

Legislative Assembly,

Wednesday, 16th August, 1933.

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

QUESTION—RAILWAY PROJECT—KALANNIE NORTHWARDS.

Mr. FERGUSON asked the Premier: Is it his intention to lay upon the Table of the House the Railway Routes Advisory Board's report on the proposed extension of the Kalannie Northwards railway?

The PREMIER replied: Yes.

QUESTION—TROLLEY BUSES.

Mr. RODOREDA asked the Minister for Railways: 1, What was the price of the trolley buses recently imported and landed at Fremantle for (a) complete trolley buses; (b) each chassis? 2, Was the lowest tender accepted? 3, Are two bodies being wholly constructed locally or are they merely being assembled? 4, Is the purchase of any more contemplated? 5, If so, will tenders be called?

The MINISTER FOR RAILWAYS replied: 1, (a) £2,421; (b) £1 513. 2, No. 3, Not wholly; seats and certain body parts have been imported. 4, Not at present. 5, See reply to No. 4.

QUESTION—FINANCIAL EMERGENCY ACT.

As to restoring wages and salaries.

Mr. RAPHAEL asked the Treasurer: In view of the Financial Emergency Tax Bill, now before the House, is it his intention to

submit for repeal the sections of the Financial Emergency Act, 1931, that deal with the reductions of salaries and wages of Government employees?

The TREASURER replied: Parliament will have an opportunity of considering this matter during the present session.

QUESTION—KING'S COUNSEL.

Mr. RAPHAEL asked the Minister for Justice: 1, On how many occasions during the last five years has the Crown taken advantage of obtaining advice from Ks.C. outside of the department in this State? 2, Is it correct that Ks.C., before appearing against the Crown, have to obtain permission of the Crown and pay a fee? 3, If so, on how many occasions during the last five years has permission been given to Ks.C. to appear against the Crown? 4, What amount has the department received from Ks.C. for permission to appear against the Crown?

The MINISTER FOR JUSTICE replied: 1, Three. 2, Dispensation must be obtained. No fee is payable. 3, No record is kept. 4, Nothing.

ASSENT TO BILL.

Message from the Lieut.-Governor received and read notifying assent to Supply Bill (No. 1), £1,500,000.

CONDOLENCE, LETTER IN REPLY.

Mr. SPEAKER: I have received a communication intimating that Mrs. T. A. L. Davy and her family express sincere thanks for the resolution of condolence passed by this House.

BILLS (4)—FIRST READING.

- 1, Mining Act Amendment.
- 2, Mine Workers' Relief Act Amendment.
Introduced by the Premier.
- 3, Road Districts Act Amendment (No. 2).
- 4, Municipal Corporations Act Amendment.
Introduced by the Minister for Works

BILLS (2)—THIRD READING.

1, Financial Emergency Tax Assessment Act Amendment.

2, Yuna-Dartmoor Railway.

Transmitted to the Council.

BILL—FINANCIAL EMERGENCY TAX.*Report.*

Report of Committee adopted.

Standing Orders Suspension.

On motion by the Premier ordered: That so much of the Standing Orders be suspended as is necessary to enable the remaining stages of the Bill to be dealt with at this sitting.

Third Reading.

Bill read a third time and transmitted to the Council.

PERSONAL EXPLANATION.

Mr. Welsh and the Yuna-Dartmoor Railway Bill.

Mr. SPEAKER: I understand the member for Pilbara (Mr. Welsh) desires to make a personal explanation.

Mr. WELSH (Pilbara) [4.40]: I desire to make a personal explanation regarding my vote yesterday on the Yuna-Dartmoor Railway Bill. I was under the impression that every acre of land that could be brought under cultivation as the result of the construction of the railway would be an asset to the State. I had no idea that the building of the railway was contingent upon the pulling up of the Meekatharra-Horseshoe railway.

The Minister for Railways: Neither is it contingent on the pulling up of that line. The Bill was merely to authorise the construction of the Yuna-Dartmoor railway.

Mr. WELSH: I could not have voted for the construction of the line if it had anything to do with the pulling up of the man-ganese line.

The Premier: The Yuna-Dartmoor proposal has nothing whatever to do with the other line.

RETURN—FARMERS' DEBTS AND FEES.

Debate resumed from the 9th August on the following motion by Mr. Stubbs (Wagin):—

That a return be laid upon the Table of the House showing the total amount of fees, initial and subsequent, paid by all farmers who have come under the Farmers' Debts Adjustment Act to the 30th June, 1933, together with the names of the trustees and the total amount received by each.

THE MINISTER FOR LANDS (Hon. M. F. Troy) (Mr. Magnet) [4.43]: I shall ask the member for Wagin (Mr. Stubbs) to agree to the amending of his motion by striking out all the words after "30th June, 1933." He will secure all the information he desires if the motion be agreed to in the amended form I suggest. It will then read as follows:—

That a return be laid upon the Table of the House showing the total amount of fees, initial and subsequent, paid by all farmers who have come under the Farmers' Debts Adjustment Act to the 30th June, 1933.

To secure the other information referred to in the motion would require considerable investigation and no doubt some of it could not be obtained. There are two classes of persons acting under the Director appointed to administer the provisions of the Farmers' Debts Adjustment Act. In the first place, there are the deputy directors who prepare and present the information required by creditors, and who take the chair on behalf of the director at meetings of creditors held under the Act and also at annual review meetings. The other class is represented by receivers who act as agents of the farmers if the latter are assisted under the Act and carried on until after the ensuing harvest. The receiver arranges supplies for the farmer, both personal and farm requirements, chiefly on credit and partly by means of moneys left in his hands by creditors. Certain fees are charged and I can provide the particulars to the hon. member. The fees charged from the inception of the Act—30th December, 1930—to the 31st March, 1932, are as follows:—

	£	s.	d.
Application fees paid to department	971	19	6
Deputy directors' fees, original meetings, adjourned meetings, review meetings, 614 applications	4,406	1	6
Receivers' fees and remuneration, 614 applications	9,530	5	5

I understand that receivers collect commissions on purchases they make for the farmers. That is purely an assumption; I have no facts.

Mr. Latham: I doubt if they do; it would be a breach of trust if they did.

The MINISTER FOR LANDS: We do not know, and we have no means of finding out. If they do, the information could not be supplied. All that the department can supply is particulars of the fees paid under the Act. I hope the hon. member will agree to the amendment.

MR. MANN (Beverley) [4.46]: I support the motion. Many instances have been brought to the notice of members of excessive fees having been charged, ranging to almost £50 on a gross amount of £900. While the Act has done much to assist farmers, there is a feeling amongst those operating under the Act that they are not receiving a fair spin from the trustees. I am hopeful that the return will be presented to expose the whole position, and in saying that I am voicing the opinion of a large number of the farmers who are under the Act. They cannot understand why such excessive costs should be charged. There should be some definite control of the whole system of trusteeship. I am hopeful also that the Farmers' Debts Adjustment Act will be amended.

Mr. SPEAKER: Order! The hon. member cannot discuss that matter on the amendment before the Chair.

MR. GRIFFITHS (Avon) [4.48]: I can speak with considerable feeling on this matter and back up what has been said by previous speakers. Instances of excessive charges are constantly being brought under my notice, and I consider that the fullest light should be thrown on the whole proceedings. There is room for improvement, and if anything can be done to make the charges more reasonable and equitable, I hope it will be done. It is only right that the information should be supplied to the House. Many people interested in the position of the farmers are keen to see production costs reduced wherever possible.

MR. STUBBS (Wagin—on amendment) [4.49]: Information has been supplied to me alleging over-payment to trustees, whether legally or otherwise I cannot say, but it is considered by the farmers to be a

grave injustice. Many trustees are in the habit of charging far more than they are entitled to receive under the Act.

The Minister for Lands: They cannot charge more than they are entitled to receive under the Act.

Mr. STUBBS: Do I understand, from the Minister's action in moving the amendment, that it would be impossible for the Government to supply particulars of all fees that have been collected by trustees outside the operations of the Act from merchants and others?

The Minister for Lands: I understand that trustees receive certain commissions, but we have no record of them. We know nothing of them; it is mere assumption.

Mr. STUBBS: In view of the Minister's emphatic statement that it would not be possible to supply the information, nothing is to be gained by labouring the question. In the circumstances, I accept the amendment.

MR. LATHAM (York) [4.51]: The object of including the words that the Minister seeks to have deleted was that those who desire the information should be able to ascertain the number of accounts that each trustee has, and the amount he has drawn.

The Minister for Lands: I will give that when the Farmers' Debts Adjustment Act Amendment Bill is being introduced.

Mr. LATHAM: I know what is behind the motion. The people who are operating now are the ones who are complaining least. Complaints are coming from people not operating under the Act, and I know that the present Minister does not desire farmers to come under the Act any more than I did. The object of the Act was to deter importunate creditors from attacking the farmers. I do not know that much information will be supplied in the return that is not already available. Farmers who come down to submit their schemes for the year do agree to pay money outside what is stipulated in the Act, but it is most difficult to get particulars of those instances.

The Minister for Lands: We have no record of them.

Mr. LATHAM: No, and particulars could not be obtained unless the individual papers were obtained showing that the farmers had agreed to such payments. At Kondinin recently a man told me he had never been able to keep his books until he got such assist-

ance, and he was agreeable to pay extra for it. It is of no use members of outside organisations complaining if a man likes to pay somebody to keep his books for him. If it is possible to procure the information sought, there should be no objection to supplying it.

Amendment put and passed.

Question, as amended, agreed to.

MOTION—DOUGLAS CREDIT PROPOSALS.

Debate resumed from the 9th August on the following motion by Mr. North—

That this House urges the Government to explore fully the means of escape from our present trouble indicated by Major Douglas.

MR. HAWKE (Northam) [4.56]: I approach the discussion of this question with far less confidence, perhaps, than I approach the discussion of most other questions. I admit at the commencement that I have not given to the proposals the detailed consideration that should be given before a member can speak with authority on them. Nevertheless, I think the time has arrived when free expression of opinion should be given on such a question by every member of Parliament. The only excuse I can offer for not having given detailed consideration to the proposals is perhaps the one that would be offered by every other member, namely, that in these troublesome times there are so many new solutions being offered, so many panaceas being put forward, that it becomes very difficult to understand, to any great extent, the whole of them. The wise man endeavours to understand the one that he believes to be the most useful, and if he then has any time to spare, he may give some consideration to the others. I have read the speech of the member for Claremont, and it is clear that he is one who has taken the Douglas credit proposals to his heart. It is clear that he has given a great deal of time and consideration to them, and no doubt he is the best-informed member in this House and probably in the whole Parliament on the proposals. The Douglas credit system has gained a tremendous number of adherents during recent years. This is not to be wondered at, because the people to-day are anxious to find and support any proposals that they believe can be used to

overcome the manifold difficulties that beset us and other nations. So far as I have considered the proposals, I am bound to say that they do not appeal to me entirely. There are certain phases of the proposals that I find extremely difficult to understand, although I meet quite a number of Douglas credit enthusiasts who assure me there is no difficulty at all, that the proposals are easy to understand, and that they should be put into operation immediately. I am inclined to think that a large number of people support the Douglas credit proposals, not because they understand the intricate machinery that is proposed to be set up, not because they have a complete grip of what will be necessary before the scheme can operate, but because they are enamoured of the advantages that the operation of the scheme is supposed to give them. The A plus B theorem certainly confuses me, as I think it confuses most people who give consideration to it.

Mr. Latham: That is the reason why they support it. They do not understand it.

Mr. HAWKE: I would not suggest that people support a thing because they do not understand it.

The Premier: Unfortunately they oppose many things because they do not understand them.

Mr. HAWKE: Quite a number of people who support the Douglas credit movement do not understand the different phases of it. The A plus B theorem sets out that in the production of goods there are two distinct and separate sets of costs involved. The first is known as the financial costs, and the second is known as the real costs. The Douglas credit advocates claim that both these sets of costs come into the retail price of the article, but only one section of the costs represents the purchasing power of the people. Consequently there is never sufficient purchasing power in the hands of the people to enable them to buy and consume the whole output of production. They argue that there is brought about a disarrangement between production on the one hand, and purchasing power and consumption on the other. I cannot understand why only one set of costs is distributed as the purchasing power of the people. I have never been able to fathom that aspect of the proposal. I have put the question to several acknowledged Douglas credit advocates. They have explained it satisfactorily to them-

selves, perhaps, but because of my dullness of comprehension they have not explained it satisfactorily to me. I have not yet approached the member for Claremont (Mr. North). He might not only explain it to his own satisfaction, but might achieve almost the impossible, and explain it to my satisfaction.

Mr. North: You admit the conclusion—the insufficient purchasing power of the people—but not the premises.

Mr. HAWKE: Whatever costs are involved in the production of goods, no matter what class of goods they may be, must go into circulation in some way. I am therefore unable to agree with the contention of the Douglas credit advocates in that respect, although I agree entirely with their conclusions that there is an insufficiency of purchasing power in the hands of the people to enable them to purchase the output of industry. I propose to discuss the economic situation. I take it the proposal before us is brought down to encourage expressions of opinion on the part of each member upon the economic situation. Commencing from the beginning, I think we should ask ourselves why production is carried on. There seems to be only one answer to that. It is carried on because the production of goods, particularly that of foodstuffs, is necessary in order that human life may exist and may develop, and the human species may continue to be propagated. We find that production is the basis upon which human existence rests. Seeing that there is that definite relationship between production and existence, we may ask whether the existing productive system meets all requirements in that respect. To that question the answer must be in the affirmative. Looking over the world today we are bound to agree that the productive system is in every way deficient, and that it succeeds except in particular cases in making available a sufficiency of goods necessary for the maintenance and development of human life. In recent years, because of the rapid development of science in the field of industry, because of the increasing and widespread use of machinery, we find that production has developed not five or tenfold, but in many cases 100 and even 1000-fold. We ask ourselves, following upon that, if the productive system be so efficient, if it provides an abundance of all things necessary for the welfare and comfort of the people, why it is that the people are divorced from that which they need and

from that which is available. It is there that we reach the kernel of the whole situation. Numerous reasons are advanced by different people concerning these aspects of the question. Some tell us the people are divorced from that which they need and that which exists, because of tariff barriers, of high wages or it may be because of low wages, of high costs of production because almost 20 years ago there was a tremendous war which cost a lot of money, and which cast most nations into debt, and so on. It is my opinion that the explanation for the difficulty is to be found in the control and manipulation of the monetary system. There was a time when orthodox economists and leading bankers were able to persuade all of us that the creation of money was automatic, that its volume and quantity rested entirely upon the production of goods, and that money could not be created and made available unless production were sufficient to warrant that being done. When people saw the machine age come into existence, when they saw tremendous increases taking place in production, and found the volume of money not increasing correspondingly, but decreasing, the explanation offered on behalf of the controllers of banking and credit lost all its force, and is now becoming absolutely discredited. Men and women everywhere are in increasing numbers coming to understand that there is today no definite relationship between the volume of money and credit on the one hand, and the volume of production on the other hand. The main idea of Douglas Credit advocates is that until such time as there is a definite, regular, and continuous relationship between production and the volume of purchasing power available, there will never be any stability in industry, any continuity of employment, or any safety for the primary and secondary industries of this or any other nation.

Mr. North: The purchasing power as distinct from money itself!

Mr. HAWKE: Yes. I had the opportunity of reading the other day a statement issued on behalf of the National Bank of Australia. They were at some pains to show that there was plenty of money available in Australia today. They put forward figures to show that in the various banks of this nation hundreds of millions of pounds were awaiting investment, etc. Money will never come into circulation until the industries of the country are restored to a profitable basis. There are many in-

industries and business concerns that cannot make headway under present conditions. We know that farmers are in desperate need for additional financial assistance, but, though the banks of this nation may have millions of credit to draw upon, they refuse to make any further money available to them, or to business men generally, because of the fact that business itself is unprofitable from their point of view. It seems to me there is no hope of any of the surplus money or credit in the banks coming into circulation while our present difficult conditions remain. Members who have carefully watched the position during the last few years must agree that the present system of credit control operates successfully enough in times of prosperity, but practically ceases to operate in times of difficulty. There can be no denial of the fact that up to four years ago the financial institutions of this nation were tremendously liberal in their operations. Every country member will admit that in the farming areas managers of country branches of banks were chasing farmers and pastoralists, encouraging them to go in for greater development, and suggesting where they might extend their operations here and there, with the result that primary producers were encouraged to take upon their shoulders a heavy load of liability, and incur those heavy interest burdens which are weighing them down to-day. During that period, the private banking system operated successfully enough, but at the first sign of slump or the approach of the depression, throughout the length and breadth of the country districts that policy was suddenly and drastically reversed. At the time it caused an uproar almost everywhere in Western Australia. Farmers found themselves all at once without the necessary credit facilities with which to carry on, and business men were similarly affected. The policy of our financial institutions at that time was responsible for gravely intensifying the position of almost every farmer in the State. A financial system that will operate only in prosperous times, when people could do without it to a large extent, but which fails entirely in times of stress and need, is a system that is absolutely out-of-date, and one that should be replaced at the earliest possible moment with something more modern and more elastic. I mentioned a moment ago that the volume of production to-day is quite sufficient for

our needs. As I said, the National Bank of Australia claimed that there was plenty of money available in Australia for the carrying-on of our industries and for financing the consumption of goods. I think I have shown that although the banks may have upon their books hundreds of millions of pounds' worth of credit, that credit is absolutely useless to the industries and the people of Australia at the present time. It has been absolutely useless during the whole of the crisis—useless because it has not been available owing to the unprofitable condition in which industry finds itself. True, the banks have been assisting to finance Government deficits; but that is not solving the problem. Two or three years ago we were told by Sir Otto Niemeyer that once we got to work and balanced our budgets, every industry would recover. Our experience during the last two or three years has entirely disproved that prediction. We now have expressions of opinion to the effect that a balancing of budgets is not sufficient. As a matter of fact, the unprofitable and depressed condition of our various industries is making impossible the achievement of balanced budgets on the part of the Governments of Australia. It does appear to me that the budgets of most of the Australian Governments will continue to remain unbalanced so long as industry remains in its present depressed condition. The advocates of the Douglas credit proposals argue, if I understand their attitude aright, that there is no hope for the industries or for the people of this nation until such time as the private monopoly control of credit is brought to a complete end; and with that conclusion I am in entire agreement. Every hon. member knows that the volume of production in Australia to-day is sufficient to provide fully for the material requirements of every man, woman and child in the nation. In moving the adoption of the Address-in-reply I explained that we were exporting from Australia what was called a surplus, but that a good deal of that surplus, in my opinion, should never leave Australian shores, because it was necessary to meet the pressing needs of thousands of men, women and children throughout the length and breadth of Australia. We say, and I think the Douglas credit advocates say also, that our system of production should not be ruined just for the sake of maintaining a monopoly control over

the credit resources of the nation. Undoubtedly, the credit which the banks create, or make available, is a creation of the people as a whole. The banks do no more for the creating of that credit than do the birds that fly in the air. The whole credit basis of Australia, as of every other country, consists in the activities of the people as a whole. Therefore we contend that as the credit basis of the nation is created by the individual and collective activities of the people, the credit system should not be left as a plaything of private individuals, but that its ownership should be resumed by the nation itself. A point I wish to bring before the House is in connection with the fact that under the private banking system the policy of interest will always exist and always be encouraged. In my opinion, so long as the interest system weighs upon the people, so long will it be impossible to have any satisfactory operation of the industries of this nation and so long will it be impossible for Governments to carry out the functions which they should discharge. The interest bill of the nation, including State and Commonwealth Governments, amounts to more than two-thirds of the total of ordinary Government revenues. The position therefore becomes impossible. As was explained here yesterday in connection with another proposal, more than one-third of the total revenue of our railways is mopped up in meeting interest liabilities. In my opinion, and I think in the opinion of the Douglas credit advocates, interest should be made impossible so far as regards the issue and the circulation of credit. Some people argue that interest is a natural and a necessary thing. They even go to the extent of saying that interest is the reward of thrift. In my judgment, interest is not the reward of thrift at all. Thrift, like virtue, is its own reward. If a person is able, by fair means or foul, to amass a large amount of money, he is entitled to the fair use of that money, but is not entitled to claim for all time large interest upon that money. Let me put the position more clearly, perhaps, by way of example. Not so long ago there was discovered in Western Australia a large piece of gold which was given the name of "Golden Eagle Nugget." This nugget returned to its finder £6,000. The finder could have invested the £6,000 at, say, five per cent., and preserved his capital intact, living on the interest return for the remainder of his days. But that would not have been

the end of it. Indeed, that would only have been the beginning, because his beneficiaries, following his death, would have retained the investment of £6,000 and thus would have been assured of an interest income of £6 per week for life; and so the thing would have gone on till the crack of doom, or until such time as a more common-sense system was introduced. I maintain that the possession of large sums of money, no matter who possesses them, does not entitle succeeding generations of families to go on living upon what they can extract from the producers and the workers of the community by way of interest; does not entitle them to go on levying an increasing toll on the wealth production of the general community. The adoption of the Douglas credit system would, I believe, entirely obviate any such possibility. It would, in my judgment, eradicate the interest evil from our financial system altogether; and if it would do that, then it would go a great way along the road towards bringing about a far more satisfactory state of affairs in connection with the general economic system of the nation. I notice that the bankers of Australia are rather disturbed because of the fact that the Douglas credit proposal is being received with such widespread favour. In Monday's "Daily News" there appeared a telegram from Melbourne saying that Mr. Lyons, the Commonwealth Prime Minister, with other members of his Government, was meeting the bankers of Australia in conference, and that they were going to confer secretly regarding reduction of taxation by the Federal Government and possible reduction of interest rates on the part of the private banking institutions. What the outcome of that may be is hard to say; but I am inclined to think the Commonwealth Government will lose, as Governments seem always to have lost when making bargains with those in control of the private banking and credit system. However, the telegraphic message to the "Daily News" went on to say—

Other important financial plans are to be discussed at the conference, including possibly exchange and the growing strength of the Douglas credit movement, which is causing bankers no little concern. The view of the orthodox banker is that the Douglas credit system is another form of inflation, and the movement may develop to such a degree as to give trouble in the political sphere. It has not yet become a political question, but if taken up by the Labour group it might be put for-

ward as a substitute for the undisguised inflation policy which the Labour Party attempted to put into operation in the last Federal Parliament.

One might have a good deal to say upon that statement, but I do not desire to discuss the whole of what it suggests. I merely wish to point to the fact that the private bankers of Australia are evidently becoming scared, not so much at the fact that the Douglas credit proposals are being advocated in Australia, as at the fact that the people are responding to the advocacy of the proposals, and at the additional fact that the Labour movement of Australia might embrace these proposals and put them forward at the next or some subsequent Federal election. The fact that the private controllers of our credit system are worried and upset and anxious rather moves me to the opinion that I should support the motion of the member for Claremont. If the private bankers of Australia are afraid of these proposals, are afraid that the Australian people might support them to the extent of giving some party a mandate to put them into operation, then it becomes clear to me that the Douglas credit proposals at least will bring about an end of the domination of the private financial interests of Australia over the people and the industries of this nation. The sooner that domination comes to an end, the better for all concerned. The member for Avon (Mr. Griffiths), I believe, is more or less a convert to these proposals. I have here a statement of his, made not so many months ago, when he championed enthusiastically the private banks of Australia. If I remember rightly, the hon. member took the trouble to read to the then members of this Chamber a statement which had been specially prepared by the banking interests of Australia to show that the banks had made available 102 per cent., I think, of their deposits; that is to say, the Australian banking interests issued a statement asserting that they had advanced to the people and the Governments more than they themselves had ever received. It appears to me the whole of the credit system of this nation, and probably of every nation, can be manipulated in such a way as to make it possible for the controllers of the private banking institutions to issue to the people more than they have received from the people in deposits. I propose to quote from a statement I have here, illustrating

that point. When one takes into consideration the tremendous amount of profit the banks are able to accumulate, one can hardly believe that the accumulation of those great profits is made merely by loaning out depositors' money, and so it becomes necessary to find out by what means it is done. For the moment I cannot place my hand on the quotation referred to, but the purport of it is that the banks receive, say, £100 on deposit and grant an overdraft of £85. They know that in nine out of ten cases that overdraft is not drawn upon to the full extent, and so they have found it to be a safe practice to lend out a proportion of that £85 in another loan. It is estimated that out of £100 deposited in the first instance, they can lend out about £600 in credit to their various clients. It is contended with some force and logic that it is by that method the banking institutions of this nation and other nations are able to build up such tremendous profits, and so are able to move into a position where they can become practically the dictators of the affairs of the nation. The paid-up capital of the private banks of this nation approximates £60,000,000, and the average rate of dividend paid since 1915 is 10 per cent. No one can effectually argue that the banks have made £60,000,000 by the simple process of lending out only that money which their depositors have put with them. It becomes reasonably clear that there has been a tremendous creating of additional credit based on the deposits they have, and based also to a large extent on the activities of the people as a whole. In addition to the £60,000,000 of profits made, the trading banks have accumulated reserves to the extent of no less than £33,000,000. Some will say this is very necessary, that it is essential they should make profits and take no risks, that it is essential they should accumulate reserves against periods such as the one through which we are now passing. But, as I pointed out in opening, the private banking system of Australia is to-day useless to the industries of this nation, which are left to their own resources. The farmers of the wheatbelt, the pastoralists of the sheep and cattle country, are left to battle along with their own resources and the little help they can obtain from the Government, while this tremendous banking system, with all its reserves, does not come forward to the extent it should do for the purpose of assisting the industries of this nation to keep

going. I say again that a banking and credit system of that kind is worse than useless. The history of the Commonwealth Bank is very informative in the tremendous profit it has accrued through dealing in credit and carrying on banking business. The Commonwealth Bank was established and opened for business early in 1912, and began operations with less than nothing of its own, for it was advanced the sum of £5,000 by the Commonwealth Treasury.

Mr. Sampson: I think it was £500,000.

Mr. HAWKE: According to the information I have, it was only £5,000, and I think that is the correct figure. But whether it was £5,000 or £500,000, does not affect the question. In 1932 the profits from the general operations of the bank amounted to £9,000,000, and the profits from the note issue amounted to £21,000,000. Taking the profits from general banking and from the note issue, together with the smaller profits received from the rural bank and savings bank branches, the total profits accrued in 20 years amount to £32,000,000, built upon an original petty cash allowance of £5,000.

Mr. North: And it was used for the building of the East-West railway.

Mr. HAWKE: It is true the Commonwealth Bank was used for the purpose of building a section of the East-West railway. But the point I wish to put to members is that if the Commonwealth Bank in the short period of 20 years, having started off without any capital at all and dealing only in a small portion of the country's business, can accumulate such a tremendous profit, it conclusively proves that the whole credit and banking policy of this nation should be brought under the control of the nation at the earliest possible moment. I put it to members that the more expensive the banking system is to the nation, the more difficult is for the industries of the nation to carry on. Those profits earned by the private banks, and those reserves accumulated by those banks, were a charge on the production costs of this nation, and to that extent they made it more difficult for those engaged in industry to carry on. I feel that if the nation could resume control of the credit system, as it should, a tremendous step forward would be taken in reducing production costs. I know of no other method by which an adequate re-

duction in production costs could be brought about. There have been numerous suggestions put forward, such as breaking down the tariff, increasing hours of labour, reducing wages, breaking away from the Commonwealth, and the rest of it, but those suggestions are almost if not absolutely valueless. During the past three years all sorts of attempts have been made to reduce production costs for the farmers, but everyone will agree that the reduction in production costs so far effected has been of very little use at all. There can never be any worth while reduction in production costs until there is a drastic alteration in the whole credit and monetary policy of the Australian nation. Obviously, the greatest factor in production costs to-day is the interest factor; not only the interest charges on the individual farmer, but the additional interest charges loaded upon him through taxation because of the fact that the Australian nation has to meet an annual interest bill of approximately £55,000,000. The member for Claremont, in his speech, did not suggest that the whole of the banking system should be taken under national control. The Douglas credit proposals do not advocate that, although I understand that Major Douglas drew up a special scheme for operation in Scotland, in which he went beyond his original scheme, and advocated that the whole of the banking system should be under national control. If the Douglas Credit proposals are adopted in Australia, they will never be satisfactorily operated until the whole of the banking and credit system is placed under national control; unless, of course, it is proposed to make the private banking institutions merely agents to deal in real money, without opportunity to manipulate the credit of the country. If the private banking systems were still allowed to create and trade in credit, they would soon upset the Douglas Credit system and bring things practically to the old basis. Let me give a little attention to the question of complete national control of the credit system. Whenever this proposal is put forward, it is met with a good deal of hostility in certain quarters. Really there is no justification whatever for any hostility or any opposition. The money and credit system of this nation is of more importance to the nation than anything else: because those who control the credit system control every other system, including the production system, the farming

industry, the business undertakings of the nation, the factories, the Government and the social conditions of the whole of the people. So, if the credit or money system of the nation is so important, then surely, if any service of the nation should be under complete national control, it is the banking and credit system. There is never any argument in this country about placing the defence system under national control. Members on the other side will agree that is the right thing to do, the safe policy to pursue, and they would justify their opinions to the full extent by saying that the defence system is essential to the welfare and safety of the whole of the people, and therefore should be under the direct control of the nation. But I have shown that those who have control of the credit system of this nation control also the defence system. Because of that, the defence system that Australia has built up is a very poor old thing indeed. Even our enthusiastic secessionist friends, if they get secession and try to build up a defence system of their own, will find it a hopeless kind of outfit if they have to operate it under the existing money and credit system.

Mr. Griffiths: It could not be more hopeless than it has been in the past.

Mr. HAWKE: The same argument applies to our educational system. There is never any opposition to our educational system being under national control, and we say it should be under national control because the education of our children is an essential and important thing. We say it would be unsafe to leave the educational system in the hands of private individuals to be manipulated for their own particular ends; yet the educational system of this nation is unimportant when compared with the credit and money system of the nation, and I emphasise again that those who control the credit policy of the nation control the educational policy. There can be no denial of that argument at all. We have seen during the last three years State Governments, Labour and otherwise, against their inclinations, against their will, forced to economise drastically in regard to the educational systems of their respective States. This argument will be made to apply to all the other national services that are carried on, national services such as transport and so on. All of those services, because of their importance to the community, because they are essential for the

carrying on of the industries of the nation, are allowed to remain under national control without a protest from any person in Australia. Even the members of the parties opposed to Labour, who hate the idea of national ownership, agree wholeheartedly that essential services such as defence, education, transport and so on should remain under national control and should be protected and built up and strengthened in every way.

The Minister for Justice: Police also.

Mr. HAWKE: Exactly; police, public health and numerous other services could be named. If members of all parties are unanimous on that point, how much more justification is there for them to be unanimous on the point that the paramount service, credit and banking, should also be under the complete control of the nation. I do not advocate, nor has any member of the party to which I belong ever advocated, that Governments should directly operate the money system. I have never heard any man or woman in Australia advocate that politicians should control credit and the money system of the nation. Nobody but a madman would suggest that.

Mr. North: That is the bogey that is put up.

Mr. HAWKE: And it is the bogey that has been effective in scaring people into refusing to approve of steps being taken to resume for the nation complete control of the money system.

Mr. Latham: If that was likely to happen what would have happened if it had got into the hands of people like those in New South Wales a year or two ago?

Mr. HAWKE: The Leader of the Opposition would have an idea of what would happen if certain people assumed control; but I would point out that if the credit system of this nation was nationally owned and nationally operated, circumstances such as those which arose in New South Wales would never have existed. Therefore the danger which he sees and fears should not worry him at all. There can be no doubt that the national control of the credit system will sooner or later come into existence. Men who refuse to accept that, close their eyes to the obvious. All over the world to-day there is a tremendous movement forward in the direction of changing entirely the basis of our economic and financial system. In

America to-day the credit system of that nation is under the control, not of the nation as a nation, but practically under the control of one man. President Roosevelt to-day has more power in the direction of being able to control the credit system of that nation than has ever been held by any other single individual throughout all history. People in America have not become panicky on that account. As a matter of fact, the action taken by President Roosevelt was essential, not only for the safety of the industries of America, but also for the safety of the banking institutions themselves. An important point that should be repeated on every occasion is that the private banking system of this nation would have smashed many months ago except for the existence of the Commonwealth Bank. It can also be said that the private institutions would have closed their doors when war broke out except for the existence of the Commonwealth Bank. It is my opinion that the national control of the credit system should be placed under the supervision of the very best men whose services could be obtained for the work. If I were asked the names of three or five men who should be put in charge of the work, I should say it would be easy to do so. There is Professor Keynes, the English economist, Professor Cassel, the Swedish economist, Sir Basil Blackett, a member of the Bank of England directorate, and numerous others.

Mr. Hegney: Reginald McKenna.

Mr. HAWKE: As my friend suggests, Reginald McKenna; and dozens of others, leading men all over the world, who have not been afraid to come forward and denounce the existing system as being hopelessly out of date, hopelessly inadequate to our needs. Before I resume my seat I propose to quote the opinion of Professor Gustav Cassel. It is a remarkable thing that three years ago cables were coming from abroad and were being published in the local papers giving the opinions of Professor Cassel; but as time moved on, he became rather militant in his expressions of opinion regarding the monetary systems of the world, and for a long time we have not been privileged to read any of his contributions, although I am quite sure he has been expressing his views as frequently, and no doubt much more vigorously than before. In May, 1931, he delivered an address to the

Bankers' Institute in London, and spoke as follows—

All laws relating to the maintenance of legal gold reserves for all currency issued should be abolished.

At that time the statement was entirely unorthodox, but what Professor Cassel suggested then has been largely followed since, not from choice but from compulsion. He went on to say—

Instead of the quantity of currency to be issued being determined by how much gold is in the bank vaults, it should be determined by the quantity of goods available for distribution.

I am sure that would accord in essence with the principles put forward by our friends of the Douglas credit movement. Professor Cassel went on to say—

There was nothing "artificial" in a rational control of the value of gold and of the general level of commodity prices. Many writers seemed to regard as natural a fall in the price level such as at present, but as an inadmissible intervention any endeavour to check the fall or to raise the level again. Thus a policy of deflation was sanctioned as natural, but even the most moderate policy of inflation, or even the smallest resistance to deflation, was rejected as the devil's work.

And that is true. When the policy of deflation was first put into operation in other countries of the world, and in this country, leaders of thought rose up in every direction to say that the fall in the price level was natural, that it had to come, and that before the people of the world would be in a position to move forward again, the price level would have to be driven back to the pre-war basis. It was not a natural thing at all. The war left the nation in a state of indebtedness, and increased price levels automatically. The world could go on living reasonably and progressively by maintaining the price level which the tremendous cost of the war automatically brought into existence. Professor Cassel goes on—

The greatest effort must now be made to secure a rational control of the purchasing power of money. No further time should be wasted in listening to false prophets, who, by their resistance to every endeavour to gain control over the monetary system had helped to bring about, intensify and prolong one of the most disastrous catastrophes to which the world had ever been exposed.

I submit that the opinion of Professor Cassel should weigh heavily in the minds of every member of this Parliament because

the professor has proved himself in every respect, and he has shown beyond a shadow of doubt that he has the courage necessary to come out and freely express his opinions, irrespective of the fact that that expression might do him a great deal of harm because of the vendettas that might be set up against him by those in control of the banking and credit system in the country where he works. I shall quote a statement by President Roosevelt, and then conclude. Before he made any attempt at all to put his recovery policy into effect, President Roosevelt saw to it that Congress gave him complete power over the credit and banking system of America, and before he took one step in the direction of his recovery programme, Congress had voted him authority to use 600 millions of credit. It seems to me that President Roosevelt not only aims at reforming the monetary system in his own country, but in addition aims at a drastic alteration of the whole economic system as well. He sees clearly that there can be no reform of the economic system, and no possible worth-while recovery of any of the industries of America until first of all the nation, or the rulers of the nation find themselves in the position of having the power to make their own credit resources available and also the power to control entirely the manipulations and operations of the private banking institutions. In the course of a remarkable book written by President Roosevelt, entitled "Looking Forward," he has this to say—

I believe we are at the threshold of a fundamental change in our economic thought Do what we may to inject health into our ailing economic order, we cannot make it endure for long unless we can bring about a wiser, more equitable distribution of the national income. It is well within the inventive capacity of man, who has built up this great social and economic machine capable of satisfying the wants of all, to ensure that all who are willing and able to work receive from it at least the necessities of life.

And so it seems that President Roosevelt is the first statesman who has been prepared to move forward and challenge the dominating financial interests of the United States of America. I know of no more courageous act in all history. Those of us who have given some thought and study to the financial system of America, and the type of men who control it, know that they will stop at nothing to overcome anyone who dares to suggest they should go so far and no fur-

ther. Yet President Roosevelt has taken a definite and courageous stand in that respect, and it seems to me that he is determined to bend the money and credit systems of his nation in the direction of making their benefits available to the great mass of the American people, and not permit them to operate for the special benefit of the few, comparatively speaking, who may be vitally concerned with the tremendous profits that the financial interests of that nation are able to wring from the masses. I commend the member for Claremont (Mr. North) for taking the steps necessary to place this proposal before Parliament. In his speech he claimed freedom of action for all members of the Nationalist Party. That was to me a surprising statement. If it be true, I congratulate the members of that party upon the fact, but I say to the member for Claremont, not with the object of encouraging him to leave the Nationalist Party, that the reason he was opposed at the last election can be ascribed entirely to the circumstance that he has become an ardent advocate of monetary reform in Western Australia. I can congratulate him upon having been successful at the election in spite of the advocacy of that reform. In his motion the hon. member suggests that someone having the status of a High Court or Supreme Court judge should be called upon to carry out the investigation and to sift the evidence in a fair and impartial manner. I would not have any serious objection to such a person being appointed, but the great difficulty I see is as to who is to be called before the judge, when appointed, to give authoritative evidence regarding the Douglas proposals. The member for Claremont may have in mind the names of some people who might be invited to appear before the judge and carefully and correctly explain every detail of the Douglas proposals. If he has, well and good. Even so, I am afraid this proposition may not lead us very far. It may be, even at this late stage, better to alter the wording of the motion so as not to make it absolutely binding respecting the Douglas proposals alone. The difficulty I foresee is that there will be no one in this State sufficiently well informed on every detailed point, to put forward an explanation of the Douglas proposals as it should be advanced. That is no reflection upon the leading advocates of the movement in this State. I suggest to the member for Claremont that he give consideration to that aspect. I do not want to

see an inquiry, once set afoot, fall to pieces, so to speak. I want to see the investigation of the whole problem conducted thoroughly, not only in respect of the Douglas credit proposals but in regard to the difficulties that exist and the reasons that obtain for their existence. I want the widest possible inquiry into the whole subject. I understand the member for Claremont will have something to say in closing the debate. I should like him to touch on that aspect of the question, and to inform us as to who there is in Western Australia associated with the Douglas credit movement who would be capable and willing to appear before a judge and give an authoritative explanation of every feature of the Douglas proposals.

MR. FERGUSON (Irwin-Moore) [6.7]: I move an amendment—

That the following words be added to the motion:—"and of the Liberation League."

The Premier: What is the Liberation League?

Mr. Latham: That is only one; there are a few more that could be added to the motion.

Mr. FERGUSON: I have no intention of saying anything regarding the relative merits of the policies advocated by Major Douglas and by the Liberation League respectively. I have not had an opportunity to study them to any great extent. Moreover, I do not think laymen, no matter how much they may have studied these problems, would be able to express opinions carrying sufficient weight with the people of Australia, to induce them to adopt either the policy advocated by Major Douglas or that advanced by the Liberation League. I believe the time has arrived in Australia when, by a scheme of education and enlightenment, we may evolve something better than the present system. Finance enters so largely into the work of every one in a new country such as Australia, that we cannot consider any phase of our operations without taking cognisance of that factor. During several hundred years past, we have built up a system and pursued a policy that have proved fairly satisfactory for the greater part of those centuries. We may consider that the system stood up to most of the demands made upon it, but the world-wide depression of the past four or five years led thinking men and women to believe that the system is not

all they had considered it to be. They realise that something should be done to improve the position by substituting a better system. Throughout the length and breadth of Western Australia, we have careful and thoughtful individuals who have gone into the problems closely, and of all the panaceas that have been advanced as the solution of our difficulties, the two that seem to have attracted the most adherents are the proposals of Major Douglas and those of the Liberation League.

The Premier: What is the other name of that league?

Mr. FERGUSON: It has no other that I know of.

The Premier: Are they the single-taxers?

Mr. Mann: That is correct.

Mr. FERGUSON: I understand that the policy of the league was built up on the writings of Henry George, with some of the objectionable features dropped altogether.

Mr. Marshall: The only point of difference is in regard to interest.

Mr. FERGUSON: And that is a very important feature.

Mr. Marshall: Quite so, but that is the only variation.

Mr. FERGUSON: What is necessary for the people is education and enlightenment. It should be possible to appoint some tribunal, such as that suggested by the member for Claremont (Mr. North), which would be in a position to take evidence from the advocates of the two schools of thought I have in mind. A judge of the Supreme Court would be better suited for the task than anyone else, because he would be, by virtue of his training, peculiarly fitted to sift the evidence and assess the claims made for the respective policies at their true value. I hope the House will agree to the motion, and I trust that the member for Claremont will raise no objection to the amendment I have moved. I believe the investigations should go beyond the scope indicated in the original motion, and therefore I suggest that the views of the Liberation League should be considered as well.

Mr. SPEAKER: It is but fair to members to point out that now the amendment has been moved, the amendment only can be discussed until it is disposed of. The debate will proceed as to whether the views of the Liberation League should be inquired into as well.

Hon. W. D. Johnson: Put the amendment straight away.

MR. SPEAKER: That will clarify the position.

Amendment put and negatived.

MR. J. H. SMITH (Nelson) [6.13]: I support the motion as moved by the member for Claremont (Mr. North) and supported by the member for Northam (Mr. Hawke). It has been an education to listen to those two members, with their masterly knowledge of the problems at issue. I confess I have endeavoured to delve into the Douglas credit proposals for a considerable time past, but, to use a well-known expression, I have been unable to get much "for-rader." When I commenced examining Major Douglas's theories, I thought at first glance I had solved the whole economic problem, but as I delved further into his scheme, I found it complicated. The member for Claremont impressed every member of the House by his speech. We all know that some radical change will have to take place in our economic condition in the near future. Those of us who profess to be students of economics, even to a small degree, know that the monetary system has proved a failure.

Member: Can this Parliament adjust that difficulty?

MR. J. H. SMITH: We can at least discuss it.

Sitting suspended from 6.15 to 7.30 p.m.

MR. J. H. SMITH: Before tea I was saying that to my mind the whole of the monetary system of the world will have to be drastically altered. If the Government will agree to the inquiry asked for, no doubt a great deal of good will come of it. It is extraordinary that in a land full of plenty, with an abundance of everything, we find starvation and misery. We ask the reason why. Some people tell us it is on account of over-production. To my mind it is not that at all, there is a great deal of under-consumption in this country. Thousands of our best men and women are actually starving, while here in Parliament we pass emergency legislation the better to afford a certain amount of employment for the people, not to feed the people and give them every comfort, but merely to allow them to exist as so many slaves. In times gone by

the people would not have tolerated it. If we are not to have the remedy by evolution, such as this motion, I am afraid it will come by revolution. I often wonder how we have kept the great mass of people in check so long. To-day we have single men living on a pittance of 7s. per week, and married men with families living on a pittance of 7s. per week per unit. If we can do anything at all to alleviate that state of affairs, by all means let us try it. I do not profess to have been as studious of the Douglas credit proposals as I should have liked to be. I have delved into the matter, but it is beyond me; I cannot follow it to its entire conclusion. The member for Claremont has the whole matter at his finger tips, and no doubt when replying to the debate he will answer many of the questions we have put before him. The member for Northam also has a grasp of the situation, and those two gentlemen, keen students of the economic situation, tell us they believe the solution of our troubles is to be found in the Douglas credit proposals. If there is a shadow of hope, by all means let us adopt those proposals, or at all events constitute an inquiry into them and see if we cannot derive something that will be beneficial to the whole community. We are told the hand that rocks the cradle rules the world, but it appears to me the hand that rocks the cradle may be in dire misery, for many of the mothers do not know where to turn for food and clothing for their children. I have pleasure in supporting the motion, for I really think if we have this inquiry we may be able to find a way out of our difficulties.

MR. TONKIN (North-East Fremantle) [7.35]: I move an amendment—

That all words after "to" be struck out, and the following inserted in lieu:—"inquire into the mechanism of the economic system in order to discover whether our present trouble is due, as Major Douglas asserts, to a discrepancy between the price of goods and the purchasing power issued against them, or to the unequal distribution of income."

I desire to congratulate the member for Claremont on having brought down the motion and so given the House an opportunity to discuss the whole question. He is to be commended for having stepped out of the common rut and endeavoured to get the people of this country to move a step forward. I want to give praise also to the peo-

ple interested in the Douglas movement. In the main they consist of young men, virile men, but whether young or old they are all imbued with the same spirit of inquiry. They realise there is something radically wrong in the existing economic system, and they are endeavouring to do something to adjust that system in order that we might be able to alleviate the suffering and distress which is so widespread to-day. But I believe that although the people interested in the Douglas credit movement are enthusiastic, their energy is being directed on wrong lines, and to that extent is being mispent. I wish I could share the enthusiasm for the Douglas credit proposals which a large and increasing number of people display over this question; but the more I read of it, the more am I convinced that the proposal is based on an entirely wrong fundamental, that its promoters have gone astray in endeavouring to diagnose the real trouble; that is to say, they have gone on to the wrong track. To my mind they have an entire misconception of the real function of money. They do not blame any unequal distribution of money, they simply blame the whole mechanism of finance. I intend to quote from a book entitled, "The Deadlock in Finance" written by Major Arthur Powell. The other evening I took the precaution to refer to the member for Claremont to see if this book could be taken as authoritative in point of the Douglas credit proposals, and the hon. member said it could.

Mr. North: Decidedly.

Mr. TONKIN: He said it was a pretty fair exposition. I intend to give the House the substance of what has been written in this book in a number of instances. Firstly, the writer says—

As we pursue our investigations we shall find another point of very great interest which should also please us, that the terrible injustice and hardships of modern economic life are not primarily or even largely due to any one class or section of the community, not even, except indirectly, to the Government. On the contrary the present misery can quite easily be traced to the mechanism of finance—to our credit and money system.

They blame the whole mechanism of the financial system, which has been in operation for hundreds of years; they do not blame any unequal distribution of the credit or the money in the community, but they say the whole mechanism of the system is

wrong. To give another quotation bearing on the same point—

It is the economic system which is at fault. Our money or ticket system is wholly inadequate for our requirements, and turns into beasts of prey those who at heart are brave and kindly gentlemen and gentlewomen.

There is no doubt about that. They blame the mechanism of the financial system, but they correctly appreciate the change in the function of money. I cannot understand why those behind the Douglas credit proposals should go astray at this particular point. They appreciate that money to-day performs a different function from what it did when first it was introduced. When money was first used a man started off with goods, and changed those goods into money in order to acquire other goods for consumption. Take for instance the Lord of the Manor in Great Britain. He put his serfs to work, and as a result of their energy there was a certain product at the end of the year. He had an accumulation of produce, and then he exchanged his goods for money, with the idea that having obtained that money he could then purchase other commodities elsewhere and so introduce variety into the goods he intended to consume. He starts with goods, exchanges those goods for money and then spends that money in buying other goods for consumption. When money is used that way it is being used as a medium of exchange to facilitate the system of barter. It is simply speeding up the bartering system. If it were necessary to exchange goods for goods, if there were no common medium, it would be a very cumbersome system to follow, and under it perishable goods would soon be useless and could not be consumed. When, in order to speed up the exchange of commodities money was introduced, that money was a common article which all people would accept, and so people who possessed various commodities could change them into the common article, money, and retain that money until such time as they wished to get other goods. It enabled them to keep for the time being a title to the goods they already possessed. Suppose a man had 100 bags of potatoes, and another man 100 bags of cabbages. The man with 100 bags of potatoes had, as the result of his efforts, established a credit to that extent. There need not be any money in it at all. If he had 100 bags of potatoes in his cellar he had established a credit to

that extent, and exactly the same obtained with the man who had 100 bags of cabbages. If the two men so desired they could work an exchange between them, the man with potatoes exchanging, say, 10 bags of potatoes for, say, 15 bags of cabbages. The one credit would be set off against the other. They would consume the potatoes and the cabbages, and no one would be any worse off and no business hung up in the meantime. But to facilitate that exchange, money was introduced, and so the man with potatoes for exchange could exchange them for money and keep that money by him, and when he wanted cabbages he could go out and buy them with the money. So the real reason for the introduction of money was to facilitate the exchange of goods. But to-day the position is entirely reversed as regards starting with goods. Under modern conditions in industry, before a man starts to produce, he must get a credit somewhere. He must obtain the cash or he must get someone who is prepared to give him the cash, should he require it. That starting point is necessary. Then he puts that cash into industry and uses his labour, and as a result of the cash and the labour, he gets a product. Then he endeavours to sell the product with the idea of obtaining more money which he can put into the bank. Now we endeavour to start with money, change it into goods, and acquire those goods with the object of getting still more money in the end. So we have reversed the process. Instead of starting with goods and changing them into money in order to get more goods that we can consume, we start with money, change it into goods, and then change them into money again. The Douglas credit adherents appreciate that fact. They realise the change in the function of money. They also have a correct understanding of the real purpose of industry. They do not say that a man must carry on industry in order to achieve a profit for his own especial benefit. They say that the industry of a country should be carried on with the main purpose of producing and distributing an adequate supply of things for the people who need them. The people who need them are the people of the country; they all need goods, and they all need services. The people in any country are the consumers of the goods and services, and the purpose of industry is to supply the needs of the people in the matter of goods and services. Industry does not exist in order to make a profit. We do not come into this

world in order that some of us may be able to make profits, because we cannot take the profits with us. If a country engages in industry, it does so with the idea of providing the people with a certain standard of living, aiming all the time to be able to increase that standard of living and to give more and more goods and more and more services. The Douglas credit enthusiasts correctly appreciate that fact. They are under no misconception as to the real function of industry, but they are under a misconception as to the real function of money, and that is where I think they err in putting forward their A. plus B. theorem. In effect, they state that when goods come from the factory and are put on the market at a certain price, during the process of being manufactured sufficient purchasing power has not been issued to members of the community to enable them to purchase the article put upon the market. That is to say, if I were trying to sell machinery at a price of £100 and only issued the people in the auction mart £90, they could not buy the machinery at £100. The Douglas credit enthusiasts say that is what is wrong; that when goods are placed on the market, because of certain factors, with which I shall deal later, there is not the equivalent in purchasing power issued to the people, and therefore they cannot possibly buy what can be produced. That is where I join issue with them. They lose sight of the fact that money is the medium of exchange, and that if we took the money out entirely, we could still get rid of the product of industry. I have argued the point with Douglas credit enthusiasts, and have shown them how it was possible to pay £1,000 worth of bills with £5. One could buy £1,000 worth of goods with £5, but it is a question of the velocity of turnover that affects the issue. Apropos of this, there is a good story. The Douglas credit supporters use it because they think it proves their argument. I am going to use it because I think it proves my argument. The story runs that a certain man was convicted in a court of justice and fined 100 dollars. He had not one cent towards the fine. The judge, out of the kindness of his heart, gave the man 5 dollars, and told him to go away and try to earn the remainder. The man accordingly repaired to a gambling saloon, thinking that there he had as much chance of turning 5 dollars into 100 dollars as anywhere else. By good luck, he won 100 dollars at the first hazard

and duly received a note for that amount from the cashier. On his way to the court he was overtaken by a man going to the same place to collect money due to him. Our friend duly paid the fine, and the same 100 dollar note was paid to his friend, that amount being due to him by the court. The two friends then went away together. Shortly afterwards, the second man paid a bill owing with the 100 dollar note. Becoming interested in the adventures of this note, our man followed it. In the course of the day it changed hands a dozen times, paying off debt after debt, and eventually reached a man who for a long time had owed 100 dollars to our convicted friend. This debt was paid, and that evening our friend returned home with the original note in his pocket, and was very pleased with his day. In the early hours of the morning he was awakened out of a peaceful sleep to find himself looking down the barrel of a gun held by the cashier of the gambling saloon. That gentleman politely but firmly requested him to hand over the 100 dollar note. Appreciating the cashier's strategic position, our friend indicated the tobacco jar on the mantelpiece, from which the cashier forthwith extracted the note. Proceeding to tear it into small pieces and counting on to the table 100 silver dollars, the cashier murmured, "I am glad I caught you in time. I was afraid you would have passed on that note; it was a bad one." The endeavour is to prove that spurious coin or a counterfeit note would carry on business, so long as the people did not know the coin was spurious or the note counterfeit, and that the 100 dollar bill would go on and pay debt after debt without anyone being any the wiser. The reason we can do that is exactly the same as the reason why we can pay a debt with a cheque. I can pick up a piece of paper and write on it "I.O.U. £2." If the person is prepared to recognise my signature and trust me, that piece of paper can be used to pay 20,000 bills and come back to me eventually and I would pay the £2. That is just as much a spurious note as a counterfeit note can be. The whole point is that before it is possible to start anywhere, there must be a credit in existence. Let me revert to the story. When the man was fined before the court, immediately the court gave judgment against him for 100 dollars, the court had established a credit to that amount. By the judgment, the convicted man had become liable for 100 dollars in cash

or credit to the court. Before the trial, no credit existed, but as soon as the judgment was passed, the court had a credit of 100 dollars. The man had no money. Although the court had established a credit of 100 dollars against him, he had not the credit with which to liquidate the debt, so that the court really took a mortgage of 100 dollars on the man's future credit. The judge, out of kindness of heart, gave the man 5 dollars. The judge had 5 dollars of credit to start with, and simply reduced his credit by 5 dollars and transferred it to the defendant. No extra money passed into circulation. The judge had 5 dollars less credit than before, and the convicted man had 5 dollars more than he had before, and so there was still the same total. With the 5 dollars of credit the man went to the gambling saloon. The cashier in charge of the saloon had a credit of some hundreds of dollars. When the gambler put in his five dollars and got back 100 dollars, the cashier really passed on 95 dollars of the credit of which he was possessed to the man. There was no more money in existence: there was still the same total of credit. The only difference was that the cashier had passed on 95 dollars of his credit to the gambler, and had 95 dollars less for himself. The man had 100 dollars credit and with it paid the fine to liquidate the debt that the court had against him. The court, which started with nothing, now had 100 dollars of credit. At the same time, the man to whom the court owed 100 dollars called for his money. For some reason or other, that man had established a credit against the court, and the court now paid the 100 dollars of credit to liquidate that debt. The man received 100 dollars from the court and, according to the story, met someone else outside to whom he owed 100 dollars. Presumably the last-named person had worked for him or had sold him something and thus had established a credit to that extent. So the man passed over the 100 dollar bill, and paid that debt. To give a simple illustration, take four men whom we shall call A., B., C. and D. Unless there is some credit between them, there can be no industry, and no work can be done. Suppose, however, that A. possesses 10 dollars. It may not be in cash; it may be in credit with the bank or someone might owe him 10 dollars. Having that credit, he can employ someone to work for him, so B. goes to work for A. and does 10 dollars' worth of work. B., by working

for A., has established a credit in his favour of 10 dollars, and A., having possessed 10 dollars, pays B. with it. C. now comes along and works for B., because B. has a credit of 10 dollars. C. does 10 dollars' worth of work, and B., having that much credit, can pay him, and C. is satisfied. Now C. has the money. He can engage D. to work for him, or he can buy goods from D. He can either pay for them with money or with service, with the credit which originally came from A. At the conclusion of that cycle D. has the money. He can then go to A and engage him to work, and he can pay A. with the same 10 dollars. And so they can go on ad infinitum. The whole system is simply one of transferring credit from one to the other. If I work for a person I immediately establish a credit for the amount in question. The person has to liquidate that debt to me either by giving the equivalent in work, or by paying the worth of that work in money, which enables me to buy work or goods, from someone else. The Douglas credit people do not look upon money in that way. They say that in industry goods are produced, and that the price of those goods will be made up of the wages and salaries paid out, the dividends including profits paid out, the cost of the raw material, and the depreciation on the plant, etc. They say if all these figures are added together we get the selling price of the product. That is true. Against that they say there has only been issued to the community the amount of the wages and salaries and dividends, and that therefore there is a discrepancy, because there has not been issued to the community the equivalent of the depreciation that has been put into the goods. Furthermore, there has not been issued to the community the equivalent of the cost of the raw material that has been put into the goods. The community, therefore, is short of purchasing power, and it is not possible for people to buy the goods that are on the market. That is the A plus B theorem. It seems to me entirely wrong. When depreciation is included in the price of a commodity, the equivalent of that depreciation is issued in credit. Suppose I am producing goods in a factory, and am using a certain machine for which I have paid £100. If I am keeping a proper eye on that business, I will find out what is the probable life of that machine. I may by calculation arrive at a life of 10 years. At the end of that time the machine will

have become obsolete and useless. If I have paid £100 for that machine, which will last 10 years, I calculate that it will depreciate at the rate of £10 in value each year. I therefore allow for depreciation £10 in the first year, but in my books, at the commencement, that machine would be standing at £100. At that stage I have £100 worth of credit stored up in that machine. I could have used that money in the purchase of goods or in some other direction, but I used it for the purchase of that machine. At the end of the first year I have used up £10 worth of that machine, and of the credit represented in that machine. I transfer that £10 to the commodity which I am selling. In other words, I load the price of that commodity with that £10 of depreciation, and the people who buy my goods have to pay me that additional £10. In effect, the purchasers are going to end up by buying my machine for me, and that is legitimate business. At the end of 10 years they will have paid for that machine, because I have charged them £10 for it each year. When I purchased that machine I had £100 worth of credit, which I could have used in some other direction. I stored up that £100 worth of credit in the machine, and at the end of the first year I used £10 of it and transferred it to the cost of the goods. Suppose the product of that machine was worth £200 without any calculation for depreciation. I could still have left my machine on my books at £100, and put on the market the goods I show on the books at £200. In other words, at the end of the first year I possessed £300 worth of credit. Instead of showing the goods as being worth £200 and the machine as £100, I take £10 off the value of the machine, and add it to the price of the goods. I then show the machine standing at £90, the goods at £210, the total credit being £300. That is the money I have behind me. In normal times I can go to the bank and get an advance with that credit as a basis. In industry it is simply a transference of credit from one place to another. If a person borrows from a bank that institution must have the credit in the first place. It transfers the credit from its own books to the account of the borrower, but there is still the same total of credit in existence although the distribution has been altered. That is what goes on in industry all the time. When money is in circulation, it is simply a trans-

ference of credit from one man to another. If we desire to put a product upon the market and sell it, we have to see that in the hands of the people who are going to buy it there is an equivalent purchasing power. The Douglas credit people say there is a discrepancy because not sufficient purchasing power is issued. I say there is a discrepancy because too large a share of the products is taken by the proprietor, and too small a share is distributed in the form of wages. The proprietor does not desire to spend all his credit at once, but saves up some of it. There must, therefore, be a shortage of purchasing power in the market at that time. The trouble is due to the unfair distribution of income. What are we doing when we pay wages to workers? We are simply parcelling out to them a share of the product which they have created. The fact is that the worker is turning out a product worth, say, £1,000, and he is paid £5 a week in wages. The employer has decreed that the worker's share of the product emanating from a factory is one-two-hundredth part. If the employer were to endorse a piece of paper as being worth one two-hundredth part of the value of the commodity in question, the employee could exchange that piece of paper for a similar piece of paper held by another worker, and say, "Here is my share of the product I made; give me your share of the product you have made." Suppose A works on an orchard and B on a wheat farm. At the end of the year A receives from his employer £200. The total income from the orchard is £2,000, and the employer in effect has given A one-tenth of the value of the product of the orchard as his share. B, who works on a wheat farm, receives £300 in wages, the total value of the product of the farm being £3,000. His employer has said, "During this year we have produced £3,000 worth of goods, and the value of your share is computed at £300. That is one-tenth of the value of the business." The man who received one-tenth of the value of the wheat production could exchange his share for the one-tenth received by the worker on the orchard. Both might be perfectly well satisfied, and would not need any money to bring about the exchange. A man has only to possess the title to a share in something. When money is paid out to a person he is receiving a title to goods or wages. If an employee receives the basic

wage of £3 9s. 3d. a week, he is receiving a title to goods and services to that value. He can purchase whatever goods or services he desires to the extent of £3 9s. 3d. a week. He can exchange his wages for something else. So we come down to the rock bottom of the whole thing. The country carries on its work in separate industries very different from one another. In each industry the employers issue wages, thus parcelling out a share of the products of the workers engaged in the industry. The workers can use up their share all at once, or can keep their share for some future occasion. If a man receives in one year £200, he is not obliged to spend it all, or use his title to it all at once. He can spend £150, and save £50. So long as he has that £50 he still possesses the title to a credit of £50 on existing goods or future goods. The titles are in existence all the time; they never go out of existence. It is simply a transfer from one person to another. What one man loses another gains, because the title itself is transferred. This transference goes on throughout industry hour after hour and day after day. It is a question whether one is going to exchange one's share for someone else's share. The reason for parcelling out a man's share in a product in money is to enable him to satisfy immediately his needs. Under the system of barter, when there was no money at all, an employer was obliged to give his employee goods. If a man worked on a wheat farm, and the only product of the farm was wheat, the employer would have to give him so many bags of wheat a week. The employee would be faced with the task of going round the country and exchanging his wheat for eggs in one place, meat in another, clothing in another, and so on. It will be understood that where one is dealing with perishables, such a system would involve tremendous waste. If the employer parcelled out the product in perishables, one can easily imagine the position which would arise. Suppose I worked for a poultry farmer, who had to pay me my wages in eggs. If my wages for one week were 40 eggs, I could not work on the principle of using seven eggs this week, six next week, and six the week after, because I would soon reach the position where the bulk of the eggs would be unfit for consumption. What I would be obliged to do in those circumstances would be to lose a great deal of time hunting around the country to find people who want-

ed eggs in exchange for things I needed. That would be a difficult task for one man to carry out. Thus money comes to be introduced, and then the man with the eggs can exchange them for money and keep that money by him in the form of a deferred title to goods. With that money he can purchase his requirements. To my way of thinking, Douglas credit advocates do not appreciate the true function of money. They fail to grasp that it is only a medium of exchange and a measure of value. We can equate various articles of diet with the amount of money, thus arriving at a common basis and deciding how many cabbages are worth so many potatoes, because we mention both vegetables in the common term of money. Thus money is used as a medium of exchange and a measure of value, and so we go on transferring our title continuously. It is not a matter of there not being sufficient titles in existence at one time to purchase goods at certain prices. The whole trouble is that the captains of industry, when parcelling out the shares of industry, take too large a share themselves, a share which they do not desire to use straight away. The workers, who each receive a small share, use that share immediately, and accordingly clear the market of goods. But the two or three men who take larger shares than they can use straight away, have the title to that surplus of goods on the market; and whilst they possess the title to the goods, no one else can possess that title. That is how one gets inflation of currency when additional money is put into the purchasing-power pool. Suppose £100 worth of goods are produced, and £80 worth are distributed to the people as their share, £20 worth being retained by the employers. The people who have the £80 speedily spend that on £80 worth of goods. There is still £20 worth of goods to be bought, but the employer has taken that share. When he kept £20 worth for himself he said, "That is my share of the product." How can anybody else buy the share to what the employer already has the title? Whilst the employer holds the £20 worth of title to the goods, he possesses the £20 worth of goods; and unless he passes on that title nobody else can purchase the goods over which the employer has control. But the employer may lend part of his credit to other people for the time being, reasoning that later on, when those other people get additional credit, they

will have to pay him back more than he lent them by paying an additional credit as interest. The employer might be prepared to keep £2 for himself and lend out £18. As soon as that £18 gets back into the purchasing-power market, £18 worth of goods can be consumed and only £2 worth will be retained. If the employer spends the £2 himself, the whole £100 worth of goods will be used up. But in the next progressive step the men who borrowed £18 from the employer are obliged to pay it back, and not only pay back the £18 but pay back more, possibly pay back £20. They have to take that amount from their next supply of credit. So that they are now shorter of credit than they were previously. Each year the position becomes aggravated to that extent. To give a simple illustration, let us take a man who is the proprietor of a bus service. I use the illustration because in this book there are frequent references to money as being tickets. The word "tickets" is used when money is meant, the significance being "tickets of purchasing power." The proprietor of the bus service uses travelling tickets for that service, and he pays his employees in those tickets, not giving them money at all. The tickets enable the employees to ride on his buses. After a month's operation the bus owner has worked out that that operation is worth to him 100 tickets of a value of, say, 10s. each. He pays to each employee so many tickets as wages—A five tickets, B five tickets, and C five tickets, and so on. Whilst A, B, C and so forth are using up their tickets, the bus owner gets tickets back, and that pays him for running the buses. Thus he can run the buses while the men are using up their tickets. Eventually they have used up 80 tickets, and the employer himself has 20 tickets. He, however, does not want to use 20 tickets in a month; perhaps he wants to use only eight. He keeps back the other 12. Then the bus service will be hung up because there will still be 12 tickets outstanding which no one can use, because the owner has possession of them himself. That is what is happening in industry. There is a product from industry, and at the end of the year that product is parcelled out. So much of it goes to the workers; so much of it goes to the bankers for interest on capital used in the industry; so much goes to pay for raw material; and the proprietor of the enterprise also takes his share. One often hears the argument that what the employer

takes for himself, if divided among all his employees would not amount to much more. But that is not the point. The point is that when the employer takes his share he puts it on one side, and no one can use it but himself. If anybody else could buy that share, the owner would not have any title whatever to the goods. Let us come back to the £100 illustration. A man has a number of employees, who at the end of a certain period have produced goods priced at £100. The employer then says, "I want £20 out of the sale of those goods for myself." Accordingly £80 goes out in wages and cost of raw material. In effect the employer is saying, "My share of that product is £20, but I do not want to consume that share myself. I will exchange part of it for the products of other industries." But he takes the title to the £20, and whilst he has that title nobody else can have the same title to the goods represented by the amount of the credit. Some people suggest that inflation of the currency would be a remedy, that if the Government issued additional notes the people would be enabled to buy the products and industry could keep going. I shall try to show what that theory really means. When goods are produced, they are in effect shared out. The workers get their share. The employer gets his share. In the illustration I gave the employer takes out £20. Now the Government step in and issue to the people £40 worth of additional notes. The people who had already spent their £80 find themselves now in possession of more money, but with no additional goods to buy. They go straightway to purchase the £20 worth of goods to which the employer has the title. We now find this position: there is the employer's £20, representing a title to the goods, whilst the Government, by issuing extra notes, have given another £40 worth of title to those goods. In effect, there are £20 worth of goods and £60 worth of title to goods. What will happen then? The people will go along and try to buy the £20 worth of goods with £60 worth of titles. Accordingly the price of the goods will rise, there being £20 worth of goods to be parcelled out to satisfy £60 worth of purchasing power. The final result is that now £3 will buy what £1 would buy previously. That is how the evils of inflation come about: further titles are issued to people in respect of goods for which somebody else already has the title. Douglas

credit advocates say that one should not go to a moneylender to borrow money, thus putting oneself completely in his hands. The Douglas credit advocates say there is no need to do that. They contend that one can issue the credit oneself. If the moneylenders have £100,000, they possess £100,000 worth of titles to goods either existing or future. If the Government issue in the form of fiduciary notes another £200,000 or £300,000 worth of money and put it into circulation, they do not increase the quantity of goods existing but merely distribute or circulate additional titles to goods already produced. The Government in effect usurp the titles of somebody else, take somebody else's share of existing goods. If the employer used up his share straight away, the currency would not be inflated. If he bought his £20 worth of goods, that would be the finish; but if he chooses to spend only £2 or £3 and save the remainder, he is saving the remaining share of those goods. What will take place in industry is as follows: there will be an interchange of commodities, some portion of the £20 worth of commodities not used up will be exchanged for commodities not used up in some other industry, and some proportion of the produce of the second industry will be exchanged for products of a third industry, and so the system of exchange will proceed. But so long as the employer retains his credit in the bank, he has a title to goods in existence. The Douglas advocates suggest that we should, under some system of finance, issue to the people additional money to make up for the discrepancy. They say we can, through the private banking system, give more money to the people to enable them to buy goods they cannot buy now. If the people did buy those goods, what would happen to the titles to the goods already possessed by the employers? They would put them to one side for future use. What are those employers going to do when they see they have more money and no goods to buy? It should be obvious that it cannot be done. We would see the evils of inflation immediately because the employers would have the title to the goods and the people would also have additional titles, with the result that there would be two or three titles possessed to one portion of the goods. To follow the Douglas credit proposals would be like giving a blood transfusion to a man suffering from cancer. It

would be merely feeding the disease and hastening on the decay. To that extent, I welcome the proposal. For the life of me, I cannot understand why the private banks oppose the Douglas credit scheme because the adoption of that plan would mean a wonderful time for them. They are supposed to be able to carry on under that system as they are carrying on now, advancing money to industry and lending seven times the amount of credit compared with the actual money they possess in cash. That sort of thing is to continue, and the additional money, according to Douglas, is supposed to expedite industry and speed up production. Under that system, they say, there will be no depression and business will be brisk all the time. The member for Northam (Mr. Hawke) indicated to the House what large profits the banks can make even in times like the present, when industry is stagnating. If, as is claimed by the Douglas credit advocates, we can so speed up production that the wheels of industry will be continually turning, let hon. members imagine the amount of credit profit that the banks would be able to acquire. What would they do with it? If the banks can acquire millions and millions of pounds to-day under our present economic system, with business stagnating in some part of the world all the time, if they can make such wonderful progress and accumulate wealth under existing conditions, what will the banks be able to do when they have full play under the Douglas proposals? If industries boom, what a harvest the banks will reap! That should be obvious. The banks will pile up millions of pounds worth of credit, but what good would it be to them under the Douglas credit system? The effect would be to give the banks a monopoly over the whole country. At present they can almost buy and sell the State, but if we give them the opportunity to extend their banking business, then the profits of the banks will be multiplied and their balance sheets, instead of dealing with £50,000,000 or £70,000,000, will be concerned with thousands of millions of pounds. In fact, the whole country will be in pawn to the private banks, and at that stage we might just as well hand over the country to them any day, "Carry on with the business." That is what the Douglas credit proposals, it seems to me, amount to. I attended some meetings at which the advocates of the Douglas credit system expounded their views, and

I asked the question, "Are the private banks to be allowed to function as they are now doing?" The answer I received was, "Yes, they will be able to carry on. They will be used as agents to distribute the credit of the community, which will be put into the purchasing power pool." What a wonderful time the banks would have if they were still allowed to levy the same charges and operate on the same percentages. It should be widely known that when times are normal the banks build up an edifice of credit to the extent of seven times the amount of the cash actually deposited with them. Owing to the theory of the dilution of credit and knowledge obtained as a result of keeping statistics over a number of years, the banks know that in normal times they are called upon to pay out in cash one-seventh only of the actual amount they lend. The reason for that is that if I borrow money from a bank, I do not desire to take the money away with me from the institution, nor do I desire to take it in the form of notes in my pocket. All I desire is to have the knowledge that I have had extended to me credit that I can use. I can then go to Boans, for instance, and draw a cheque against a part of that credit. I give my cheque to Boans, but the representatives of that firm do not go to the bank with a request for cash. They simply pay my cheque into the bank and certain figures are cancelled. It is the knowledge that one-seventh only of the amount lent are the banks called upon to find in real cash that governs the position now; but when times are not normal, the banks cannot maintain the same ratio to money. In those circumstances, the banks are obliged to call up credit they have over-loaned. We have ample evidence of that. Possibly members of this House who are engaged in business have received requests from banks to reduce their overdrafts and they may have been obliged to sell securities on a falling market to make the market fall still further. That is one reason why the "West Australian" Newspaper Company's shares fell rapidly in the market. They were disposed of on a falling market. When business men are called upon to reduce their overdraft and cannot find the actual cash, one method adopted is to release a parcel of shares on the market. Where a number of business men do the same thing at the same time, the shares fall rapidly in value. The money

can then be paid to the bank and the overdraft reduced accordingly. That will always happen in times of depression because in normal times the banks have over-loaned, at which time a small amount of cash was sufficient to hold up the large credit structure. When times are as at present, credit seems to fade away and the banks have to call up some of their loans to make their position more secure. I put it to the House again that that is what happens. Imagine the fine time the private banks would have under a system such as that proposed by the Douglas credit advocates. I cannot understand why the banks have opposed it at all. Apparently the banking authorities are now seeing the light of day because I notice from the latest circular I received from the National Bank, that the powers that be in that institution are unbending a little from their former point of view. I would not be surprised if before very long we find bankers advocating the Douglas credit scheme because they will come to realise what a wonderful time would be in store for them. I repeat that by such a system the whole nation would be in pawn and the private banks would have a monopoly over the whole country. In conclusion, I desire to reiterate what I said at the commencement. I compliment the member for Claremont (Mr. North) on introducing the subject and I am glad to know that the Douglas credit advocates are pursuing their investigations with such energy. The more inquiries we have, the more light of day will there be shed upon the problem and the nearer shall we get to the truth. In those circumstances the Douglas credit advocates, the Liberation League or any other person or body prepared to say there is something radically wrong with the present economic system, and that it needs extensive probing and investigation, should be commended. We should encourage as much inquiry into the whole subject as we can possibly secure. These phases have been kept in the dark too long. The more we probe them the nearer shall we get to the truth. It is my belief that the trouble is not that there is an insufficiency of purchasing power in the hands of the people to enable them to buy goods, but rather is it because the income of industry is not equally divided among the people engaged in it. I believe the only solution of this problem is to be found in the more equal distribution of the products of indus-

try, so that we shall not have a position in which some people, because they have a share that is too large, cannot use their holdings to advantage, with the result that the wheels of industry are clogged and periodical crises are caused. When such crises occur, bankruptcies follow as well, and these, following one upon the other, remove for the time being those accumulated titles and free markets of surpluses of goods. Then we start another cycle. That is why we have these business cycles one after another. The only solution of the trouble seems to be a more equal distribution among the people of the products of their labour.

On motion by Mr. Latham, debate adjourned.

RETURN—GOVERNMENT ELECTRICITY SUPPLY.

Payments to the City of Perth.

Debate resumed from the 10th August on the following motion by Mr. Moloney:—

That a return be laid on the Table of the House showing—

- (1) The total payments made to the City of Perth by the Government for electric current for the financial year ended 30th June last (a) for light current, (b) for power current.
- (2) The proportion paid by the Tramways Department.

THE MINISTER FOR RAILWAYS

(Hon. J. C. Willecock—Geraldton) [8.44]: I have no objection to furnishing the return. Indeed, I have it with me and will lay it on the Table.

Question put and passed.

BILL — FREMANTLE MUNICIPAL TRAMWAYS AND ELECTRIC LIGHTING ACT AMENDMENT.

Second Reading

Debate resumed from the 10th August.

THE MINISTER FOR WORKS (Hon.

A. McCallum—South Fremantle) [8.45]: I see no great objection to the Bill, which is a perfectly simple one. The Fremantle Tramways Board have purchased in England cables and switch gear for their new sub-station. These articles are not manufactured in Australia. The whole of the required machinery manufactured and procurable in Australia has been purchased in Australia.

Proof that the cables and switch gear are not manufactured in Australia is afforded by the Commonwealth Government agreeing to allow them to come in duty free. Had they been procurable in Australia, that certainly would not have been agreed to by the Federal Government. The purchase price, I understand, is £10,000, and the Bill provides that payment is to be made in British currency. The suppliers in Great Britain are expecting payment in debentures, and they dispute the reading of the Act under which the Tramways Board operate as making it compulsory for the obligation to be met in British currency. Before they will agree to accept the debentures, they want the Bill passed so as to make it beyond dispute that the payment must be in British sterling. Whether or not that is advisable, the facts are that the suppliers refuse to make delivery and to enter into a definite agreement with the Board until such time as the Bill becomes law. There is, from the reading of the last clause, a doubt, whether in the event of the Fremantle Tramways Board making all their purchases in England, it would not mean an extension of their borrowing powers by the amount of the depreciation of the Australian currency, which at the moment is 25 per cent. But that would only be in the extreme event of all their purchases out of the money they borrowed being made in England. At the moment, the law gives the Fremantle Tramways Board power to borrow up to £200,000, and so far they have borrowed only £80,000, which gives them a margin of £120,000. They are in a wonderful financial position, so I do not think there is much chance of that emergency occurring. The Tramways Board are in a very sound financial position and within a few years there is every likelihood of the whole of their debt being met, and the tramway system being free of debt altogether, so I do not think there can be any objection to the Bill. The Tramways Board cannot extend their operations unless it goes through. Their new sub-station building is just about complete, and they are awaiting the installation of this machinery before it can be operated. I do not propose to offer any objection to the Bill.

MR. LATHAM (York) [8.50]: The House should clearly understand that the Bill does not confine its operations to that mentioned by the member for Fremantle (Mr. Sleeman). That has been touched upon

by the Minister for Works. Actually, the Bill gives power to the Tramways Board to borrow all their money in future from the Old Country if they so desire. If it were limited to the purchase of this required machinery overseas, I would have no objection whatever to the Bill, but I think we should limit it to the amount required by the Board for that purpose.

Mr. Sleeman: The Board have always had power to borrow in the Old Country.

Mr. LATHAM: From the reading of the Bill, I should not think they had, for Clause 2 extends the power of the Board to borrow from the United Kingdom of Great Britain and Northern Ireland. From this I conclude that at present their power is limited to borrowing in Australia, and it is evident that the Bill does extend that power to the United Kingdom. As the Minister for Works pointed out, the money must be paid in British currency, so if the exchange is then as it is at present—

The Minister for Works: It may be the other way about.

Mr. LATHAM: It may be, yes. I have no objection to the Bill, but I think the Treasurer might well look into it to see how it affects the State. It would be a good thing if the Fremantle Tramways Board could raise £120,000 in the Old Country and bring it out here while the exchange is as it is. If that were done, the Board could carry out a tremendous lot of development work. The Board are a wealthy institution, and recently they redeemed some of their debentures. I have no objection to their being permitted to borrow overseas for the purpose of purchasing the machinery they require, since it cannot be supplied in Australia, but I think we should limit the operation of the Bill to the amount referred to.

MR. LAMBERT (Yilgarn-Coolgardie) [8.53]: I understood the member for Fremantle to say, when moving the second reading, that the electrical gear unprocurable in Australia would run into £3,000 or £4,000. To-night the Minister for Works has told us that it will mean £10,000.

The Minister for Works: The exchange will run into a lot of money.

Mr. LAMBERT: Between those two members, there appears to be a wide discrepancy. However, I think we ought to have some information as to how the Bill affects the principal Act, for sooner or later the proper co-ordination of all the electric

light and power services in the metropolitan area must come under a strict review. That is evident when we consider the activities of the Perth City Council and the amount they pay the Government for current in bulk and in the amount paid to them in retailing it. The time has gone by when Parliament should have reviewed existing agreements with a view to bringing the prices into conformity with production costs. The Minister for Works says the Fremantle Tramways Board are in a very good financial position. Apparently the Perth City Council are in the same fortunate position, which is attributable to an agreement made when production costs were considerably lower than they are to-day. Those agreements should be reviewed.

MR. SPEAKER: This is not the time for reviewing them.

MR. LAMBERT: I am only referring to the advisability of Parliament extending the borrowing powers of the Fremantle Tramways Board so as to allow them to extend their activities; for the more we do that, to a greater extent do they establish a certain interest rate in those undertakings; that is to say, where they have tramways running through the streets, and a royalty which should not be paid is being paid. I am sure the Minister for Works could indicate an amount which would be acceptable to the House and yet limit the Board's extended borrowing to that amount. Parliament rightly has always been jealous of conferring borrowing powers upon corporations of local authorities, as is shown by the safeguards in the municipal and road board legislation. It is to be hoped that before the second reading passes, the Minister will see it to indicate, without in any way lessening the activities of the Tramways Board, whether we should give them unlimited borrowing powers in the Old Country.

MR. SAMPSON (Swan) [8.57]: I congratulate the people of Fremantle on having a Board which enables them to look after themselves in point of electric current. That is a very great privilege, which I am sure could be deeply appreciated by many other sections of the people, particularly those in outer suburban areas. I have listened with pleasure to remarks by the Minister for Railways in regard to the proposed establishment of a public works board in the metropolitan area to enable water supply,

sewerage and electric current to be supplied. Under the parent Act, the Fremantle Municipal Tramways Board have borrowing powers which, however, are limited, and I should say the principle behind the Bill is to be applauded. People in my district unfortunately are in a different position, for they have to depend on a Government which, in turn, have to attend to anything and everything connected with the development of the State, and that with very little money for the purpose. I am envious of the people at Fremantle, and I congratulate the Board on having the power to do as they desire. I hope they will get all the machinery they need, and all the requirements essential to a low price for lighting and power current.

MR. SLEEMAN (Fremantle—in reply) [9.0]: There is very little to say in reply to the debate. The Leader of the Opposition has suggested that it might be wise to limit the amount to be borrowed outside Australia. The parent Act does not limit the board. Previously they were at liberty to borrow inside or outside Australia. But for the fact that legal men have been brought into the business—

Mr. Marshall: What would they charge, 6s. 8d.?

MR. SLEEMAN: I venture to say they would charge more than 6s. 8d. in this case. The legal advisers in the Old Country advised the suppliers of the machinery that the existing Act was not suitable, and there was practically a refusal to supply the machinery until the Act was amended. The board sent Home a proposed Bill prepared by the local draftsman, but that was not suitable. The legal advisers in the Old Country sent out a draft Bill which alone would satisfy them. Seeing that they are on the box seat and that the Tramways Board need the machinery, there is no alternative to making the amendment. Let me read a letter from the board to show the real reason:—

In connection with the equipment of the board's new sub-station, the board have made arrangements with the suppliers of switch gear and cables in England to accept in payment debentures issued in conformity with the provisions of the board's special Act, 1903, and the Municipalities Act, 1906. Owing, however, to the decision given by the Privy Council to the effect that debentures issued by the Broken Hill Proprietary Company payable in England were payable in Australian currency instead of sterling, the solicitors of the suppliers of material above referred to will not

allow their clients to accept our debentures until an amendment of the board's Act has been passed through Parliament, specifically authorising the issue of such debentures payable in the United Kingdom in English currency.

There has never been any question about the board's right to borrow outside Australia. But for the decision of the Privy Council and the communication from the legal advisers to the suppliers of the machinery, there would have been no need for the Bill. The Tramways Board are not anxious for the Bill. It is only because the other people are on the hot seat and the board need the machinery that the Bill has been introduced. If they do not get the Bill, I suppose the board will not get the machinery. The member for Yilgarn-Coolgardie (Mr. Lambert) queried the amounts of £3,000 and £10,000. There is no difference between the Minister for Works and me on this point. I informed the Minister that I had made a mistake on the second reading. The fact is that the £3,000 is being spent in Sydney. All the gear procurable in Australia will be purchased in Australia, and the cost of that is £3,000. The gear being procured in Great Britain will cost something over £10,000. I made a mistake in mentioning the Sydney contract instead of the British contract.

Mr. Latham: Just a mere £7,000.

Mr. SLEEMAN: I made a mistake and I acknowledge it.

Mr. Marshall: You would not mislead us.

Mr. SLEEMAN: Certainly not. When I make a mistake, I am ready to acknowledge it. I hope the Bill will not be delayed because every week the board are without this machinery makes a big difference. They are anxious to take delivery of the machinery as quickly as possible, and until the Bill be passed the machinery will not be shipped from England.

Question put and passed.

Bill read a second time.

In Committee.

Mr. Withers in the Chair: Mr. Sleeman in charge of the Bill.

Clauses 1 to 3—agreed to.

Clause 4—Ascertainment of limit of borrowing powers:

Mr. LATHAM: This measure will extend the borrowing powers of the board.

The Minister for Works: Only while the exchange is against us.

Mr. LATHAM: Yes; but members ought to realise that it will extend their power. I accept the statement of the Minister that the board will not exceed the limit placed on their borrowing powers.

Clause put and passed.

Schedule, Preamble, Title—agreed to.

Bill reported without amendment and the report adopted.

House adjourned at 9.9 p.m.

Legislative Council,

Thursday, 17th August, 1933.

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

QUESTION—FINANCIAL EMERGENCY TAX.

Hon. V. HAMERSLEY asked the Chief Secretary: What amount of money has been received by the Treasury from the financial emergency tax passed last session?

The CHIEF SECRETARY replied: £219,982.

QUESTION—INDUSTRIES ASSISTANCE BOARD.

Hon. H. SEDDON asked the Chief Secretary: Will he make available the report of the Industries Assistance Board for the year ended 30th June, 1933, prior to the discussion on the Bill for the extension of the Act?

The CHIEF SECRETARY replied: The report is in course of preparation, and will be available during the first week in Sep-