so as to be able to see that the agreement brought forward conforms to the law and does not mean contracting outside the provisions of the Mining Act.

The Minister for Mines: That is all right, but with all due respect to you, the warden knows the law and you do not. The particular part of the Act referred to has nothing to do with a tribute agreement.

Mr. F. C. L. SMITH: Has it not?

The Minister for Mines: No, nothing at all.

Mr. F. C. L. SMITH: Then there is a great deal of confusion of thought on the goldfields relating to this subject, if that is so.

The Minister for Mines: I realise that.

Mr. F. C. L. SMITH: I understood the interests of tributers were conserved when certain provisions were inserted in the Mining Act. Was it not as the result of deputations from tributers themselves that the Act was amended?

The Minister for Mines: That is so, but that is no part of the tribute agreement.

Mr. F. C. L. SMITH: No, but the tribute agreement should be in conformity with the terms of the Act.

The Minister for Mines: It is.

Mr. F. C. L. SMITH: What is the good of the Act if people can contract out of its provisions?

The Minister for Mines: The warden has no jurisdiction under that section because it is not part of the tribute agreement.

Mr. F. C. L. SMITH: If a man were to produce an agreement in which he had contracted to take 20 per cent. only of the premium, would the warden be entitled to accept it as between the parties concerned?

The Minister for Mines: The trouble is that the agreements do not come before him. The Act does not specify that it is to be part of the tribute agreement.

Mr. F. C. L. SMITH: There are agreements with that clause in them.

The Minister for Mines: That amounts to contracting themselves out of the Act, not out of the conditions under which tribute agreements are made.

Mr. F. C. L. SMITH: It is a remarkable position, and has cost the tributers on the goldfields much money in fighting for what they consider to be their rights. The case has been taken to the Privy Council.

The Minister for Mines: I am not responsible for that.

Sitting suspended from 6.15 to 7.30 p.m.

Mr. F. C. L. SMITH: I do not know whether to congratulate the Government on their financing over the past year, or to condemn them. I went very carefully through the various statements published in the "West Australian," which apparently were got out for the purpose of showing that the Government had lived up to the provisions of the Premiers' Plan. I cannot agree with their finding that they had done so. I assume that when the figures of probable revenue were fixed at £8,070,000, under the provisions of the Plan and with wise administration the expenditure should not have extended beyond £9,270,000, or in other words a deficit of £1,200,000. But the actual deficit was £1,558,000, or £358,000 more than the Premiers' Conference had agreed it should be. It is noticeable that the estimated revenue was only £35,000 less than was expected. So the actual deficit, taking the reduced revenue into consideration, was £1,358,000. I am inclined to agree with the interjection made by the Minister for Lands last night that probably things would have been worse had the agreed upon deficit been arrived at; that is to say, if it had been effected by an expenditure that was equivalent to that which was estimated. But I am inclined to think also that had the estimated expenditure been achieved we would have found the revenue reduced proportionately. As a matter of fact, during the year, as compared with 1929-30, there was a saving of £1,194,000 on

salaries, wages, etc. And in 1929-30 there was various special expenditure which did not recur last year. That must have assisted the Government to a great extent; such as reductions in Parliamentary allowances £11,000, centenary celebrations £15,000, repairs to buildings transferred to some other account £12,000, general elections £11,000, extinction of water supply debentures £10,000, and elimination of grants £87,000. And they were assisted also by a hospital tax amounting to about £130,000. So taking those items into consideration. I do not know that they did live up to the provisions of the Premiers' Plan. But what I should like to know is this: I see that the Premier this year proposes to reduce the deficit by £700,000. I take it that that reduction will be as from the estimated deficit of last year; that is to say, £1,200,000. In that event he will be budgeting this year for a deficit of £500,000.

The Attorney General: No, £760,000.

Mr. F. C. L. SMITH: Even then, compared with the deficit that actually occurred last year, he will have to effect a further reduction this year of £800,000.

The Minister for Lands: Or obtain more revenue.

Mr. F. C. L. SMITH: Or else obtain more revenue. But we find that the reduced expenditure on the part of the Government is affecting revenue. I consider that the savings effected of £1,194,000 on salaries and wages, together with those other savings I have mentioned, have been largely responsible for a reduction in revenue of £1,715,000 as compared with 1929-30. Loan money is provided for the purpose of finding work, a sum of £15,000,000 altogether, of which £7,000,000 is to be spent this year. Of that amount this Government have got a fairly good proportion, namely £500,000, while other Governments have received vast sums for the purpose of relieving revenue by taking workers off the dole and placing them on sustenance work which will be carried out by the expenditure of loan money. I cannot see how that improves the financial position of the country, although it might show up better in the Budget. But if we save on the expenditure side of the Budget by spending increased moneys out of loan, I cannot see how it will improve the financial position, or that a Budget balanced by that means is going to be of any benefit to us at all. It appears to me this loan money is be-

ing made available for vast schemes of sustenance work and that the deficits which are to be arrived at, the reduced expenditure of the Governments out of revenue, and perhaps increased taxation, will put out of work men that are now in work, or put them on part-time, probably to the same extent as the sustenance work is putting men in work.

Mr. Kenneally: The Governments, through their conference, have declared that to be their policy.

Mr. F. C. L. SMITH: It certainly looks as if that were the object of the policy being pursued. I think that as the result of taxation and of reduced expenditure from revenue we shall find that the number of sustenance workers will be considerably added to during the year. This appears to me to be a plan for the purpose of extending the sustenance workers, increasing their numbers, and to create a vast army of workers who are to be hardened to lower living standards, lower wages, and ultimately used to smash the standards of wages of workers generally throughout the community. It is obvious, of course, that the reduction in the deficit can only be brought about by additional cuts and additional taxation, and that the relief from revenue expenditure will only be arrived at by the extension of sustenance work. Personally I have no wild desire to see Budgets balanced at this juncture, and I cannot quite understand why that should be the great objective now. In the past, Governments never seemed to worry much about the balancing of Budgets. If we are to obtain Budget equilibrium, it appears to me that a time of prosperity is the time to increase taxation; that when there are probable surpluses we should build up for possible deficits in the near future. A balancing of Budgets should be arranged on a plan extending over a period of say 10 years. As we usually encompass the whole trade cycle in 10 years, surpluses should be created in times of prosperity so that when Budget deficits occur we should have money in hand to meet them. The probability of difficulties being accentuated and the unlikelihood of improvement resulting from reduced expenditure and increased taxation was evidently well considered and understood at the last Premiers' Conference. A report of the conference published in the "West Australian" on the 9th July stated—

Throughout the proceedings an earnest desire was manifest that special and urgent measures should be devised to combat the tragic condition of unemployment in the most satisfactory and effective way, and that early steps should be taken to give general and effective stimulus to industry. The complete unanimity displayed at this conference makes possible a wise and courageous forward policy.

Further, the report stated—

From the outset the speeches at the conference clearly indicated that there was a consensus of opinion that the mere cutting-down of Budget expenditure or raising additional revenue, imperative as these steps may be, would not of themselves constitute a solution of the problems confronting the nation. Such a policy, if carried to extremes, would accentuate our difficulties.

I submit that the Government, in budgeting for a deficit of £700,000 this year, in view of the experience of the past year, and in increasing taxation to reduce the deficit by £800,000, will, as that statement pointed out, accentuate our difficulties. It has been said by the Premier that if we could get on the London market to borrow, everything would be all right. I have no doubt that is so, but the fact of the matter is that we cannot get on the London market to borrow, and it is improbable that we shall be able to do so. If it were possible for us to get a loan on the London market, it would certainly point to a very sound improvement in our financial position. The probabilities or possibilities of that happening are well indicated in an article in the "Times" by Sir Arthur Samuel, in the course of which he stated—

Now that Australian credit is being gradually restored, it is to be hoped that she will not attempt to borrow in England for many years, and if she attempts to do so it may be found advisable in the interests of Australia herself publicly to discourage such borrowing and to discourage English investors from taking up the loan The general public, moreover, may ask Parliament to review and curtail the powers provided by the Colonial Stock Act of 1900 which, subject to certain conditions, endows dominion and colonial loans with trustee status. This particular matter has already been raised on more than one occasion quite recently in the House of Commons. Australian borrowing will certainly be welcomed when Australia can annually meet debt redemption and interest obligations out of revenue. Loans for reproductive objects which can earn their own interest and sinking fund might be acceptable, but expansions ahead of immediate necessities will be regarded as ill-advised. Borrowing for premature expansion is unjustifiable and should be discouraged. Nor will it be easy for Australia to float loans

here again unless lenders are fully informed by the issue prospectuses upon all points relating to the balancing of Australian Budgets, with explanations of the specific purposes to which the loans are to be applied and whether they will be used for reproductive objects yielding revenue to cover interest and sinking funds.

The other night I suggested that when a loan was floated overseas, the various items on the schedule should be discussed and approved, and no opportunity should be given to divert loan money to some object other than that for which it was raised. Here we have Sir Arthur Samuel stating that English investors will want to know in future for what work the money is being raised and the probability of its being of productive value so that it will be able to earn interest. Quite recently a book came into my hands called "Borrowing and Business in Australia," by Dr. Gordon Wood. Dr. Gordon Wood has for a period of 10 years made a statistical investigation into the business cycles, and has concluded that the key factor to those cycles is the fluctuation in overseas loans. We prosper or we fall on evil times according as the overseas lender extends or withholds his hand. In the course of his book Dr. Wood points out that the usual argument in favour of overseas borrowing is that national productivity will be increased by the work to a greater extent than the interest bill will be increased as a result of borrowing for the work. Dr. Wood's discoveries, which he proves by statistics, show that in 1910-14 and in 1923-27 the annual average production of export commodities per head at the pre-war price level increased by 6.6 per cent., while the external interest charge on money borrowed at the pre-war price level increased by 68 per cent., or by about 10 times as much. In the appendix—this book was written previous to the depression now affecting us—Dr. Wood points out that in the final analysis, the burden of overseas debts must be sustained by the workers in all industries. He gives figures to show that the interest on the overseas debt per worker in 1916 was £11.2. By 1927 it had increased to £25.4. The index of the felt burden per worker had increased from 1000 in 1916 to 1842 in 1927. The export price index, which is more to the point, was 1591 in 1916 and 2080 in 1927. The probability is that by 1932 the interest on the overseas debt had increased

considerably on the £25.4 in 1927, while the export price index, which in 1927 was 2080, has probably fallen below the 1591 at which it stood in 1916. That goes to show that the prospects of Australia getting on the London market for a loan are remote. The book indicates fairly clearly that trade cycles in this country—that peculiar phenomenon of trade going from prosperity to recession, from recession to depression, and from depression to revival and then on to prosperity again—is entirely due to our borrowings overseas. I think that depressions everywhere have their initial impetus more or less in governmental spending. The depression we are now experiencing is, as William Morris Hughes recently stated, man-made. There can be no question about that. It is man-made, and man can find a remedy for it. Undoubtedly there is a remedy. The depression, in my opinion, is due to a deliberate plan on the part of powerful money groups to depress price levels in order to increase the value of their fixed money claims. A couple of years ago the Rt. Hon. L. S. Amery, speaking at the annual meeting of the Institute of Mining and Metallurgy, drew attention to the huge amount of gold which England owed to America. I think it was a matter of 32 cubic feet of gold, but I do not recollect the total figure. What he said was that this debt would have to be paid in terms of goods and services. If a debt has to be paid in terms of goods and services, it should have to be paid to the extent of goods and services that the gold would buy when the loan was originally made. The Rt. Hon. Reginald McKenna, some two years ago, said that America had so much gold that she could extend or restrict credit without reference to the gold movement, and could control world's price levels. When he spoke of America having so much gold, Reginald McKenna knew that it was not America, but the people in America that had the gold, and that it was the people in America, the big powerful financial groups, who could depress price levels in order to increase the value of their fixed money claims.

The Minister for Lands: There are fewer millionaires in America to-day than has been the case for a long time.

Mr. F. C. L. SMITH: That does not make much difference. There is a huge amount of gold in that country.

Hon. A. McCallum: That adds to your argument.

Mr. F. C. L. SMITH: It is remarkable that if we are off the gold standard, and have departed from gold, there is still a market for that commodity. It is not a consumable substance. There is still a sale for it. It is going to some countries that require it. Why do they want it? They want it for the purpose of using the power that the gold gives them, and of concentrating it in certain capital cities of the world so that they may direct banks to reduce overdrafts and advances, bring about inflation, and generally depress price levels for the purpose of increasing the value of their fixed money claims. During the war every nation indulged in an inflation of its currency. In doing this they departed from the sound principles of Government. They mixed their monetary and their fiscal policies. In this country the note issue was increased from £9,000,000 to £59,000,000. The inflation was not brought about simply by an increase in the note issue. The Commonwealth Government itself did not do much spending or purchasing with the notes. The notes were paid into the credit of the Government at the Commonwealth Bank. There were, however, very large purchases during that time of the necessary commodities of war. They paid the contractors who supplied them with those necessities by cheques, which were ultimately paid into one of the Associated Banks. The result of the cheques being continually drawn on the Commonwealth Bank on behalf of the Government created an adverse balance between the banks that was always against the Commonwealth Bank; and the notes printed by the Government to establish credit for themselves, so that they could have a great command over goods and services, finally found their way into the vaults of the Associated Banks, and the gold from those banks, which was held by them by various devices, was attracted to the Treasury. Those notes became the legal tender reserves of the banks, and it was upon the legal tender reserves that advances were made, and credits, for which there was so much demand at the time, were derived. The gold backing behind the note issue, which was supposed to stand at 25 per cent. of the note issue, was not only answerable for the note issue but for the whole of the credit which had been created upon these legal tender reserves by the banks. The currency then became depreci-

ated. As was said in the House the other night, the pound note would not be worth more than 10s. or 12s. in Java. The index figures rose from 100 in 1913 to 268, and currency depreciated to a similar extent. The note would not be worth half a sovereign. Our Governments say they can do nothing. They claim that the experts disagree, that there is confusion of thought amongst those who should know, as to what is the most logical solution of a problem of this kind which arises out of currency inflation that should never have occurred. When the note issue is depreciated as a result of huge inflation, is it not a logical solution to reduce the gold content of the sovereign, or the gold basis of that currency, which each of the notes is supposed to represent, until it has a value in it equal to the value of the note? Experts disagree and Governments say they can do nothing. All that these powerful financial money groups have to do is to put up an expert here and there. One is to say we cannot have inflation, another is to say we must have a managed currency, another says we must have a sterling group, and another says we cannot solve the problem. These experts are either paid to differ, or they differ from some other motive. It is not that they do not know this is the solution. It may not be the solution of all our difficulties. It is not a solution of the depression that would ordinarily arise out of a trade cycle, but it is a solution of the difficulties so far as they arise as a result of inflation. Let one go to any of the works of the economists, wherein they write in cold blood upon these matters. In the library the other day I chanced upon a book "The Principles of Economics." I could have taken up any other work on the same subject and obtained the same result. This book was written by F. W. Taussig, a Henry Lee professor of economics at the Harvard University. He is a man of some standing, and one to whom Gordon Wood acknowledges his indebtedness concerning the compilation of the book on borrowing and business in Australia. What Taussig says has already been done in France, where they reduced the gold content of the franc, and brought about a stability in prices and security for enterprise. The result is that gold is flowing to Paris because Paris offers security for it. I heard it said in the Chamber the other night that France had so much gold. France has not an ounce of gold that belongs to it as a nation. It all belongs to people, to some who live in France, and to others who

have sent it there for security. Much of the gold came from Spain, following upon the revolution there, and other parcels were from other quarters. The security exists in France, which is the only country in the world to handle upon a sound basis the monetary problems arising out of inflation.

The Minister for Lands: It has not solved the unemployment problem, which is more acute there than almost anywhere.

Mr. F. C. L. SMITH: France had not more than 100,000 unemployed at the time when Great Britain had over 2,000,000.

The Minister for Lands: She has got them now.

Mr. F. C. L. SMITH: And Germany had 5,000,000. The difficulties they are in with regard to unemployment, are not due to any internal economy failure or economic plan, but result from the fact that other nations have not adopted the same methods they have, to give security in their country, and thus provide markets for their exports. Taussig says—

A difficult problem sometimes presents itself as to the way in which the return to a specie basis shall take place, whether by resuming the paper at its face value in specie or at its market value. The first course has the bracing effect of recognising a promise to pay as really a promise, and of meeting it to the letter. The second, however, may be more substantially equitable where the paper money has been depreciated for a long time.

Our paper has been depreciated for a long time.

Then the injustice caused between debtors and creditors can no longer be undone. A new generation has come on the scene, and has made its engagements on paper. To shift these into specie engagements with a transition of prices, presumably lower, is to injure present debtors as much as past creditors were injured. Hence, if paper is depreciated, say one-third, and if it has been depreciated to this extent for many years, the most equitable plan is to redeem it in gold at two-thirds its nominal value. This is done most simply by creating a new coin having two-thirds of the gold content of the former coin. The existing paper standard, and the existing range of prices and incomes, are thereby recognised once for all, but are anchored for the future to a firm specie basis.

It is my contention that if Great Britain wanted to do rough justice to creditors and debtors in the community, this is the plan that should be adopted. It is no use talking about a managed currency. There must be a unit which must bear the same ratio to the existing sovereign,

which is only a piece of gold of a certain weight and size, after all. Britain would do justice to debtors and creditors alike by anchoring her prices to a firm specie basis, getting back to gold, which is still the basis of trade and the standard of value, and reducing the gold content of the sovereign so that it would equal the value of the inflated currency on which the country is now operating.

MISS HOLMAN (Forrest) [8.15]: I have listened attentively to the present debate, and also listened carefully to the debate on unemployment last week. I have sought in vain for some recognition of our complaints from members who have spoken from the Government side of the House. Strange to say, practically everyone picked upon what he thought was the support given to the principle of secession by a couple of members on this side. Nothing else seems to matter except that certain members have said something which might be construed into being some kind of support to secession. During the last year or two there have been a couple of slogan cries. In the beginning of this Parliament, when the present Government assumed office, many people expected a great deal from the promises which had been made to the electors. We heard a lot about work for all. Then, "work for all" became a little bit stale after a week or two, when it was evident that work for all was not going to result from the elections. Secession then became the burning question. This, too, has become a little stale during the last few months. We have not read so much about it in the papers, and we do not hear so much said about it. But unemployment is a very burning question with us. That does not seem to be appreciated by those who have spoken on the other side, for they have gone back to the old cry of secession, and have tried to link up the unemployment debate and the Address-in-reply debate here with the secession question. The arguments and complaints which members on the Opposition side of the House have tried to put before the Chamber are worthy of some better note and some better recognition than have been accorded to them. Members opposite who have spoken on the Address-in-reply kept silent indeed when we were speaking about unemployment. Afterwards, many of them got up and complimented the Government on the work they