

is upon this basis and from these graphs that the regional plan that has several times been referred to will be built.

Mr. Styants: Have you a plan for us to go to bed?

The MINISTER FOR LOCAL GOVERNMENT: I am as much interested in that as is the hon. member, and possibly more so. I think in the present mood of the House I might very well leave out a number of answers I had intended to give.

Members: Hear, hear!

The MINISTER FOR LOCAL GOVERNMENT: That is one way of making oneself popular, anyhow.

Hon. A. R. G. Hawke: Again "Hear, hear." But is not the Minister going to have a shot at the member for West Perth?

The MINISTER FOR LOCAL GOVERNMENT: When we are in Committee I will be called upon to answer the same questions, and at this stage it would probably be a good idea if I merely commended the Bill to the House.

Question put and passed.

Bill read a second time.

In Committee.

Mr. Perkins in the Chair; the Minister for Local Government in charge of the Bill.

Clauses 1 to 3—agreed to.

Progress reported.

BILL—RUBBER TYRE INDUSTRY.

Discharge of Order.

On motion by the Premier, Order discharged.

ADJOURNMENT—SPECIAL.

The PREMIER (Hon. D. R. McLarty—Murray) I move—

That the House at its rising adjourn till 2.30 p.m. today.

Question put and passed.

House adjourned at 12.52 a.m. (Friday.)

Legislative Assembly

Friday, 7th December, 1951.

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The SPEAKER took the Chair at 2.30 p.m., and read prayers.

QUESTIONS.

HOUSING.

(a) *As to Deposits on War Service Homes.*

Hon. J. T. TONKIN asked the Minister for Housing:

(1) Has he seen the letter to the Editor of "The West Australian" on the subject of War Service homes, published in Thursday's issue of that paper?

(2) Do the statements made by the writer accord with the facts of the matter? If not, wherein are they at variance?

(3) Is the case in question an isolated one, or are there other instances where substantial deposits have been lodged with the Housing Commission by applicants for War Service homes and more than six months have elapsed following such payment before work on the dwellings have actually commenced?

(4) How many such instances have occurred since the 30th June, 1950?

(5) Will he take steps to speed up the erection of War Service homes so that the building rate of such houses will compare more favourably with that of houses built on "spec" than is the case at present when the average building rate of the latter is more than twice as fast as the former?

The MINISTER replied:

(1) Yes.

(2) Without knowing the name of the writer, the facts cannot be verified.

(3) This is not an isolated case. Contracts are signed by the State Housing Commission on behalf of the Director of War Service Homes, who has directed that deposits must be paid before the contracts are signed.

Some time must elapse after the signing of the contract before a contractor can obtain the materials necessary for the job.

Many of the applicants introduce and make their own arrangements with the contractors and request the acceptance of a tender, knowing that some delay in commencement will inevitably occur.

(4) In the majority of cases, delays of over six months before the contractor can commence are inevitable.

(5) Every effort is being made to speed up the building rate of War Service homes.

(b) *As to Commonwealth-State Contracts, Midland Junction.*

Mr. BRADY (without notice) asked the Minister for Housing:

In view of the fact that there is a lag of 500 houses required in the Midland Junction district, is there any foundation for the rumour that the State Housing Commission is reducing the number of contracts being granted to the Commonwealth tenancy home builders in the Midland Junction district?

The MINISTER replied:

I have no knowledge of the matter at present, but I will make some inquiries and let the hon. member know.

EAST PERTH POWER HOUSE.

As to Cost of Frequency Changer.

Hon. J. B. SLEEMAN asked the Minister for Works:

Will he inform the House what is the total cost to date of the frequency changer in the East Perth power house?

The MINISTER replied:

Some accounts are still outstanding—approximately £190,000.

BILLS (2)—FIRST READING.

1. Road Closure.

2. Reserves.

Introduced by the Minister for Lands.

MOTION—COMMONWEALTH BUDGET.

As to Effect on Industry, Inflation, etc.

Debate resumed from 24th October on the following motion by Mr. Marshall:

That this House condemns the Budget proposals recently introduced into the Commonwealth Parliament as being—

- (a) prejudicial to all industry;
- (b) certain to increase inflation;
- (c) sure to impoverish our people further;
- (d) a failure to face up to the basic financial problems with which Australia is confronted.

THE PREMIER (Hon. D. R. McLarty—Murray) [2.36]: I would like to draw the attention of members to the motion moved by the member for Murchison.

Hon. J. B. Sleeman: It is very embracing.

The PREMIER: That is so, and it is a most sweeping condemnation of the Budget of the Commonwealth Government; in fact, it is so sweeping that I do not consider that this House should pass it. It is rather an extraordinary procedure for one Parliament to censure the Budget of another Parliament. Commonwealth and State finance is so closely interwoven these days that we might have the spectacle one day of a member getting up in this House and condemning the budgetary proposals of another State Parliament. I do not think that state of affairs should be encouraged. As the member for Fremantle has interjected there is no question but that this is a very sweeping condemnation of the Commonwealth Government's Budget.

Over the years I, like many other members, have listened to speeches by the member for Murchison, and I would inform the House that the speech he delivered on this motion was taken home by me and read very carefully. To the extent that he has endeavoured to direct attention to the economic conditions which prevail today, not only in this country but throughout the world, he is, I think, entitled to the close attention of all members. In fact, I would say that anybody who is interested in the monetary problems that face us today and expresses those views is worth taking some notice of. Whether we agree with the hon. member or not, none of us is unmindful of the fact that he has given a tremendous amount of attention to the problem of finance. He has his own views, and not all of us agree with them but, in these proposals which are so sweeping in condemnation of the Commonwealth Government, he also embraces his own plan. So, actually, we have not only the censure motion on the Commonwealth Government, but also what I may term a second Marshall plan.

While I am prepared to pay respect and attention to anyone who tries to stimulate interest in the economic conditions that affect us today, I cannot see that the speech of the hon. member has provided any solution of our difficulties. The hon. member dealt at length with matters on which he had spoken on numerous occasions relating to monetary problems associated with the control of credit. The real question that this House has to answer is whether the Commonwealth Budget will produce all or any of those evil effects that the hon. member says it will. So far as I have been able to gather from listening to and reading his speech, he seems to have made two points, with which I propose to deal.

Hon. J. B. Sleeman: Two good ones.

The PREMIER: Well, we shall see. The first point was that the root cause of inflation is the effect of taxation on prices, and the second point was that prices should be subsidised by using credit without any cost to the country. We have heard the

hon. member on that subject many times, and really I do not think he has been able to convince his own colleagues that the use of credit without cost to the country is a practical solution of our difficulties.

Let us examine the first point raised by the hon. member. I think it can be disposed of without much difficulty. I have gone to the trouble of having figures taken out for me that relate the cost of living to the rate of income tax on a percentage basis. The figures cover the years 1944-45 to 1950-51. I can let the hon. member have them if he so desires. During those years there was a reduction in taxation; yet the retail price index numbers converted to a basis for the years 1944-45 to 1950-51 show an increase every year. Here are the figures—

Year.	Rates of Income Tax.	Retail Price Index Numbers.
1944-45	100	100
1945-46	93.9	100.7
1946-47	77.8	103.1
1947-48	63.5	109.8
1948-49	54.4	120.5
1949-50	46.1	131.6
1950-51	44.6	150.4

So it will be seen that, whereas taxation has been steadily reduced since 1944-45, prices have steadily risen. I think the hon. member will need to find some explanation for that.

Now let us examine the second point. This may not be so easy to clear up, because the suggestion put forward by the hon. member has not, so far as I am aware, been tried by any Government. I have stated before, and have no hesitation in saying again, that I believe the issue of credit to subsidise prices would only tend to create a worse position than the one the proposal is aimed at correcting. As I proceed, I shall have something more to say about subsidies. Our problem is that too much money is chasing too few goods. That, I believe, will be admitted by every member.

Hon. A. R. G. Hawke: Why is that the problem?

The PREMIER: As I proceed, I shall try to indicate the reason to the Leader of the Opposition.

Hon. J. T. Tonkin: That is not the case with tractors in this State.

The PREMIER: It has been so.

Hon. J. T. Tonkin: It is not now.

The PREMIER: We were desperately short of tractors, and farmers were prepared to pay almost any price to get them.

Hon. J. T. Tonkin: But you are dealing with the problem now and that is not the problem.

The PREMIER: There are many other things apart from tractors.

The Minister for Works: Such as kerosene.

The PREMIER: The high price level today is a symptom and not a cause of our difficulty. To reduce prices and yet leave unchanged the money available for spending would not alleviate the difficulty, but would leave us with the same problem in a more acute form. What the ultimate effect of such a proposal would be can only be guessed; I do not know of any Government that has put it into effect.

Mr. Marshall: Can you tell me why there are subsidies on certain commodities today?

The PREMIER: Yes; that is part of the Commonwealth Budget to which I shall give some attention. As to the causes of inflation in Australia, I think they can be set down with a reasonable degree of certainty. The first cause was the war. During the war period, there was a substantial increase in the amount of credit issued to pay for the servicing of the Fighting Forces and the equipment they required. Undoubtedly that was inflationary. That great increase of credit was not accompanied by an increase in the production of services and commodities. The result was that there was a large increase in the amount of money available in the country, and an actual decrease in the volume of goods and services available to the people.

In 1939, the amount of bank-notes issued and held by the public was approximately £35,000,000, whereas the latest figures published by the Commonwealth Bank show that the people now hold over £240,000,000. In other words, there is eight times as much money in the hands of the people now as there was in 1939. As the member for Murchison has told us on many occasions, money of itself is of no value. What value it possesses is in its acceptance by the public as a medium of exchange. If we had no money we would have to revert to a system of barter, with all its consequent difficulties and delays. Members know that some system of exchange had to be obtained, and money was found to be the easiest. Where a community has an acceptable medium of exchange in money, no matter what that money may be, goods and services are freely exchanged for it. Once money loses general acceptability its value ceases, and that is one of the great dangers of inflation.

If inflation is allowed to go unchecked, it must ultimately result in people refusing to accept money because of their fear that it is no longer acceptable as a medium of exchange. We have yet another cause of inflation, and that is the accumulation of work at the end of the war, due to the need of the nation to divert as much of its resources as it could to the successful prosecution of the war. This

large accumulation of work naturally gave rise to a greatly increased demand for the material and manpower needed for all civil purposes that was far in excess of the resources of the community to meet.

Hon. A. R. G. Hawke: That should have brought down the prices of goods.

The PREMIER: I do not agree.

Hon. A. R. G. Hawke: I will try to prove it later on in a lengthy speech.

The PREMIER: Even with the most rigorously controlled form of price control, it would have been impossible to keep prices checked unless the nation as a whole was willing to accept the sacrifices imposed on it by such a policy of price control. Since the war ended, we have seen many instances of blackmarketing of goods and services in short supply, clearly indicating the reluctance of at least a section of the community, and I would say a pretty large section, to accept price control.

So where there exists a very big demand for goods and services, a large supply of money and a great shortage in the supply of goods and services, it is inevitable that prices will rise, and the problem which confronts the Commonwealth and all the Governments of Australia is how to curb the demand in order that rises in prices may be as small as is humanly possible.

Another factor which has contributed to inflation has been the policy of migration. I think all members will agree with that. While we recognise it is most desirable that, from a defence point of view and from a developmental point of view, Australia should increase its population, I think anyone will agree that a large influx of migrants must impose a severe strain on the country's economic system. While these migrants will ultimately become contributors to the productive wealth of Australia, it cannot be denied that initially at least they become a liability and increase the demand for the limited supply of goods and services available.

We know that migrants have gone into very many useful occupations in this country—into the coalmines, the timber mills, the housing industry and so on. But, even so, they still create a liability. Houses have to be provided for them, and clothes, food, transport and other necessities. And on top of this economic stress Australia is attempting to prepare itself for defence in the event of another war, and this preparation must not only divert manpower, but also divert material for that purpose which otherwise would be available for other purposes. But inflation is not confined to Australia. It is world-wide. I think the hon. gentleman admits that.

Mr. Marshall: Is not high taxation world-wide?

The PREMIER: Yes, high taxation today is world-wide.

Mr. Marshall: Yes, of course it is! And the countries experiencing high taxation have the highest prices for goods.

The PREMIER: I have indicated to the hon. gentleman what happened in the years I quoted. With reduced rates of taxation, we have seen higher prices.

Mr. Marshall: I will answer directly with the actual figures the point about decreased taxation.

The PREMIER: Inflation is not confined to Australia, but is world-wide, and the great demand for our primary products for export has caused a substantial and spectacular rise in the prices we have obtained for those exports. The establishment of credit overseas for the sale of those exports has made available large volumes of purchasing power in Australia. Insofar as purchasing power is put to use, it increases a demand for the limited supply of goods and services available in Australia. The hon. member asked whether there was this high taxation abroad. There most certainly is. I learned that from experience when I was abroad.

Mr. Marshall: In that respect America is the worst of all, and it has the highest cost of living.

The PREMIER: We have it in all the democratic countries of the world. I do not think anyone will disagree that the causes of inflation are as outlined. There may be other causes I have omitted, but in the main I have stated what are generally recognised to be the facts in regard to the reasons for inflation in our country. It does not matter what action any Government takes to counter inflation, it will meet with the disapproval of some people. There is no question about that. Whatever action is taken must have as its objective the curtailment of demand; and the Commonwealth Budget attempts to do that.

It must also attempt to put first things first and endeavour to meet the most urgent needs by giving those needs first claim on our resources. The Commonwealth Government has adopted what it calls fiscal measures and, by restricting the issue of credit, by imposing a heavy sales taxation on certain articles which it deems to be less essential than others, and by imposing direct taxation on the incomes of the people, it hopes to make some contribution towards checking further inflation.

Mr. Marshall: So you argue that the more taxation we add to the price of goods, the lower the price will be?

The PREMIER: No, I do not argue that. The member for Murchison feels that the Commonwealth Government has gone so far that, instead of decreasing in-

flation, its actions will increase inflation and, as a result, will impoverish our people still further.

Mr. Marshall: That is the point.

The PREMIER: That is the hon. member's claim.

Mr. Marshall: It will impoverish the people.

The PREMIER: I do not think this House is competent to express such an opinion, and I do not think we should pass this motion, certainly not in the very strong terms in which it has been drafted by the hon. member. One thing is certain, namely, that if inflation is not checked the next corrective action will be much more painful than the one now proposed by the Commonwealth. The real check to inflation can come about only when the people of Australia believe that it is going to be checked. If the people believe that the trend of prices is going to be downwards instead of upwards, they will withhold some of their purchases in the hope that they will save money. The effect of such action by millions of Australians would soon cause prices to come down. This, combined with a determined effort to increase production, would ultimately bring the supply of services and goods available for purchase into line with the demand for them. So long as we function as a free and democratic community, the law of supply and demand will determine price levels. If the demand for goods and services can be diminished and the supply increased, then we can have some hope of achieving economic stability.

Mr. Marshall: What factor controls the law of supply and demand?

The PREMIER: It is affected by the quantity of goods produced and the demand for those goods.

Mr. Marshall: But what makes the demand for the goods?

The PREMIER: The fact that people want them.

Mr. Marshall: It is no good wanting goods if you have no money, so it is money that controls the issue.

The PREMIER: Not always.

Hon. A. R. G. Hawke: It is important.

The PREMIER: It is; there is no question of that.

Hon. J. T. Tonkin: Does it not resolve itself into a question of the actual demand or need?

The PREMIER: Yes, which gets us back to the law of supply and demand.

Mr. Marshall: What demand would there be in Australia for a pound of butter if not one individual had 6d.? There would be no demand.

The PREMIER: I cannot agree with that. The hon. member might just as well ask what demand would there be for food if no-one had any money.

Mr. Marshall: As you reduce the purchasing power of the people by taxation, and increase prices at the same time—

Mr. SPEAKER: Order!

The PREMIER: I disagree with the hon. member there. So far as I am able to judge, the Commonwealth Budget is framed with the object of bringing about stability. Whether or not it will succeed, only time will tell. Whether the measures being adopted by the Commonwealth Government are the most effective is a matter of opinion, but again I hope this motion will not be carried.

The hon. member referred to the taxation proposals of the Commonwealth, and was very hostile to them. In times of inflation; such as these, the last thing we want is for a Government to bring down a deficit Budget. If the Commonwealth had left taxation as it was, we would have had a deficit Budget of £46,000,000, which, of course, would be inflationary. The hon. member shakes his head, but whilst he may by now be considered an authority on finance, I think he would be hard put to it to find any eminent authority on the subject, throughout this continent, who would agree with him that a deficit Budget was other than inflationary.

Mr. Marshall: What does a Budget showing a surplus of £240,000,000 odd mean to the community? Is it not inflationary?

The PREMIER: I will tell the hon. member what a surplus means to the community. If the Commonwealth were not to impose a higher rate of taxation, it would be necessary to make cuts in many directions. Let us look at where the largest amount of expenditure is. We find it is on defence, which is costing a tremendous sum of money—many millions of pounds. I remind the member for Murchison that in order to prevent inflation, defence expenditure is being taken from revenue and not from loan. Would any member here suggest that there should be a cut in social services? They are increasing all the time so that a greater obligation than ever, in this connection, rests upon the Government. I have not heard any member of this Chamber say that he would agree there should be a cut in social services.

We come now to public works. We know the row that is going on at present in regard to the provision of money for public works. I ask again: Would any hon. member suggest there should be a further substantial cut in the public works programme? We have already had a 25 per cent. reduction, which was made so that we could do something to prevent the spending of money which has an inflationary effect. Another direction where money might be saved is on administration.

Where the Commonwealth has taken steps in that direction, it has been met with a storm of criticism. When the member for Murchison was speaking, the Leader of the Opposition said that ceilings on dividends should be fixed. I find the Commonwealth has no power to do this, but I would remind the Leader of the Opposition that the Commonwealth has taken what many people regard as very drastic action in regard to dividends. The taxation of companies has been substantially increased.

Mr. Kelly: Is it not a fact that the general public find all the money that goes into increased taxation?

The PREMIER: I would say the general public has to find increased taxation in any case, because company shareholders, businessmen, salaried people, and all others, are the general public. The severity of company taxation has seriously checked the dividend position because, as the Leader of the Opposition knows, the tax is 9s. in the £1 before there can be any distribution to shareholders, and, as the hon gentleman is also aware, there is a further tax on dividends when they get into the hands of the shareholders.

Hon. A. R. G. Hawke: All the taxation goes into the prices.

The PREMIER: It cannot all do that. I cannot follow this argument that all the taxation goes into the prices.

Hon. A. R. G. Hawke: Where do the dividends come from?

The PREMIER: The high dividends come from the colossal amount of money in the hands of the people, and from the demand for goods.

Hon. A. R. G. Hawke: Do the dividends not come from profits?

The PREMIER: They most certainly do.

Hon. A. R. G. Hawke: And do not profits come from prices?

The PREMIER: Yes.

Hon. A. R. G. Hawke: Thank you.

The PREMIER: In answering the Leader of the Opposition I am glad to have supplied him with the information, but I thought he was already in possession of it. Further efforts have been made by the Commonwealth in regard to capital issues and, of course initial depreciation. We have had an increase in sales tax and excise on luxury goods.

Mr. Marshall: Will the Premier explain what "luxury goods" are?

The PREMIER: If I started to explain what luxury goods are I might keep the hon. member here longer than he would like to stay.

Mr. Marshall. I would stay here a long time to deal with that issue.

The PREMIER: If the hon. member decided to buy Mrs. Marshall an expensive fur coat, that would be a luxury. If he decided at Xmas—Mrs. Marshall may not approve of this—to buy his wife a most expensive diamond ring or something of that sort, I would say that was a luxury, and so I could go on, adding to the list of luxuries.

Mr. Marshall: Why not give us the list of things on which the Commonwealth Government has increased the tax—babies' food, ice-cream, powdered milk and so on?

The PREMIER: I do not think the hon. member can expect me to recite that very long list from memory, and I have not brought it with me.

Mr. Grayden: The tax on jewellery has doubled.

The PREMIER: Our taxation, for all its severity, compares favourably with that of either Great Britain or New Zealand today.

Hon. A. H. Panton: It would need to.

The PREMIER: I will remind members of some of the things that the Commonwealth Government has done in an effort to keep down inflation in this country. First of all there was the one hundred million dollar loan, by means of which mining, agricultural and land-clearing machinery, locomotives and so on were brought into the country. I could add to that list—all immediate requirements which this country could not produce, but which we urgently needed. The hon. member favours subsidies to keep down prices, so let us look at what the Commonwealth has done in that direction. It has relaxed import duties on urgently required goods and in that way has given a subsidy running into many millions of pounds. We have imported, duty free, great numbers of prefabricated houses and the Commonwealth this year will subsidise the importation into Australia of one million tons of coal—the member for Collie will no doubt be interested in that—and in the previous year hundreds of thousands of tons of coal had to be imported.

The Commonwealth Government, as I say, is subsidising the importation of coal, which is one of our basic requirements. Enormous quantities of timber have had to be imported, and there again the Commonwealth has granted a subsidy by refraining from imposing customs duty. In 1950-51 Australia imported 375,000 super ft. of timber, and great quantities in previous years. A sum running into millions of pounds has been subsidised on the importation of machinery into Australia.

Mr. McCulloch: Yes, and we cannot sell all the tractors that we are making here.

The PREMIER: As I said to the member for Melville, that is one of the requirements with which we have caught up. As members know, £16.8 million has been spent on the butter subsidy and tea has been heavily subsidised. Imports into Australia for this financial year may be in the vicinity of £900,000,000; all urgent requirements subsidised by the Commonwealth! The Commonwealth Government is financing its public works programme from revenue and not from loan, which allows the States to get their full £225,000,000 loan programme. What a sorry plight we would have been in had the Commonwealth come on to the loan market with its requirements of over £100,000,000.

Mr. Marshall: Why?

The PREMIER: Because, as the hon. member knows, we could not get the money.

Mr. Marshall: Cannot get the money?

The PREMIER: It is no use having fantastic ideas about it.

Mr. Marshall: I wish you did not indulge in fantastic ideas about it.

The PREMIER: We have been to the public and have failed. It would be no good having Marshall filmsies. The Commonwealth Government has underwritten the difference between what we are able to get from loan and the actual sum required.

Mr. Marshall: Yes, Fisher's filmsies! Where would we be without the Commonwealth Bank now?

The PREMIER: I will not have the Marshall Plan No. 2. It is of no use.

Mr. Marshall: The time will come when we will have to adopt it.

The PREMIER: I have on a number of occasions heard the hon. member say that bank credit is the cure for inflation today, and I have heard him say it is the cure for our troubles in time of depression. I find it rather difficult to follow such an argument—that bank credit is the answer in both cases, but he may have something—

Mr. Marshall: I said no such thing.

The PREMIER: The hon. member may have something—

Hon. A. R. G. Hawke: Even if he did say it, it was correct.

The PREMIER: The hon. member astounds me!

Mr. Marshall: I said, "The Commonwealth Bank" and not, "bank credit," which would imply that you could get credit from all banks.

The PREMIER: "The credit of the nation"! That is splitting straws.

Mr. Marshall: I said, "The Commonwealth Bank."

The PREMIER: It is still bank credit. If the hon. member wants it as the Commonwealth Bank, he can have it so.

Mr. Marshall: I am going on the report of the Royal Commission.

The PREMIER: The hon. member condemned certain people who have expressed approval of this Budget.

Mr. Marshall: I do.

The PREMIER: Sir Douglas Copland was rightly condemned and yet he was financial and economic adviser to the late John Curtin and the late Mr. Chifley.

Mr. Marshall: That is one of the great troubles; Governments come and go, but these scoundrels stay on for ever.

The PREMIER: Though I am on the opposite side of the political fence from the gentlemen I have mentioned I knew both, and know that the late Mr. Chifley was not the type of man to have as confidential adviser anyone in whom he had not great confidence.

Mr. Marshall: I hold an opinion different from that of the late Mr. Chifley.

The PREMIER: We have Professor Black of the Sydney University.

Mr. Marshall: It is a pity we have not "Professor White".

The PREMIER: And there is Professor Mauldon.

Mr. Marshall: You will be telling me about Professor Grayden directly.

The PREMIER: The fact that the Leader of the Opposition almost goes into hysterics at the mention of the name of Professor Mauldon does not detract in the slightest degree from that gentleman's qualifications to express an opinion.

Mr. Marshall: Did you ever hear a cockatoo repeat more than it was taught?

The Minister for Lands: We have listened to you many times.

The PREMIER: It is all very well for the hon. member to try to get out of it like that.

Mr. Marshall: I will be on my feet directly and I will get out of it in no uncertain fashion.

The PREMIER: I expected that, so I am not alarmed. But let us be serious for a moment or two. I have quoted leading authorities in Australia, and I have heard the member for Nedlands the other evening quoting from Professor Estey. He read extracts from the writings of that eminent economist who also approved, or I should say advocated, these measures now being taken by the Commonwealth Government.

Mr. Grayden: Every economist in the world advocates the same thing—not professors of chemistry, either.

The PREMIER: I have asked many people in different parts of the world how we can get over this problem of inflation, and the orthodox answer has always been "more production".

Mr. Manning: That is the real answer.

Mr. Marshall: Then explain to me how it is that America, which produces five times more than it can consume, is suffering from inflation more acutely than any other country in the world.

The PREMIER: I suggest that firstly we should try to put our own house in order. I believe the hon. member would be much better occupied if he came to me and said, "Look. Let us try to devise some plan whereby we can bring about increased production in this country."

Mr. Marshall: Then you would refer to it as "Marshall's flimsies".

The PREMIER: No. I would still refer to it as the "Marshall Plan No. 2". But how we can bring about increased production must be the concern of all Governments today.

Hon. A. R. G. Hawke: Evidently the Commonwealth Government thinks you can bring it about by increasing taxation.

The PREMIER: If the hon. member were Prime Minister of Australia today—

Hon. A. H. Panton: God forbid!

The PREMIER: —he, too, would be increasing taxation.

Hon. A. R. G. Hawke: He would not.

The PREMIER: Of course he would. He could not get away from it if he wished to maintain social services, preparations for defence, carry out a public works programme, provide money for the States and do all the other things that are necessary. He could not do it without increased taxation unless he resorted to bank credit and adopted the "Marshall Plan No. 2."

The Minister for Lands: If he was Prime Minister of Australia we would be paying double the taxation we are now.

The PREMIER: Before the Chifley Government went out of office many advertisements appeared in the Press urging us to increase production, urging us to save and telling us not to buy goods that we did not want. I think that was sound advice, and I sympathise with those people who are today advocating that there should be some measure of consumer resistance. I believe that much is being bought today that is not required and in certain cases, where goods have gone to an excessive price—to a price far in excess of that to which they should have gone—it would be to the good of the community if some form of consumer resistance could be brought about; there would certainly be some justification for it and I would be prepared to do what I could to encourage those people who advocate it.

Hon. A. R. G. Hawke: Would you lead a butter strike at Pinjarra?

The PREMIER: No, I do not believe in leading strikes at any time. We have arbitration and conciliation machinery set up in this country, and we should all abide by it.

Mr. Marshall: But you would not agree to the machinery required the other night on the wheat Bill.

The PREMIER: If everybody abided by laws of arbitration we would get well along the road to progress. When I was talking about consumer resistance I was reminded of a little rhyme that I read some time ago when the Chifley Government was in power. This rhyme appeared under the name of Mr. Calwell who was urging people to save, and he said this—

A wise young wife a'shopping went,
The more she saw the less she spent,
The less she spent the more she saved,
And now with gold her future's paved.

I wonder what the hon. member thinks of that.

Mr. May: What do you think about it?

The PREMIER: I think it is pretty good advice.

Mr. Marshall: I think they got that from a squirrel at the zoo.

The PREMIER: Not from a squirrel, but maybe from the cockatoo the hon. member was talking about. However, that was to try to encourage people to save and spend wisely, and I consider it good advice. I have spent a considerable time—much more than I thought—on speaking to this motion and I certainly hope that the House will reject it. It is a most extraordinary procedure for one Parliament to censure another, especially in such extravagant language, and it will not do the slightest bit of good. As I have told the hon. member before, when speaking to similar motions he has moved, I do not ignore them and, as I told the hon. member on another occasion when he moved a similar motion to this, if it were carried I would not be content to let it lie but would send it on to the appropriate authorities. So I am not ignoring this motion; I take it seriously but I do appeal to the House to reject it because I consider it unwarranted and we would not be justified in carrying it.

Sitting suspended from 3.30 to 3.45 p.m.

HON. A. R. G. HAWKE (Northam) [3.45]: It is a very great pity that a motion of this description should come before the House for discussion at this late stage of the session. I suggest that a similar motion to this should be tabled early next session so that members generally might have an opportunity of expressing their views in connection with the problems covered by it. It is hardly

correct to say that the motion attacks the Commonwealth Parliament. It attacks the proposal contained in the Budget of the Commonwealth Parliament as approved by a majority of members in that Parliament early this year.

Mr. J. Hegney called attention to the state of the House.

Bells rung and a quorum formed.

Hon. A. R. G. HAWKE: The motion called upon the House to condemn those proposals on four specific grounds. Those grounds are, firstly, that the proposals are considered prejudicial to all industry; secondly, that they are certain to increase inflation; thirdly, that they are sure to impoverish our people further and, fourthly, that they constitute a failure to face up to the basic financial problems with which Australia is confronted. In his speech the Premier referred to the approval voiced for the proposals by certain professors of economics in Australia. Among others he mentioned Professor F. R. E. Mauldon, head of the Department of Economics in the University of Western Australia. The professor returned to Western Australia from England about four weeks ago and gave an interview to a reporter of "The West Australian." The subject-matter of the interview was published in the issue of the 7th November, and I propose to read extracts from it. It is headed, "Perth Professor on Bold Budget." He was reported as follows:—

As a bold attack on inflation, the Federal Government's 1951-52 Budget must have the general approval of all who understand the economic realities in Australia.

This was said at Fremantle yesterday by Professor R. E. Mauldon, head of the Economics Department at the University of W.A., who returned after a tour of Britain, America and Europe.

"The Budget shows a courage to face unpopularity which the previous Budget lacked," said Professor Mauldon.

By taxing to produce a surplus of £114,000,000 after providing for the inescapable increase in defence expenditure, it moved in the direction of a justified use of taxation for drawing off excess spending power.

It now remained to be seen whether the Government's fiscal policy would call a halt to the rise in prices.

"It is by no means certain that it will," said Professor Mauldon. "Drastic and unpopular as the Budget appears to be, it may not have been drastic enough."

He would not be surprised if a harsher Budget were proposed next year.

Mr. Marshall: Now Professor Copland is anticipating the same thing.

Hon. A. R. G. HAWKE: In that statement we have a clear-cut declaration by the professor that the alleged remedy applied might not succeed this year. There is almost a confession that it will not succeed this year. Instead of its probable failure this year proving in fact that it is not a remedy, the professor argued that its failure this year will be a conclusive argument in favour of a very greatly increased dose of the medicine to be given to the patient, namely, the Australian people, next year.

All in all, I regard the present Commonwealth Budget as being disastrous, especially taking a reasonably long-range view of the results that are sure to arise from it. When the Premier was speaking, there was some discussion across the Chamber between him, the member for Murchison and myself regarding the taxation policy of the Commonwealth as included in the Budget. The Premier argued that the Commonwealth Government had substantially increased taxation upon dividends and therefore upon profits, and tried to justify that policy on the ground that somehow it would have a deflationary effect.

As you know only too well, Mr. Speaker, most taxation upon industry is recovered, usually with something added, in the prices charged for the goods produced by industry.

Mr. Marshall: Industry has to make a success of business.

Hon. A. R. G. HAWKE: Therefore, the greater taxation of profits can have only one major effect, and that is to push up prices and, the further prices rise, the greater the degree of inflation inflicted upon the Australian people. Thus, the increased taxation aspect of the Commonwealth Budget is inflationary and must inevitably push prices up still higher, and, by pushing prices higher, a situation is immediately and continually created for further increases in the basic wage in every State of the Commonwealth. Every increase in the basic wage brought about in that way further increases the cost of production in every industry, and further justifies industry in getting higher prices for its goods where the price fixation system operates.

When I suggested in this House some weeks ago that there should be a ceiling on profits, the idea I was trying to put forward was there should be a very stringent control of the costs of production, and of the margin of profit to be permitted on the bare and essential costs of production. One of the troubles today—and it is a very great trouble—is that the costs going into production are, in many instances, unjustified and extravagant. The more unjustified and extravagant the items of costs going into production, the greater the final price at which the goods from that industry are sold, and usually the higher the profit won by the companies in their operations.

The fact that a Government decides to take a greater share of those profits from the companies does not represent the slightest solution of the problem, but rather has the effect of aggravating it.

Mr. Marshall: They add that to the cost of production and so increase prices again.

Hon. A. R. G. HAWKE: The Premier spoke about the desirability and probable necessity of increasing production. He said that orthodox economists all over the world, when asked the major method to be adopted to solve the world's inflation problem, replied without exception, "Increase production". There is certainly plenty of room in Australia to increase production in many vital directions. But would anyone argue that the Commonwealth Budget would encourage anybody to increase production? Will the increased taxation that the Budget will impose upon industry encourage those associated with industry to increase production? In my judgment, such taxation will have the opposite effect, and production, instead of being increased, will, I am afraid, in many instances unfortunately be reduced. On that important ground, therefore, it deserves to be condemned as being certain, under that heading, to increase inflation and not to minimise it in any respect.

We were told by the Premier that prices by and large were controlled by the law of supply and demand. If he had been speaking in reference to the period prior to about 50 years ago, I think he would have been correct. Today, and for a considerable number of years past, there has been no natural operation of what is called the law of supply and demand so I would ask the Premier—who controls this law of supply and demand in these modern days?

Obviously the law is no longer a natural law. No longer is it permitted to operate in a natural, uninterrupted and unhindered way. Combines, monopolies, semi-combines, semi-monopolies, cartels and honourable understandings between one business concern and another have all contributed to bring about a situation where the law of supply, at any rate, is controlled for profit-making purposes, and to gain power for those who control the destinies of those combines, monopolies and other business organisations.

We were told by the Premier that inflation had been brought about largely, if not completely, by the fact that we have too much money chasing too few goods. In other words the demand for goods greatly outstrips the supply of goods. Therefore, according to the Premier, prices rise. I do not know whether you, Mr. Speaker, remember the theory which was propounded in your young day and my young day—or should I say in our younger days—by the orthodox professors of economics. One of their great theories was that the quick turnover of goods was a major factor in reducing prices. I cannot

remember a period in our history when goods were turning over more quickly than today. So the fact that there is a very strong and continuous demand for goods today should be a factor in reducing prices and not in increasing them.

I have never accepted the theory put forward by the Premier that high prices have been brought about by the fact that too much money is chasing too few goods. For instance, if one is a manufacturer or a wholesaler, or even a retailer, he is able to dispose of all the goods almost as soon as he produces them, practically upon a ready cash basis. That enables him to carry on his activities at a lower percentage of profit than he would need to obtain if the turnover of his goods was a slow-motion operation. So this contention, which seems to have gained wide circulation and acceptance, that prices have risen and are rising because too much money is chasing too few goods, does not make the slightest appeal to me. It is not based on facts or commonsense. It is amazing how these professors of economics can change their tune almost completely—

Mr. Marshall: The trade cycle it used to be at one time!

Hon. A. R. G. HAWKE: —to suit the particular circumstances of a situation. I know that where blackmarketing operations are carried on, prices paid for goods, where the demand is greater than the supply, are very high. But we are not considering prices upon the basis of blackmarketing operations. We are considering them upon the basis of what is allowed under the price-control systems operating in the various States of Australia, and considering them in respect to goods which are not controlled in regard to price, but in connection with which there is no blackmarketing of any consequence.

I think that if we are to take any commodity which is in abundant supply today, we will find that its price is still high compared with what it was one year, two years, five years, 10 years or 15 years ago. Obviously, therefore, we have to look elsewhere for the major factors responsible for the increase in prices in Australia; and beyond any shadow of doubt, in my judgment, the taxation factor is the most important of all.

We all know, without going into figures, that taxation upon industry in Australia has increased enormously since 1939. Most of that taxation has to be recovered from industry by Governments and industry, in turn, has had to recover it from the consuming public in prices which have been charged to the community. In the process, profits have been increased very greatly in all too many directions. There has been no effective control over the cost of production. As a matter of fact, I am sure every member in this House knows that in trade, commerce and industry generally there has been a very great

looseness, and a very great extravagance on the part of management in regard to carrying on business activities.

All of these things have caused the cost of production to be pushed higher and higher, thereby increasing prices ever so often. The inevitable result has been to cause the basic wage to be adjusted upward at every quarterly investigation. So from whatever angle we look at the Commonwealth Budget, we are driven irresistibly to the conclusion that it is one which has not the ghost of a chance in the world of easing, even to the slightest extent, the existing inflationary problem. On the contrary, the unavoidable result of the operation of the Budget proposals will be very greatly and, in my opinion, even disastrously, to increase the existing inflationary pressure upon our industries and upon our people. I do not propose this afternoon, because of the limitation of time, to deal with the banking or national credit phase of the problem.

Mr. Marshall: It is the only solution.

Hon. A. R. G. HAWKE: It is a most important phase of the situation, and as each day comes and goes it will become even more important and urgent. As I see the question, there are only two alternatives before us, and one is to allow the existing Commonwealth policy to continue, and so push the inflationary bubble outwards until it bursts and brings upon the people a severe deflationary problem, and the other is to bring about a great change in the banking system of the nation. We all know that money as such, whether in coins, banknotes or bank cheques, depends for its value and its negotiability on the assets and productive activities of the nation. Therefore the credit basis of this or any other nation ought to be owned absolutely by the people through their elected authorities.

The credit system as developed upon that basis, and as operated, especially in the form of bank cheques, ought to be controlled absolutely by the nation through its elected representatives and through them, of course, by experts specially trained and appointed for the purpose. Under that system financial accommodation could be made available to industries and governments at a fraction of the cost which is charged to them now, because of the fact that our credit system is owned by private interests and is operated almost entirely by them. We in Australia are a comparatively small population, yet within a period of 30 years we have played a major part in two world wars at a cost which our small population cannot possibly carry except by taking upon itself huge loan indebtedness.

We have indebted ourselves to the private financial system to such an extent that it is utterly impossible for us—our people and our industries—to meet. We could not pay our way in either war be-

cause of the financial system which operated during the wars. Consequently the Governments of Australia, on behalf of the people, put the nation into debt—practically into pawn—to those who falsely had obtained ownership, as it were, of the credit system of the nation and had exploited that system for the purpose of enslaving the nation financially to themselves.

The Attorney General: Would not you say that the nation is rather indebted to the individuals?

Hon. A. R. G. HAWKE: If the Attorney General were to go closely into that matter he would find that a tremendous amount of Australia's indebtedness is owed to financial institutions.

Mr. Marshall: I venture to say 90 per cent. of it is.

Hon. A. R. G. HAWKE: In any event, those who have taken control of the credit system of our nation have within their hands the power to impoverish most of the people in a short space of time, as was done in 1930 and 1931 and the three or four succeeding years. Under the existing system, Australia will never pay for its war efforts. It will adopt the expedient, which has been followed in other countries using a similar financial system, of paying off one set of bondholders to place itself in debt to another set. I have heard it said, and evidently this has been recorded, that the taxpayers of Great Britain are still paying interest on loans which were raised to fight the Battle of Waterloo.

Mr. Marshall: Interest is still being paid in New South Wales on the first borrowing to build roads in Sydney.

Hon. A. R. G. HAWKE: Therefore there can be little doubt that the financial and banking system in Australia puts the nation into hopeless and unending indebtedness. When I think, as I often do, that the private financial institutions in Australia have been able to do that only by exploiting the nation's own credit basis—the nation's assets and production resources—it seems to me it is a political crime of the greatest magnitude and one which the great majority of the people will wake up to in the reasonably near future.

I do not think we can educate the people to wake up to it today because in these times there is no chance of educating them upon vital matters of this description, but when they begin to find the capitalistic system hitting them in the pocket, as it did in the years 1931 to 1933, they will want to know the reason why. They will then study these problems as they did in those years, and they will be more receptive to hearing and understanding the truth about the whole situation than they are when conditions are good and, superficially at any rate, prosperity is evident. In proof of that I would ask members to give a moment's consideration

to the attitude of the Australian people towards the issue of the credit system, banking, and finance generally, as it was demonstrated in 1910 and 1911 as against the demonstration in 1949.

In 1910 and 1911—indeed in all the years before the first world war—the people of Australia were intensely interested in political problems and public questions. Almost every man and woman in Australia in those years knew a great deal about these subjects. In 1910 and 1911 there was a red-hot political fight in Australia on the question of private control of banking. The Press in those years put up the same campaign against the Labour Party as it used in 1949, and moved much earth and tried to move heaven in an endeavour to frighten the people of Australia on the question of banking and finance. But the people of Australia in those days, because they were well-informed upon these issues, because they were serious minded and knew their politics, were not scared, and the great majority of them voted on both occasions to uphold national supremacy with regard to the credit and banking systems of the nation.

In 1949 the picture was tremendously different because the people were not interested to any worthwhile extent and had no basic grounding in these matters, and no understanding of them to any great degree. The consequence was that they were easy victims of the scare propaganda campaign carried on by the apologists for the private banking system both through the Press and over the radio.

Mr. Marshall: They are beginning to realise it now.

Hon. A. R. G. HAWKE: It is not for me to be over-dogmatic about these things, and so I will conclude by saying that I will be prepared to accept the verdict of the next few years upon the points of view that I have put forward this afternoon.

MR. GRAYDEN (Nedlands) [4.22]: I listened with a great deal of interest to the speech in which the member for Murchison put his proposal before the House. That long and rather rambling speech contained many obvious fallacies, misstatements and distortions. I do not propose to go over them all because I believe the House has spent a considerable amount of its time, over the years, in debating the monetary proposals put forward by the member for Murchison, but I would like to draw the attention of members to a couple of the statements he made in order that they may be able to judge the amount of truth and fact contained in what he said. We should not believe a statement to be true merely because it is delivered with considerable lung power. We should not dismiss the opinion of a reputable man as being of no consequence merely because the member for Murchison flings invective at his head.

We should judge these things on the facts, and the speech of the member for Murchison was notoriously lacking in facts. During the course of his address he said that the amount of money in circulation each year depends on the whim of a few individual bankers and that they can do almost anything they like. I wonder whether he has heard of the 1945 banking Act. Briefly, it gives the Commonwealth Bank complete control over the volume of credit issued by the private banks. That control is exercised by means of a system of forcing the private banks to make deposits with the Commonwealth Bank, which is enabled to decide what reserves the private banks are to have.

The Commonwealth Bank could make the private banks hold a 90 per cent. reserve instead of the usual 14 per cent. reserve, if it so wished. Is not that limiting their activities? Can they do what they like when that is the case? Of course not! And so the hon. member should shift out of the early 1900's and come up to the present day. He also said, by way of proof, that ever since the 1800's taxation had increased steadily up to the present high level. The hon. member said that over the same period prices had increased up to their present level and that, therefore, the high taxes are the result of the high prices. No one with a knowledge of statistics would accept that as proof for a moment or believe that such a co-relation constituted any proof at all.

Over the years the incidence of cancer has perhaps risen by the same amount, but would the hon. member say that that is the cause of high prices? The fact that such things bear co-relation in time does not mean that they are in fact inter-related with each other. The hon. member would have to offer some better proof of his statements before any reasonable person would accept them. The member for Murchison seems to have two pet bogies that he cultivates carefully, and about which I understand he has had 20 years' practice in talking. He raises them up and shakes them at the House regularly every year. Those two bogies are the professors of economics and the international Jewish financiers, as I think he calls them.

I cannot see anything wrong with professors of economics. I have had the privilege of knowing a couple of them and have found them to be ordinary human beings. They are not out to grind the worker into the dust or to destroy the common man. They are not being paid by the international Jews. They are just ordinary Australians who are doing their jobs, but because they have the temerity to disagree with the opinions of the member for Murchison they are likely to be called scoundrels, blackguards or any other name that comes to his lips. He seems to believe they are the agents of the international Jews but he has brought

forward no evidence in that regard. He has not shown where any money has been paid to them from that source or that they are the bosom friends of such people.

Has he shown proof of any contact between professors of economics and the international Jews? Of course he has not! We are asked to accept his word for it but that sort of thing does not get us anywhere. If one is not worried about the facts one can talk on for hours about any subject, but I believe the time of this House would be better served if members came to the point and dealt solely with facts instead of indulging in theatricals. We have the two statements of the member for Murchison, to which I have referred, and they are totally false. I will deal first with some of the points upon which he condemned the Federal Budget. He said, firstly, that it is prejudicial to all industry. In a moment I hope to demonstrate that the Federal Budget is anti-inflationary, and, if that is so, is it being prejudicial to industry? If I can prove that it is anti-inflationary, it must follow that it is not prejudicial to industry.

Mr. Graham: You have a job in front of you proving that.

Mr. GRAYDEN: I do not ask the hon. member to take my word for it. When we have responsible authorities all over the world saying the same thing, with no reputable man in the same sphere contradicting them, it is pretty sure to be right.

Mr. Graham: The same authorities told us to pull in our belts; that caused the depression.

Mr. GRAYDEN: That was not the cause of the depression; that was said after the depression had started and therefore those people did not cause it. They may have prolonged it and made it more severe, but that was not the cause—the cause lies in an entirely different sphere.

Mr. Graham: You do not know your history.

Mr. Marshall: He certainly does not.

Mr. GRAYDEN: We can go only on the weight of learned opinion and the weight of opinion of people who should know something about it. For instance, we could believe that Japan had won the last war and that we were defeated. If some person was arguing with us, and said, "But how about all the troops coming back to Australia saying that we had won the war?" We could argue and reply, quite reasonably, by saying, "They would not like to admit that they were beaten and so they say that we beat Japan instead of admitting the truth." The other person would probably say, then, "What about the Government? Why do they not tell us?" Our answer could then be, "The Government would fall if it admitted that

this country was defeated in the war, and so it would be the first to hide the fact." The other person might say, "Then why not send somebody over to find out?" But when that person came back it could be easily said that he had been bribed while he was over there. In such a case everyone here would believe that we had beaten Japan purely because the whole weight of opinion of those who should know was that we had won the war. In the same way the whole weight of learned opinion says that this method of dealing with inflation is the best.

Mr. Graham: One is opinion and the other is a fact. That is the difference.

Mr. GRAYDEN: But what if it is opinion based on fact, or based on experience? The modern economist does not deal only with theory. He deals with facts and there is an enormous compilation and research into statistics on which most economists' time is spent. They do not make pure deductions, without any relation to figures. Their time is spent in analysing statistics, building up our fund of knowledge—building up a knowledge from the facts, and that is the only way to do it. But the type of theories that the member for Murchison puts forward are ones purely from deduction without knowing all the different facts that enter into the question. He deduces that because something happens, something else might happen and, if that happens, something else probably happens. The way to test the theory is to put it alongside statistics of the times. The only way is to say, "When this happened, did, in fact, this other thing happen?" That is the way that economists are checking all these theories, and I do not think that their findings have substantiated anything put forward by the member for Murchison.

The second point of his motion is that the Federal Budget is certain to increase inflation. As I said, I hope to demonstrate that the weight of learned opinion, based on facts, is behind the methods adopted in that Budget. He says that it is sure to impoverish our people further. If we are devoting so much of our income to defence, so much to development and so much to bringing migrants to this country, what can be consumed is only what is left of our income after those expenses come out of it. So there might be some truth in that if we cannot increase our production. But I do not think the member for Murchison had that meaning when he inserted those words in his motion.

His last point is that it is a failure to face up to the basic financial problems with which Australia is confronted. It is faced with an inflationary spiral, and with an economy where there is a great amount of money and few goods. It is faced with an economy where production is almost stagnant and it is faced with the task of

building a great nation with few resources. I believe that the Federal Budget is a sincere and courageous attempt to face up to those problems. I have quoted in this House before an extract from a book called "Business Cycles" by Professor Estey, who is an economist of world-wide repute. He has this to say—

The fiscal devices at the disposal of the government fall into two general classes:

- (1) Variations in the aggregate of such governmental expenditures as can be varied, deliberately or by some automatic arrangement, with stabilising effects. Such stabilising expenditures lie in two major areas:

- (a) expenditures on public works, or communal goods such as roads, schools, post offices, hospitals, parks, and the like.

Mr. Graham: That is delightful, is it not?

Mr. GRAYDEN: The extract continues—

- (b) transfer payments, not representing any current equivalent in goods or services, such as interest on the public debt, payments to veterans, farm benefits or other subsidies, relief payments, unemployment insurance, and social security benefits.

Mr. Graham: That sounds like the Premiers' Plan.

Mr. GRAYDEN: That is merely stating a fact—that that is one of the fiscal devices at the disposal of the Government. They can vary the aggregate of those governmental expenditures; they can either increase them heavily or cut them to a minimum, and they can use that to have a stabilising effect. Does that sound like the Premiers' Plan or like a statement of fact?

Mr. Marshall: It sounds like something I heard when I was a little boy, about 50 years ago. We heard that from these professors of yours in those days.

Mr. GRAYDEN: And it is still a fact.

Mr. Marshall: I thought you would have dug up something new and fresh.

Mr. GRAYDEN: I do not try to bring up something fresh out of my brain on every occasion. I believe in dealing with facts and the hon. member would be well advised to do the same thing.

Hon. E. Nulsen: What is the date of that publication?

Mr. GRAYDEN: The second edition was published in 1950—completely up to date. It merely states that the Government can use its outlays of public expenditure on buildings, public utilities, relief payments, social service payments and so on to help stabilise demand. That is a fact, which I do not think anyone could deny for a moment. In his suggested second fiscal device he says this—

2. Variation in tax yields or tax rates or the tax structure in such wise as to encourage or restrain private expenditures on consumption or investment. These variations may consist in reducing or increasing taxes in general, or by so modifying the structure of taxes as to increase or decrease the share of income after taxes falling to the classes with a high propensity to consume.

I do not think that can be argued. That is a fiscal device available to the Government as Professor Estey has said. He goes on to say—

The essential purpose of these fiscal devices is to prevent total outlay from falling below or rising above the volume required to maintain a desirable level of output and employment. If private expenditures bring outlay below these levels (which would usher in a period of deflation as in 1929-1932) public expenditures should be expanded, taxes, especially on consumption or on the classes with a high propensity to consume, should be reduced and the government should incur a deficit. If private expenditures bring outlay above these levels (which would usher in a period of inflation as in 1946-1948)—

I interpolate here to say that this is an American publication, so the period of inflation in that country is correspondingly the same as the one we are going through at present. Continuing to quote—

—public expenditures should be restrained, public works postponed, and taxes should be maintained or raised, especially on consumption. Thus the government should accumulate a surplus, which could be used to reduce deficits previously contracted. Thus by alternating deficits and surplus, the government might be able to hold total expenditures to more stabilized levels.

That is the opinion of a world economist; a man recognised as a world authority on economics.

Mr. Kelly: That must have been where Mr. Menzies got the ideas on which to base his programme.

Mr. GRAYDEN: All over the world it will be found that economists are not blassed or influenced by politics; they are in universities and they strive to maintain a neutral attitude in their search for the

truth. It will be found that the words of Professor Estey are supported by almost every reputable economist in the world today. I think it would be difficult to find one reputable economist who would refute what Professor Estey has said in that publication. Here is what Keynes believes; a summary of his ideas. He was the chief adviser to the British Government; an Englishman. He was certainly not a Liberal and he says—

A society therefore that wants a high and stable level of employment, and is not prepared to leave the attainment thereof to luck, must adopt deliberate fiscal measures designed to maintain or restrain effective demand, whenever it falls below or rises above the level necessary to support the desired volume of employment.

That means that we must use a fiscal policy to restrain or increase the consumption of goods, depending on whether employment is falling below or rising above what should be termed "full". I have told members of this House before that that is the accepted method recommended by all economists. The Commonwealth Government is aiming at a surplus with its Budget. I have here an extract from "The West Australian" dated the 27th September, 1951, which says—

The Budget, which is a record for Australia in peace and war provides for an estimated revenue of £1,041,500,000, and an estimated expenditure of £927,000,000, leaving an estimated surplus of £114,500,000.

So it can be seen that the Commonwealth Government, in its Budget, is adopting this method recommended by all leading economists.

Mr. Graham: Did you see in the Press the other day a report stating that it was expected that the basic wage would rise another £1 in February?

Mr. GRAYDEN: I should say that is quite likely.

Mr. Graham: And you say these are deflationary methods?

Mr. GRAYDEN: Surely the hon. member does not expect that within a few months of the introduction of the Budget its full effect will be felt. The Leader of the Opposition surprised me when he was speaking on this subject, because he seemed to think that within a few weeks—which is merely the period that has elapsed since the Budget was introduced—it could have that effect. A Budget takes time to work—

Mr. Kelly: It takes time to work, all right!

Mr. GRAYDEN: —so we must give it a fair chance.

Hon. A. R. G. Hawke: How many years would you suggest?

Mr. GRAYDEN: A Budget is not operated in one year.

Hon. A. R. G. Hawke: Yes, but how many?

Mr. GRAYDEN: It is maintained from one year to another.

Hon. A. R. G. Hawke: Yes, but how many years will elapse before we can expect to feel its effects?

Mr. GRAYDEN: It will be found that its effect will be cumulative.

Hon. A. R. G. Hawke: Yes, but in how long?

Mr. GRAYDEN: I have a fair idea. It is as Professor Mauldon said, whom the Leader of the Opposition quoted. He said that it was an unpopular but a courageous Budget that the Commonwealth Government is putting up for the welfare of Australia.

Hon. A. R. G. Hawke: Putting the people in the cart!

Mr. GRAYDEN: I would like to read some statements not made by an economist but by a politician, and a Labour one at that.

Mr. W. Hegney: Use the word "statesman"; it is more appropriate to us.

Mr. GRAYDEN: I am glad to hear the hon. member labelling himself a statesman, and now we shall adopt a different attitude towards him. I will now quote from a statement made by the present Federal member for Fremantle, Mr. Beasley, which is taken from a speech reported in Commonwealth "Hansard" of the 17th October, 1950, page 909. I have heard Mr. Beasley called many things, but have never heard him called a fool.

Hon. A. R. G. Hawke: Your party called him much worse than that a year or two ago!

Mr. GRAYDEN: I have never heard him called a fool, and this is what he says—

Any person who looks at a budget from the standpoint of its being a device to arrest inflation recognises in a boom time—

I might point out here that this is a boom time.

—It is sound governmental practice to budget for a large surplus. Such a procedure skims off spending power and holds it in reserve so that it can be expended later and thus obviate the need to raise a similar amount by taxation in a period of economic difficulty.

That is a quotation from a speech made by Mr. Beasley, and Mr. Beasley knows something about this subject. I have here a quotation by the late Leader of the Commonwealth Labour Party, Mr. J. B. Chifley. At page 1263 of the Federal "Hansard" he said on the 24th October—

My colleagues and I observed a simple principle of taxation which was that when a country is prosperous it should pay its way and try to put something aside.

Now, Mr. Chifley knew something about economics. It seems that the Labour Party preferred his views to those of the member for Murchison, and in those words Mr. Chifley has endorsed the action of the Commonwealth Government. At page 891 of the Federal "Hansard" Mr. Chifley said on the 17th October, 1950—

At this juncture I merely comment that Australia will not win its struggle against inflation by adopting piffling measures.

Mr. Graham: We all agree with that.

Mr. GRAYDEN: Quite so, but I will not say that all members of the Labour Party agree. Apparently the member for Murchison thinks that the Budget is far too hard, and if he thinks it is far too hard it certainly is not a piffling measure.

Mr. Graham: Inflation requires something more than budgetary action.

Mr. GRAYDEN: I have here another statement to which the members on the opposite side of the House will do well to listen, because if they support this motion they will be doing a complete switch-about. This is what Mr. Chifley said on the 17th October, 1950, at page 889—

I shall express the view of the Labour Party upon that kind of procedure and in doing so I shall not be in the least concerned about what people may think of it politically. I believe that when a country is in a prosperous condition it should pay its way and if possible provide an additional sum of money for capital works or for reserves. I make no bones about the attitude of the Labour Party in that matter. In my opinion that is the proper and businesslike method to adopt.

That was the Labour policy in 1950.

Mr. Hutchinson: That endorses this Budget.

Mr. GRAYDEN: It endorses the actions of the Commonwealth Government in the present Budget.

Mr. Kelly: What did he budget for?

Mr. GRAYDEN: One hundred and fourteen million pounds surplus.

Mr. Kelly: You mean Mr. Chifley did?

Mr. GRAYDEN: No.

Mr. Kelly: I want to know what Mr. Chifley budgeted for.

Mr. GRAYDEN: I could not give the hon. member off-hand the figure for which Mr. Chifley budgeted.

Mr. Kelly: You are quoting from Mr. Chifley's speech. You should know what he budgeted for.

Mr. GRAYDEN: He was not in power at the time.

Mr. Kelly: You did not read out the date.

Mr. GRAYDEN: I did. The date was the 17th October, 1950, on the occasion of the introduction of the Federal Budget for that year. I could quite easily have given the hon. member the particulars in regard to Mr. Chifley's speech when he last introduced a Budget, but I did not think that was necessary. I cannot for the life of me give him the figure offhand. We have the position where every reputable economist in the world would endorse the views of the present Commonwealth Government; we have the actions of the Commonwealth Government endorsed by the statements of Mr. Beasley, the member for Fremantle, and several times by Mr. Chifley, the late Leader of the Commonwealth Labour Party. Mr. Chifley said that that was the policy of the Labour Party, and yet the Labour members are turning around here today and opposing the policy put forward by Mr. Chifley as that of the Labour Party.

Mr. Hutchinson: Political expediency.

Hon. A. R. G. Hawke: Would the member for Nedlands say which Labour member opposed that today in this House?

Mr. GRAYDEN: The member for Murchison certainly opposed the action of the Commonwealth Government.

Hon. A. R. G. Hawke: No member speaking here today did what the member for Nedlands has claimed; I certainly did not.

Mr. GRAYDEN: I would like to amend that statement slightly; possibly the Leader of the Opposition did not strictly go against that principle—

Hon. A. R. G. Hawke: I did not touch it at all.

Mr. GRAYDEN:—but he was certainly doing his best to oppose the Budget and support the motion of the member for Murchison. If he is supporting the motion of the member for Murchison then surely he is going against the policy enunciated by the late Mr. Chifley.

Hon. A. R. G. Hawke: I am not saying whether I am against it or for it. I think that when the Commonwealth Government gathers such a huge surplus the spending of it by the Commonwealth Government might be more inflationary in effect than if it were left in the hands of the individuals who had it originally.

Mr. GRAYDEN: I would like to draw the attention of the Leader of the Opposition to a speech made by Mr. Menzies in the House of Representatives dealing with the Loan Bill. During the course of that speech he pointed out that the loan market, which can be used to gain something for public works, would only bring in £150,000,000, that the balance would have to be financed by the Commonwealth Government, and that without the Commonwealth Govern-

ment's entering into the loan market in any way and leaving a clear field for the States, the State public works would still have to be cut.

We cannot have it both ways; if we want to have the public works in the States the money has to come from somewhere to pay for it, and if we cannot get it from loan the only place we can get it from is taxes, and that is what the Commonwealth Government is doing; it is devoting the whole of that surplus to underwriting the public works of the States. The Leader of the Opposition gave us quite a lot on our banking system and how our credit should be socialised, or brought under the control of Parliament, or the Government. But I feel that with the 1945 banking Act there is a very considerable degree of control upon the credit facilities of private banks and, if the purpose for which that control is needed is to stabilise employment and to keep to a policy of full employment, I cannot see that anything more in that direction is needed than the correct use of the 1945 banking Act.

He said that in 1949 the people rejected the proposal to nationalise the banking system. He also said that in 1910 there was a different story and that the people were well informed in those days and so they would have accepted bank nationalisation. Perhaps so, and perhaps I would not blame them for the simple reason that the banking system in 1910 was totally different from that of today. It is impossible now for a private bank to operate on a minimum of reserves; it is told the amount of reserves it must have. The credit policy of private banks is controlled by the amount of the reserves that the Commonwealth Bank requires them to deposit with it. Consequently, while the people may have been against the banking system in 1910, and quite legitimately, too, I see no reason to disagree with the action they took in 1949 when they completely rejected it. In conclusion, I ask members to throw out this motion neck and crop. I hope that every member on this side of the House will vote against it and, if members opposite adhere to the policy enunciated by their late leader, they, too, will vote against it.

MR. MARSHALL (Murchison—in reply) [5.2]: The member for Nedlands has devoted quite a long time to a reiteration of the ramblings we have been hearing for 50 years, and there will be no harm in replying to him. Much of the hon. member's comment was based upon the control exercised by the Commonwealth Bank and the Act of 1945. He tried to impress upon us that, because the Commonwealth Bank constitutionally has control, such control is exercised at all times, and that it determines the reserves and credit issues by private banks.

Mr. Grayden: That is since the Banking Act of 1945.

Mr. MARSHALL: The Commonwealth Constitution provides for the Commonwealth Bank, which is the only central bank, and it has complete control of credit and currency issues. For the information of the hon. member, I may mention that it is a socialised bank, and further, that it is the only solvent bank in Australia.

Mr. Grayden: Rubbish!

Mr. MARSHALL: Will the hon. member deny that, if there was a rush by all the depositors on a private bank tomorrow, it would not have to shut its doors?

Mr. Grayden: That does not mean that private banks are insolvent.

Mr. MARSHALL: Will the hon. member deny that, if every depositor went to his bank at the one time tomorrow and asked for his money, it would not be available?

Mr. Grayden: I asked a different question.

Mr. MARSHALL: The hon. member has wriggled, wormed, twisted and turned about no end, and when he is hard-pressed by a straight question, he endeavours to wriggle out of it by introducing another question, just as the Premier did. When the Premier was asked to reply straight-out to a question, he could not do so and he wisely got away from it. While the Commonwealth Bank is invested with the power constitutionally, that power has not been exercised owing to Government policy. Let me tell the youthful member for Nedlands that any statement I make here is based upon fact. What happened in 1930? The Commonwealth Bank was in existence and had the constitutional right to issue money.

Mr. Grayden: Give us the authority for your statement!

Mr. MARSHALL: I cannot hear the hon. member too clearly, and perhaps it is just as well because there would be no difficulty in replying to him if he does not develop more logic when interjecting than when speaking.

I want the hon. member to understand that these world-wide economists have precisely the same outlook. There is not the least difference between them whether we go to Europe, America or Australia. Economists throughout the world have got the world into the mess it is in today because Governments have followed their advice.

Mr. Grayden: You merely want to shift the blame.

Mr. SPEAKER: Order!

Mr. MARSHALL: In 1930, the Commonwealth Bank was the only solvent bank in the country that could stand up to any run on its funds. Of course, it has the whole of the funds, resources and assets of Australia behind it and they are almost inexhaustible. But from 1930 to 1935 or 1936, what happened? Did the Commonwealth Bank exercise its authority

and dictate terms to the private banks? Of course it did not. The private banks dictated the terms to the Commonwealth Bank.

Hon. A. R. G. Hawke: That is the point.

Mr. MARSHALL: I remind you, Mr. Speaker, although you know it for a fact, that the statements made by the member for Nedlands in defence of the Commonwealth Budget were the statements made by Professor Copland, namely, that if we adopted the Premiers' Plan, ultimately prosperity would be our lot. Professor Copland repeated that time and again in published statements. According to him, all we had to do was to tighten our belts, first of all for one year, then for two years and then for three years; but despite his assurances, prosperity never came through the Premiers' Plan. We had to revert to the old system of borrowing.

I point out to the member for Nedlands that the private banks have control. Sir Otto Niemeyer, representing the international bankers, came here and with Professor Copland, Professor Melville, Professor Giblin and, I think, another, they designed this plan, knowing full well, as the hon. member knows, that the more the purchasing power of the people is reduced, the less prosperity is possible. That was the attitude adopted by the Commonwealth Bank.

Let me tell this young and unspohisticated member that the matter of ownership is not involved. It is a matter of Government policy. The Commonwealth Bank has been a national bank since its inception, but it has never functioned otherwise than according to the orthodox system and so has never been of real value to the people. During the crisis of the early thirties, it failed the people dismally, as did other banks, simply because they were all in collusion. May I inform that young member, too, that what we suffered in 1930 to 1933 was not suffered alone; it was a state of affairs that prevailed universally. The depression started in the United States of America in 1929 and in England and Australia in 1930. This was an international move, and the Premiers' Plan was introduced and endorsed by Professor Copland a year or two later. Then he went to America and stated that he knew the plan would fail.

Mr. Grayden: Where did you hear that?

Mr. MARSHALL: He had recommended the plan, well knowing, according to his own statement, that it would fail. I can only regret that the young member for Nedlands did not suffer as did many of the poor, unfortunate breadwinners of this country during those years.

Mr. Grayden: How about some proof that he made that statement?

Mr. MARSHALL: I cannot hear the hon. member. If I could I would have no difficulty in replying to him; that is obvi-

ous. I give the hon. gentleman facts, and he says "It is a babble. I want a world economist". That is what economists have done for us. All our experience through the years has been nothing but booms and slumps under the present financial system, which is world-wide.

The Central Reserve Bank of America controls the destiny of almost every country. It is a world-wide move. To say that Australia stands alone and away from the rest of the banking world is to say something that is absolutely incorrect. Even the Commonwealth Bank has a committee in London advising it upon the activities of banking there, and the Commonwealth Bank acts upon that committee's recommendations. Instead of being directed by the policy enunciated by the people's representatives, it is giving effect to the policy dictated by international financiers and always has done. The hon. member advanced the argument that the Commonwealth Budget is a sound economic scheme to avoid inflation.

Hon. A. R. G. Hawke: He rather suggested that it might produce good results in three or four years' time.

Mr. MARSHALL: As the Leader of the Opposition said, and as every member should know, if we add taxation to goods, that must increase the price. That is obvious to anybody. We do not want—

Hon. A. H. Panton: The Country Party to tell us that!

Mr. MARSHALL: No. We do not want any economist to tell us that if we increase the tax upon any commodity or service we shall increase the cost of that commodity or service. But the hon. member says it will reduce it.

Mr. Grayden: I did not say it would reduce the cost of that particular commodity.

Mr. MARSHALL: The hon. member cannot deny he says that this Budget is deflationary—that is, that the price of goods and services will come down—and in order to do that the Commonwealth Government in its Budget has increased taxation.

Mr. Grayden: Has the Commonwealth Government increased the tax on all goods or only on some?

Mr. MARSHALL: It does not matter upon what goods it has increased its taxation. It has increased taxation extensively. If it has not done that the hon. member's argument falls, because it cannot possibly reduce costs. If adding to the price of goods reduces the cost of them, the Commonwealth Government has to put a tax on all items or it will not get deflationary results. That is his argument, not mine.

Mr. Grayden: That is not my argument.

Mr. MARSHALL: The hon. gentleman reminds me of a little parrot in a cage to which one goes day after day and teaches it to say certain things. Those things are all that one will get from it.

Mr. Grayden: I got mine from a professor of economics; you got yours from a professor of chemistry.

Mr. MARSHALL: I have quoted in this House dozens of writers who subscribe to the theory I have advanced, which is not the theory which the hon. gentleman accuses me of holding.

Mr. Grayden: How many of them have lived since 1900?

Mr. MARSHALL: I have quoted the figures. Have I got almost to offend the hon. member by asking him again whether it is not true that if taxation is imposed on goods and services the price of those goods and services must be increased? How can it be reduced? That is one aspect. On the other hand we have two factors on the income side. The result of direct taxation is firstly to reduce the effective purchasing power of the taxpayer by the amount of tax imposed. All taxation must ultimately figure in the price of goods and services. There are, therefore, two factors working together. First of all the effective purchasing power of a poor unfortunate individual is reduced; and, secondly, the price of goods that he has to buy is forced up.

Mr. Grayden: On your argument, as you say rising prices are inflationary, you would tax in a depression to make prices high.

Mr. MARSHALL: I do not think I need try to emphasise those points any more. The hon. gentleman made the statement that the Commonwealth Budget is a sound financial proposition, and that it is deflationary in intent, and he puts up the argument that it will be deflationary in results.

Mr. Grayden: Yes.

Mr. MARSHALL: Therefore he says that if the Government imposes taxation on goods and services, the prices will come down.

Mr. Grayden: In results, yes. In time. Give it time to work.

Mr. MARSHALL: There we have it! That is what Copland said in 1930. Give it time. But it never matured. No fewer than 400,000 breadwinners were sent looking for work. They and their wives and children were starving and on the dole. That is what the world financiers did, and the man the hon. member referred to was in it.

Mr. Grayden: There have been a lot of changes in economic thought since then. You would be well advised to keep up with them.

Mr. MARSHALL: We have heard for years that what is wanted in public life is young men. We old stodgy fellows have got into a groove and the Lord Himself cannot shift us. What is wanted are new ideas and young progressive fellows.

Mr. Grayden: You and I are living examples of that.

Mr. MARSHALL: It is said that what we want is young men with new ideas to shift the old fellows out of a groove and bring about necessary reforms, and build up the nation on progressive ideas. Let us have a look at it. To my knowledge the hon. member's advocacy today is 50 years old. I want to get out of the groove and he holds me down, or tries to—an old fogey like me with the experience I have had in the groove. He is the sort of young man who is to get us out of it. God help Australia!

Mr. Grayden: Let us hear your argument on the motion.

Mr. MARSHALL: I want to refer briefly to the argument of the member for Netherlands that taxation has no relation to prices. In 1902 the total amount of taxation collected in Australia was £11,000,000. At that time, no statistics were recorded with regard to the cost of living, nor were any until 1920. But I well remember 1911.

Hon. A. H. Panton: So do I.

Mr. MARSHALL: Then we could buy the best suit of clothes made of best English material, and tailor-made, for five guineas.

Mr. J. Hegney: They were the days!

Mr. MARSHALL: A loaf of bread cost 3d. then and a pound of butter 9d.

Hon. A. H. Panton: With a nice cow stamped on it.

Mr. MARSHALL: And a dozen eggs for about 4d.

Hon. A. H. Panton: Good eggs, too.

Mr. MARSHALL: And half a sheep for 11s. In 1910 the taxation was £56,700,000, and Mr. Menzies proposes to collect in his next Budget £1,000,000,000 so we can expect a rapid increase to astronomical heights. If that does not happen, the alternative is, if the position becomes sufficiently drastic, that thousands of people will, as they did between 1930 and 1935, go broke because they will have to sell goods at less than the cost of production.

Hon. A. H. Panton: We will get some cheap houses then.

Mr. MARSHALL: In those days we could buy motorcars, homes or anything else for practically nothing, because people were anxious to get a few shillings in order to exist. The alternative to further inflation due to the Budget is poverty, degradation, bankruptcy and misery, or the price of goods going up.

Mr. J. Hegney: They are certainly going up.

Mr. MARSHALL: The hon. gentleman took me task for using the language I did when speaking of Professor Copland. He must excuse me because I saw the results of the professor's handiwork—the misery that came about as a result of women and children being on the verge of starvation and men by the thousand looking for work. The hon member cannot expect me to respect such a person, knowing that he knew all the time what he was doing. He played his part with the international financiers, Sir Otto Niemeyer, and Guggenheim, or Professor Gregory as he now calls himself; both Jews. The member for Nedlands now asks me to prove to him the Professor Copland has any association with the international Jew. Does he want better or greater proof than that?

Mr. Grayden: Who brought those people here?

Mr. MARSHALL: Hopeless! When the professor went to America he confessed that he knew the 1930 Premiers' Plan would fail, but he told us here distinctly—this can be found in the Press of the time—that he recommended the Governments to hold back because prosperity was just around the corner, just as the member for Nedlands tells us to see the result of the Budget; it will be all right. In the course of time the hon. member will know that what I am saying is true. We must have degradation, poverty and bankruptcy, or alternatively prices must go up.

Mr. Grayden: Where can we find this confession that Professor Copland made in America?

Mr. MARSHALL: I will get it for the hon. member. There is another matter. I had a copy of the report on the Royal Commission on Banking, but it has vanished. It is a strange thing that it has gone. Let me tell the member for Nedlands and the Treasurer that I am not advocating the nationalisation of banking or anything like that; I am not endeavouring to take from the rich and give to the poor; I am arguing that we develop a scientific monetary system, or base our system on more scientific premises, and use the Commonwealth Bank as it can be used to issue credits. My argument is that we can stabilise the price of goods and services only by subsidies. If the credit of the nation is used in accordance with the Royal Commission's report on banking it would cost the country nothing, and in return the prices of goods would be stabilised at a reasonable level.

The Treasurer says that subsidies are no good; that they are a failure. He says they are not practical. What a remarkable statement for the Treasurer or any other member to make having regard to our experience during the war period! The member for Nedlands reiterated that

in such a period we have an excessive income, or purchasing power out of proportion to the production of consumable goods, and so we will have inflation. There is no period that I know of that lends itself more to that position than during a war, because the Government then is under an obligation to expand the credit of the nation to an astronomical extent in order to prosecute the war. At the same time, we deny the nation its manhood, so therefore production must decline. That is the situation to which the member for Nedlands constantly referred.

Mr. Grayden: Do not forget that consumption declined drastically. There were no new houses, cars and so on.

Mr. MARSHALL: I want the hon. member to keep quiet because he is wrong there. He is not altogether right. I am satisfied the universities are not very good. A number of our own people were abroad, but we were feeding members of the Allied Armed Forces.

Hon. A. H. Panton: We used to get fed, too.

Mr. MARSHALL: Yes. I agree there were half a million of our people away, but the number of Allied Servicemen here would compensate for them. We chandled battleships and submarines galore; they were coming in and out of Fremantle almost daily and taking away shiploads of consumable goods. What the hon. gentleman says is not altogether correct. I point out that whether his argument be correct or not, during the war period we stabilised prices and kept them fairly even, and prevented them from racing to sky heights, by subsidies.

Mr. Grayden: By rationing.

Mr. MARSHALL: We held prices by subsidies. We did limit the amount of consumption by rationing, but we regulated the prices we had to pay by subsidies.

Mr. Grayden: And then pegged wages.

Mr. MARSHALL: It would not have mattered if we had had an influx of 20,000,000 people during wartime, the prices would have been just the same because they were fixed, and we paid subsidies to hold them. It is of no use the hon. member raising that argument. If we had used credit issued by the Commonwealth Bank instead of taxing the people to pay the subsidy, the amount of taxation used in paying subsidies would not have appeared in the cost at all because it would have been issued debt-free from the Commonwealth Bank. Having taxed the people as we did, however, the taxation had ultimately to figure in the price of goods.

Mr. Grayden: How much surplus money would you have then?

Mr. MARSHALL: There is no difference between the Commonwealth Bank issuing credit and private banks issuing it, except that the private bank must be paid interest

on what it lends, and those banks use the nation's credit as though it belongs to them. They lend the country's money back to the country as a debt against the country. They lend, in fact, something that has never belonged to them. The Royal Commission on Banking, appointed by the late Mr. Joseph Lyons in 1935, and constituted of the most eminent men in the banking world of Australia at that time, stated, in its report—

The central bank of the Australian system is the Commonwealth Bank of Australia. This bank is a public institution engaged in the discharge of a public trust. As the central bank, its special function is to regulate the volume of credit in the national interest, and its distinctive attribute is its control of the note issue. Within the limits prescribed by law, it has the power to print and issue notes as legal tender money, and every obligation undertaken by the Commonwealth Bank is backed by this power of creating the money with which to discharge it.

Now we come to the more important reference.

Because of this power, the Commonwealth Bank is able to increase the cash of the trading banks in the ways we have pointed out above. Because of this power, too, the Commonwealth Bank can increase the cash reserves of the trading banks; for example, it can buy securities or other property; it can lend to the Government or to others in a variety of ways, and it can even make money available to Governments or to others free of any charge.

Will the member for Nedlands pit his authorities against that? It is sheer nonsense to continue to permit private institutions to use the nation's credit as a debt and, at the whim of a few individual bankers, have first a boom and then a slump. It is all very well for those who have lived all their lives in the lap of luxury to quote as authorities persons who have enjoyed similar privileges, but what do they term a period of prosperity? Hardly anyone of 35 years of age in Australia today knew what it was to have a decent standard of living until the outbreak of the recent war. Many thousands of them were reared on the dole and never had sufficient clothing or food, and could not own their homes or furniture until the war broke out, and then, of course, they were properly housed, fed and clothed. Is it to be wondered that, on being discharged from the Army and having had a chance to save a little money, they now desire to buy homes, furniture, food and clothing for themselves and their families?

Never in the history of Australia have the working-class people had a better opportunity of providing themselves with the necessities of life than they have at pre-

sent, and so the Commonwealth Government, by means of this Budget, proposes to deny them that right. The Treasurer said that during 1944-45 taxation had decreased. I do not know from where he got his figures, but I will quote the only real authority in this regard. For the year 1944-1945, the taxation collected by the Commonwealth was £337,994,759. In 1946, it was £353,000,000, and in 1947, £385,000,000. In 1948, it was £422,000,000, and in 1948-49 it was £490,000,000. For 1950-51, the figure is £560,000,000. The figures given by the Premier were compiled in such a way as to mislead people with regard to the real situation.

The only other matter raised by the Treasurer was the question of increased production. When moving this motion, I admitted that increased production was necessary in some economic fields. When there is a sudden increase in purchasing power out of proportion to the production of consumable goods we get some degree of inflation, but increased production alone will not cure inflation. If it could, America would have no inflation today because that country has an enormous stockpile of goods, and produces five times more than she consumes. The fact is that America has higher taxation and a higher cost of living than even England. The Leader of the Opposition asked what inducement there was for industry to increase or even continue production. I have all Arthur Fadden's speeches on this subject.

Mr. Graham: Sir Arthur.

Mr. MARSHALL: He spoke in season and out of season and tackled the late Ben Chifley on the question of taxation. In this connection he was assisted by his colleague, R. G. Menzies. They showed Mr. Chifley conclusively that production was declining in Australia. It was going down and it is still going down. They pointed out, rightly so, too, that high taxation, imposed by Labour Governments, was solely responsible for the decline in production and yet they increased taxation to astronomical heights when they took office and now they expect the people to buckle to and increase production.

Is it any wonder that in every industry in Australia today there is a steady decline in production. It will continue to decline because there is no incentive. Men will not work overtime when there is plenty of work about and, on occasions, they will not work full-time, because they find that the taxation is too severe. So they work less and pay less taxation, and they are just as well off. That applies to every industry. So I tell the Treasurer, and the member for Nedlands, that it is of little use persevering with those ideas. There are too many facts and too much evidence against them and I suggest to the member for Nedlands, who is a very young man with every possibility of going a long way in public life, that he

should have a look at the situation and give further study to it. He should not swallow everything written by these orthodox economists.

Mr. Grayden: Mr. Chifley read a lot about it.

Mr. MARSHALL: I have not far to go in public life, but the hon. member is just coming into it, and he should have a look at these things and study more progressive ideas on the subject if he wishes to go further. The change will come before the hon. member is much older. This state of affairs cannot last much longer; it must collapse because they can never put a depression over the people as they did in the 1930's. At that time they told us that there was no money—it was terribly scarce. Yet 99 per cent. of it is created by the private banks. All the money in circulation every year is created by banks and only a half, or one per cent. is legal tender.

Money is the petty cash of the nation and on it they base the security of the nation. Until Governments take that power back from the banking institutions, and use it for the good of the nation, we will never get anywhere. I would advise the member for Nedlands to look at the other side of the picture and not to be misled by these fellows. I say that this Budget will create inflation—it can have no other effect—and it is most destructive in character. I say that from my experience of the 1930's and I hope that the motion will be carried.

Question put and a division taken with the following result:—

Ayes	16
Noes	21

Majority against	5
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Ayes.

Mr. Graham	Mr. McCulloch
Mr. Guthrie	Mr. Needham
Mr. Hawke	Mr. Nulsen
Mr. J. Hegney	Mr. Panton
Mr. W. Hegney	Mr. Steeman
Mr. Lawrence	Mr. Styants
Mr. Marshall	Mr. Tonkin
Mr. May	Mr. Kelly

(Teller.)

Noes.

Mr. Abbott	Mr. Nimmo
Mr. Ackland	Mr. Oldfield
Mr. Brand	Mr. Cwen
Mr. Butcher	Mr. Perkins
Dame F. Cardell-Oliver	Mr. Read
Mr. Doney	Mr. Thorn
Mr. Grayden	Mr. Waits
Mr. Hill	Mr. Wild
Mr. Hutchinson	Mr. Yates
Mr. Mann	Mr. Griffith
Mr. McLarty	

(Teller.)

Pairs.

Ayes.	Noes.
Mr. Coverley	Mr. Bovell
Mr. Hoar	Mr. Hearman
Mr. Rodoreda	Mr. Cornell
Mr. Moir	Mr. Manning
Mr. Brady	Mr. Totterdell
Mr. Sewell	Mr. Nalder

Question thus negatived; the motion defeated.

MOTION—FREMANTLE HARBOUR.

As to Contradictory Statements and Order of Extensions.

Debate resumed from the 24th October on the following motion by Hon. J. B. Sleeman—

That, in view of the contradictory statements made by the Minister for Works as against the report and statement of Colonel Tydeman regarding the size of ships likely to use the Fremantle Harbour in future, this House requests the Government immediately to have the necessary investigations made and suitable action taken to prevent what Colonel Tydeman says, in paragraphs 35, 137 and 187, will happen.

This House also requests the Government to investigate the ever-changing contradictory statements made as between Ministers and engineers as to the order in which the harbour is to be extended and tell the House in what order they intend to do the expansions so that the public will have the proper information.

THE MINISTER FOR WORKS (Hon. D. Brand—Greenough) [5.47]:

The hon. member has been able to move this motion because of the opportunity given to him in having two sessions in this one year. As a result he has been able to put up once more his case against the upriver development of the Fremantle harbour. Over the years we have heard the hon. member twitting the member for Albany about his continual speeches and representations for the development of the Albany harbour. I think the hon. member, in his turn, is becoming almost as famous for his representations and his arguments against the upriver development of the Fremantle harbour.

His main argument is that there have been a number of inconsistencies in the statements made by Ministers, particularly the Minister for Transport and myself, and the engineers concerned. In particular he lays emphasis on the fact that the proposed plans for the re-siting of the bridges have been contradicted from time to time by the Minister for Transport and myself. I do not believe that there have been any basic contradictions of the statements made by the various parties referred to—statements as to whether the road or railway bridge should be moved upstream first. In referring this to Col. Tydeman, on whose report the Government has decided to develop Fremantle harbour, he reported that a possible programme has been laid down for re-siting the bridges. This programme was based on a starting time which has now been passed.

I think the hon. member did state that he was willing to grant that although Col. Tydeman had anticipated starting on a certain date in order to carry out the

programme, it is not now possible to adhere to the original decision because of the difficulties in obtaining the necessary materials and labour. The engineer states in his report that both the road and rail bridges would be moved simultaneously. It is necessary to move the road bridge first because it is upstream of the rail bridge. I suppose that is to be done as a matter of convenience. The life of the road bridge, in any case, according to the programme laid down by the engineer, would have exceeded the period for which it was designed and erected. I think the hon. member made reference to the fact that it may last even 50 years. I am not in a position to challenge that suggestion.

I know that the road bridge was erected in the first place as a temporary structure, the authorities of the day taking into consideration that there may be upriver development, and they had every reason to believe that, seeing that engineers from time to time had recommended more or less upstream development as the first stage of the full development of the harbour. As the Main Roads Department constructed this bridge, according to its engineer it was actually a temporary structure. The technical committee which was set up by the Government to examine the report by Col. Tydeman suggested an alternative to his scheme; that is, that the rail bridge should be shifted first and then the road bridge. That alternative was arrived at because it was considered advisable to leave the road bridge in its existing site for as long as possible, and pass the railway over and under the existing road bridges to enable the rail bridge to be re-sited at Point Brown. I think that suggestion was put forward because the committee realised that the rail bridge could not last for many more years.

It has been said in this House by the member for Fremantle many years ago that the bridge had to be strengthened, and the foundations built up because of certain weaknesses in its superstructure. Recently I have been asked questions by the hon. member in regard to a statement that I made when I last spoke on this subject namely, that when the many tons of stone poured into the river round the piles were removed it was so rickety it would topple over.

Hon. J. B. Sleeman: "Tippie over," you said.

The MINISTER FOR WORKS: Do not let us argue over an "i" and "o." Perhaps that was an exaggeration. Nevertheless, none of us know what would happen if that stone was removed. The hon. member stated the Minister for Transport was contradictory in a letter sent by him—

Hon. J. B. Sleeman: He certainly was.

The MINISTER FOR WORKS: —because he said that no great concern was felt about the bridge. So long as the

stone and the foundations remained around the piles, I take it that that statement would be true. Nevertheless we all know—and I think if I looked up "Hansard" debates of two or three years ago I could find that the hon. member pointed the same thing out to me or the Minister representing the Minister for Railways—that that bridge is in a bad way.

Hon. J. B. Sleeman: I have been saying that for a number of years.

The MINISTER FOR WORKS: Therefore he has admitted—and it is difficult to get him to admit anything—that something must be done in the near future in regard to the harbour development. I forgot to mention that the technical committee, under the chairmanship of Mr. Dumas, with Mr. Young of the Main Roads Department, and Mr. Reid representing the Treasury, as members, considered every aspect before it made any recommendation, and its first thought was that some replacement should be made of the existing rail bridge. Subsequently Cabinet—bearing in mind that its members are laymen—felt that there may be something in the suggestion—as a question of economy—that a dual bridge be built; that is, both rail and road. That suggestion was investigated and, as far as I know, the proposal was not acceptable to the engineer. However, representatives of Sir Alexander Gibb & Partners, a firm of consulting engineers, were requested to come from England to this State with the object of making a survey as to the re-siting of the bridges and examining three proposals. Those proposals were—

- (1) For the removal of the two existing road and rail bridges upstream together.
- (2) For the re-siting of the rail bridge first upstream to Point Brown, leaving the road bridge in its existing position, and for the road bridge to be re-sited at some later date.
- (3) For a combined road and rail bridge structure to be erected.

The last suggestion, as I have said, was made by Cabinet. This firm is world-famed and its members were called upon to make a complete survey of the proposals as laid down for the first stage of the upstream development. Until they have been able to complete the survey and report upon it it is impossible to decide which of those three suggestions should be adopted.

Hon. J. T. Tonkin: If any!

The MINISTER FOR WORKS: I am, of course, speaking as Minister for Works, in support of the Government's decision to develop upstream eleven berths to Point Brown. Therefore, whilst there may appear to be some inconsistencies and contradictions in respect to the various state-

ments, that is the position as I see it, and I hope I have made it quite clear to the House that the final decision will depend on the report that we receive from the surveyors.

The other point on which the hon. member laid emphasis was in regard to the size of the ships. When speaking on this motion I stated that the engineer had informed me that ships would not get any larger but, perhaps, for economic reasons they may get smaller. Although the engineer said that he could not remember stating that they would get smaller, he did say that he was prepared to confirm the fact that in the main and generally speaking ships were not going to get any larger.

Mr. Marshall: I cannot subscribe to that theory either.

The MINISTER FOR WORKS: The engineer points out that most ships using Fremantle pass through the Suez and Panama Canals. The depths of these two maritime structures limit the size of ships and therefore govern the economic size of most of the ports on the routes. The maximum draught permitted in the Suez Canal is 34 ft., which is the same as the maximum draught permitted in the inner harbour.

Hon. J. B. Sleeman: All the mail ships come through the Suez.

The MINISTER FOR WORKS: I am not referring to any special line or class of ships. I am making the point as an argument in favour of the fact that ships will not be considerably larger than they are today as they will be limited by the fact that the Panama and Suez Canals, so regularly used by ships that visit Australia, only permit a draught of 34 ft. The engineer pointed out that the deepening of these works has been, and can only be, gradually tackled over the years because of the huge cost and time factor involved and Fremantle, he states, will thus be able to cater for all capacity ships likely to use it in the foreseeable future.

I am prepared to admit that when making the statement that the size of ships may get smaller, I did so as a result of a misunderstanding, as I was not likely to make such a statement to the House without feeling I had some reason and some backing for doing so. I think I did point out at the time, too, that as far as ships of 800 ft. in length—such as the H.M.S. "Hood"—are concerned, the engineer, after giving some thought to the matter, has reported that special arrangements can be made for them when necessary. Page 49 of Vol. 2 of Colonel Tydeman's report states—

The rare visit of the 800-ft. ship need not be specially considered at present as there are few of this class now or anticipated in the seeable

future. When such a ship does arrive special provisions will have to be made for its berthing as well as that of clearing adjacent berths temporarily of shipping.

Hon. J. B. Sleeman: Why do not you read a couple more paragraphs?

The MINISTER FOR WORKS: Those paragraphs to which the hon. member refers make special mention of the fact that in an outer harbour there would be unlimited space. I know that is so. Nevertheless, the recommendation of the engineer, and of engineers in the past, to all Governments has been that in the first place we should develop this harbour upstream. Surely they must have taken into consideration the fact that ships of this size, or a little smaller on the average, would visit Fremantle; they were prepared to stake their reputation on the fact that they could be handled here.

Hon. J. B. Sleeman: You are waiting on Sir Alexander Gibb's report are you not?

The MINISTER FOR WORKS: That report will deal with surveys. Sir Alexander Gibb's report will not have any bearing on the matter because the decision has been made on the recommendation of the engineer in the first place, on the recommendation of a committee consisting of executive officers of the State departments here, and the Government has accordingly decided to go upstream in the first instance. In regard to the rehabilitation of berths, the hon. member has emphasised the point that the programme as laid down in the report has been contradicted by the Government. That is not so. I quote from a minute by the engineer explaining the position as follows:—

I estimated the existing 18 berths were capable of handling a maximum of two million tons of cargo per year under the circumstances which existed then—about 1946-47. I recommended in my report that the first stage of development should be the rehabilitation of these 18 berths by means of widening, new railway layout, new roads, multi-storey transit sheds, quay cranes, etc. This was expected to increase the capacity of the inner harbour to about four million tons of cargo per year.

Not all of those proposed works have been carried out, but I think everyone will appreciate that they are well on the way and that Colonel Tydeman, who is manager of the Fremantle Harbour Trust, has gone far towards rehabilitating those berths and bringing them up to the maximum capacity, or somewhere near it. A great deal more tonnage is being handled by the existing berths than was ever anticipated.

Hon. J. B. Sleeman: Have you read the statement by the Minister for Transport published in "The West Australian" of the 12th October? He said that none of that work could be done under present conditions.

The MINISTER FOR WORKS: I do not think that has any great bearing on the matter. The hon. member, as an ex Speaker of this House, well knows that it is most difficult for two men having the same ideas to give expression to them in precisely the same way. I could go through the "Hansard" reports and find as many contradictory statements made by previous Governments as have been attributed to the Minister for Transport and myself.

Mr. Marshall: I cannot have that. I shall have to be up against you now.

The MINISTER FOR WORKS: I have heard the member for Murchison—in fact, I could not help hearing him—make many statements which, when I re-read them, made me feel that he had contradicted himself.

Mr. May: That is pure assumption.

The MINISTER FOR WORKS: Quite so. When the 18 berths had been rehabilitated to the point of being able to cope with 4,000,000 tons of cargo a year, the next proposal was for one berth, No. 10, at North Wharf, to be dealt with. That is the only site available for the purpose without re-siting the bridges. My time has almost expired, and I certainly cannot reply to the motion to the extent I desired to do.

Hon. J. B. Sleeman: Why not continue at the next sitting of the House?

The MINISTER FOR WORKS: The Government has decided to proceed with the construction of No. 10 berth and it is proposed to do this work by contract, seeing that the plant and labour available from the Public Works Department would not be able to complete the work in time. The Government has decided to proceed with the development of the harbour by first making the upstream extension. This decision is based upon the recommendations of those who have been paid a great deal of money to advise us. Although some members and the Press have offered criticism and suggested that development seawards would be preferable, we cannot overlook the fact that the decision is based on two considerations, firstly, because it would give us a safe harbour and, secondly, because by extending seawards we could not obtain the necessary accommodation expeditiously, and expedition is necessary.

I have been informed that to extend the harbour seawards would be a long and perhaps hazardous job, though I should not like to be quoted as having said that it would be a hazardous job. My informa-

tion is that, if the extension were made seawards, we must always reckon on the possibility of damage by storms and other acts of God, and perhaps some such visitation might result in the work of years being washed away.

Hon. J. T. Tonkin: The harbour must be extended seawards some day.

The MINISTER FOR WORKS: That is so, but we require the accommodation now, and we believe that we can get it most expeditiously by upstream extension. This is what the engineers have recommended, and therefore the Government has no alternative to accepting their advice. There is a rumour afoot of the possibility of an oil refinery being established in this State. As to that, we can only wait and see. For the present, we must proceed with the plans as adopted by the Government, but I would say that, in the event of an oil refinery being established on the shores of the Naval Base, perhaps "a second look", at the overall plan, as suggested by the member for Fremantle and by the Press, may be taken and further consideration given to the question.

Hon. J. T. Tonkin: Now you are talking.

Mr. Kelly: Which will give us the better fishing site?

The MINISTER FOR WORKS: I trust the House will not accept the motion. The Government is following the recommendations of the engineer and while there may have been some inconsistencies on the part of the Ministers in their statements, we have both had in mind the general policy of the Government to proceed first of all with the upstream extension.

On motion by Hon. J. T. Tonkin, debate adjourned.

House adjourned at 6.15 p.m.