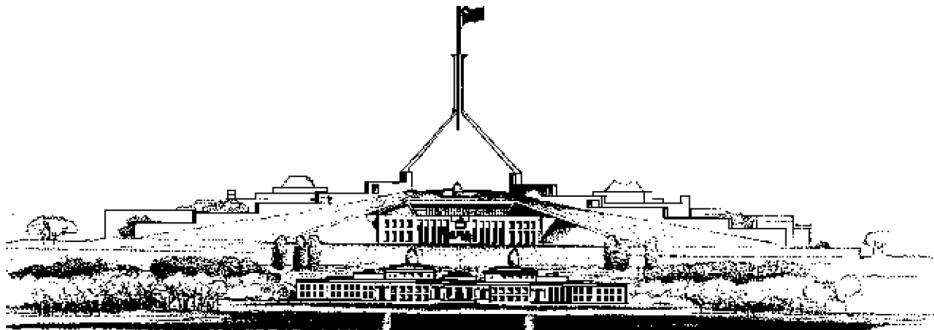




COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



House of Representatives

Official Hansard

No. 11, 1936
Thursday, 12 March 1936

FOURTEENTH PARLIAMENT
FIRST SESSION—FOUTH PERIOD

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

PARLIAMENT OF THE COMMONWEALTH.

FOURTEENTH PARLIAMENT—FIRST SESSION; FOURTH PERIOD.

GOVERNOR-GENERAL.

His Excellency Brigadier-General the Right Honorable Alexander Gore Arkwright, Baron Gowrie, Knight Grand Cross of the Most Distinguished Order of St. Michael and St. George, Companion of the Most Honorable Order of the Bath, Companion of the Distinguished Service Order, upon whom has been conferred the Decoration of the Victoria Cross, Governor-General and Commander-in-Chief in and over the Commonwealth of Australia.

LYONS GOVERNMENT.

(FROM 26TH FEBRUARY, 1936.)

Prime Minister and Vice-President of the Executive Council	The Right Honorable Joseph Aloysius Lyons.
Minister for Commerce ..	The Right Honorable Earle Christmas Grafton Page. (The Honorable Harold Victor Campbell Thorby, Acting Minister for Commerce, on and from 17th February, 1936).
Minister for External Affairs and Minister-in-Charge of Territories	Senator the Right Honorable Sir George Foster Pearce, K.C.V.O.
Attorney-General and Minister for Industry and representing the Minister for External Affairs in the House of Representatives	The Honorable Robert Gordon Menzies, K.C. (Senator the Honorable Thomas Cornelius Brennan, K.C., Acting Attorney-General and Acting Minister for Industry, on and from 24th February, 1936).
Minister for Defence and representing the Postmaster-General in the House of Representatives	The Honorable Robert Archdale Parkhill.
Minister for Repatriation and Minister for Health, and representing the Acting Attorney-General in the House of Representatives	The Right Honorable William Morris Hughes, K.C.
Minister for the Interior ..	The Honorable Thomas Paterson.
Postmaster-General, and Minister-in-Charge of Development, and Scientific and Industrial Research	Senator the Honorable Alexander John McLachlan.
Minister for Trade and Customs ..	The Honorable Thomas Walter White, D.F.C., V.D.
Treasurer and, during the absence from Australia of the Attorney-General, representing the Minister for External Affairs in the House of Representatives	The Honorable Richard Gardiner Casey, D.S.O., M.C.
Minister without portfolio, directing negotiations for trade treaties	The Honorable Sir Henry Somer Gullett, K.C.M.G.
Minister without portfolio, assisting the Minister for Commerce and the Minister for Industry	Senator the Honorable Thomas Cornelius Brennan, K.C.
Minister without portfolio, in charge of War Service Homes and assisting the Minister for Commerce	The Honorable Harold Victor Campbell Thorby.
Minister without portfolio, assisting the Minister for Repatriation and the Minister for the Interior	The Honorable James Aitchison Johnston Hunter.

(For designations of Ministers prior to 26th February, 1936, see preface to Volume 147.)

The Right Honorable Joseph Aloysius Lyons, on 6th February, 1936, resigned as Minister for Repatriation and on 26th February, 1936, resigned as Minister for Health, and the Right Honorable William Morris Hughes was appointed in his stead.

THE MEMBERS OF THE SENATE.

FOURTEENTH PARLIAMENT—FIRST SESSION : FOURTH PERIOD.

President—Senator the Honorable Patrick Joseph Lynch.

Chairman of Committees—Senator Burford Sampson, D.S.O., V.D.

Temporary Chairmen of Committees—Senators Albert Oliver Badman; William Carroll, Charles William Grant, John Blyth Hayes and John Valentine MacDonald.

Leader of the Opposition—Senator Joseph Silver Collings.

Deputy Leader of the Opposition—Senator Gordon Brown.

Leader of the Country Party in the Senate—Senator Charles Hardy.

Abbott, Macartney	New South Wales
Arkins, James Guy Dalley	New South Wales
Badman, Albert Oliver	South Australia
Brand, Charles Henry, C.B., C.M.G., C.V.O., D.S.O.	Victoria
Brennan, Hon. Thomas Cornelius, K.C.	Victoria
Brown, Gordon	Queensland
Carroll, William	Western Australia
Collett, Herbert Brayley, C.M.G., D.S.O., V.D.	Western Australia
Collings, Joseph Silver	Queensland
Cooper, Walter Jackson, M.B.E.	Queensland
Cox, Charles Frederick, C.B., C.M.G., D.S.O., V.D.	New South Wales
Crawford, Hon. Thomas William	Queensland
Dein, Adam Kemball	New South Wales
Duncan-Hughes, John Grant, M.V.O., M.C.	South Australia
Foll, Hattil Spencer	Queensland
Gibson, Hon. William Gerrard	Victoria
Grant, Charles William	Tasmania
Guthrie, James Francis	Victoria
Hardy, Charles	New South Wales
Hayes, John Blyth, C.M.G.	Tasmania
Hays, Hon. Herbert	Tasmania
Johnston, Edward Bertram	Western Australia
Leckie, John William	Victoria
Lynch, Hon. Patrick Joseph	Western Australia
MacDonald, Allan Nicoll	Western Australia
MacDonald, John Valentine	Queensland
McLachlan, Hon. Alexander John	South Australia
McLachlan, James	South Australia
McLeay, George	New South Wales
Massy-Greene, Hon. Sir Walter, K.C.M.G.	Tasmania
Millen, John Dunlop	Tasmania
Payne, Herbert James Mockford	Western Australia
Pearce, Rt. Hon. Sir George Foster, K.C.V.O.	Victoria
Plain, William	Tasmania
Sampson, Burford, D.S.O., V.D.	South Australia
Uppill, Oliver	South Australia

THE MEMBERS OF THE HOUSE OF REPRESENTATIVES.

FOURTEENTH PARLIAMENT—FIRST SESSION: FOURTH PERIOD.

Speaker—The Honorable George John Bell, C.M.G., D.S.O., V.D.

Chairman of Committees—John Henry Prowse.

Temporary Chairmen of Committees—Thomas Joseph Collins, Eric Fairweather Harrison, John Norman Lawson, George William Martens, Walter Maxwell Nairn, Horace Keyworth Nock, David Riordan, John Solomon Rosevear.

Leader of the Opposition—John Curtin.

Deputy Leader of the Opposition—The Honorable Francis Michael Forde.

Leader of the Country Party—The Right Honorable Earle Christmas Grafton Page.

Deputy Leader of the Country Party—The Honorable Thomas Paterson.

Abbott, Hon. Charles Lydiard Aubrey	Gwydir (N.S.W.)
Baker, Francis Matthew John	Griffith (Q.)
Barnard, Herbert Claude	Bass (T.)
Beasley, Hon. John Albert	West Sydney (N.S.W.)
Bell, Hon. George John, C.M.G., D.S.O., V.D.	Darwin (T.)
Blackburn, Maurice McCrae	Bourke (V.)
Blain, Adair Macalister	Northern Territory
Brennan, Hon. Frank	Batman (V.)
Cameron, Archie Galbraith	Barker (S.A.)
Cameron, Sir Donald Charles, K.C.M.G., D.S.O., V.D.	Lilley (Q.)
Casey, Hon. Richard Gardiner, D.S.O., M.C.	Corio (V.)
Clark, Joseph James	Darling (N.S.W.)
Collins, Thomas Joseph	Hume (N.S.W.)
Corser, Bernard Henry	Wide Bay (Q.)
Curtin, John	Fremantle (W.A.)
Drakeford, Arthur Samuel	Maribyrnong (V.)
Fairbairn, James Valentine	Flinders (V.)
Fiskin, Archibald Clyde Wanless, M.C.	Ballaarat (V.)
Forde, Hon. Francis Michael	Capricornia (Q.)
Francis, Hon. Josiah	Moreton (Q.)
Frost, Charles William	Franklin (T.)
Gander, Joseph Herbert	Reid (N.S.W.)
Garden, John Smith	Cook (N.S.W.)
Gardner, Sydney Lane	Robertson (N.S.W.)
Green, Hon. Albert Ernest	Kalgoorlie (W.A.)
Green, Roland Frederick Herbert	Richmond (N.S.W.)
Gregory, Hon. Henry	Swan (W.A.)
Groom, Hon. Sir Littleton Ernest, K.C.M.G., K.C.	Darling Downs (Q.)
Gullett, Hon. Sir Henry Somer, K.C.M.G.	Henty (V.)
Harrison, Eric Fairweather	Bendigo (V.)
Harrison, Hon. Eric John	Wentworth (N.S.W.)
Hawker, Hon. Charles Allan Seymour	Wakefield (S.A.)
Holloway, Hon. Edward James	Melbourne Ports (V.)
Holt, Harold Edward	Fawkner (V.)
Hughes, Rt. Hon. William Morris, K.C.	North Sydney (N.S.W.)
Hunter, Hon. James Aitchison-Johnston	Maranoa (Q.)
Hutchinson, William Joseph	Indi (V.)
James, Rowland	Hunter (N.S.W.)
Jennings, John Thomas	Watson (N.S.W.)
Lane, Albert	Barton (N.S.W.)
Lawson, George	Brisbane (Q.)
Lawson, John Norman	Macquarie (N.S.W.)
Lazzarini, Hubert Peter	Werriwa (N.S.W.)
Lyons, Rt. Hon. Joseph Aloysius	Wilmot (T.)
Mahoney, Gerald William	Denison (T.)
Makin, Norman John Oswald	Hindmarsh (S.A.)
Maloney, William	Melbourne (V.)
Marr, Hon. Sir Charles William Clanan, K.C.V.O., D.S.O., M.C., V.D.	Parkes (N.S.W.)
Martens, George William	Herbert (Q.)

FOURTEENTH PARLIAMENT—*continued.*

McBride, Philip Albert Martin	Grey (S.A.)
McCall, William Victor	Martin (N.S.W.)
McClelland, Hugh	Wimmera (V.)
McEwen, John	Echuca (V.)
Monzies, Hon. Robert Gordon, K.C.	Kooyong (V.)
Mulcahy, Daniel	Lang (N.S.W.)
Nairn, Walter Maxwell	Perth (W.A.)
Nock, Horace Keyworth	Riverina (N.S.W.)
Page, Rt. Hon. Earle Christmas Grafton	Cowper (N.S.W.)
Parkhill, Hon. Robert Archdale	Warrington (N.S.W.)
Paterson, Hon. Thomas	Gippsland (V.)
Perkins, Hon. John Arthur	Eden-Monaro (N.S.W.)
Price, John Lloyd	Boothby (S.A.)
Prowse, John Henry	Forrest (W.A.)
Riordan, David	Kennedy (Q.)
Rosevear, John Solomon	Dalley (N.S.W.)
Schofield, Thomas Hallett, M.C., M.M.	Wannon (V.)
Scullin, Rt. Hon. James Henry.	Yarra (V.)
Stacey, Fred Hurtle	Adelaide (S.A.)
Stewart, Hon. Sir Frederick Harold	Parramatta (N.S.W.)
Street, Geoffrey Austin, M.C.	Corangamite (V.)
Thompson, Victor Charles	New England (N.S.W.)
Thorby, Hon. Harold Victor Campbell	Calare (N.S.W.)
Ward, Edward John	East Sydney (N.S.W.)
Watkins, David Oliver	Newcastle (N.S.W.)
White, Hon. Thomas Walter, D.F.C., V.D.	Balaclava (V.)

THE COMMITTEES OF THE SESSION.

(FOURTH PERIOD.)

JOINT.

HOUSE.—The President (Chairman), Senator Brand, Senator Carroll, Senator Cooper, Senator Foll, Senator Grant, Senator J. V. MacDonald, Mr. Speaker, Mr. Drakeford, Mr. Gardner, Mr. R. Green, Mr. James, Mr. Martens, and Mr. Price.

LIBRARY.—Mr. Speaker (Chairman), the President, Senator Collett, Senator Collings, Senator Dein, Senator Duncan-Hughes, Senator James McLachlan, Senator Millen, Mr. Abbott, Mr. Brennan, Sir Donald Cameron, Mr. Francis, Dr. Maloney, and Mr. Rosevear.

PRINTING.—Senator J. B. Hayes (Chairman), Senator Badman, Senator Cox, Senator Hardy, Senator Leckie, Senator Allan MacDonald, Senator J. V. MacDonald, Mr. Frost, Mr. Gander, Mr. A. Green, Mr. Hutchinson, Mr. Jennings, Mr. McBride, and Mr. McEwen.

SENATE.

DISPUTED RETURNS AND QUALIFICATIONS.—Senator Collings, Senator Crawford, Senator Gibson, Senator Guthrie, Senator Payne, Senator Plain, and Senator Uppill.

REGULATIONS AND ORDINANCES.—Senator Duncan-Hughes (Chairman), Senator Abbott, Senator Brown, Senator Collett, Senator Cooper, Senator J. V. MacDonald, and Senator McLeay.

STANDING ORDERS.—The President, the Chairman of Committees, Senator Brown, Senator Crawford, Senator Hardy, Senator Herbert Hays, Senator E. B. Johnston, Senator A. J. McLachlan, and Senator Plain.

HOUSE OF REPRESENTATIVES.

STANDING ORDERS.—Mr. Speaker (Chairman), the Prime Minister, the Chairman of Committees, the Leader of the Opposition, Mr. Beasley, Mr. Blackburn; Sir Littleton Groom, Mr. Makin, and Dr. Earle Page.

THE ACTS OF THE SESSION.

(FOURTH PERIOD.)

APPLE AND PEAR BOUNTY ACT 1936 (No. 4 of 1936)—

An Act to provide for the Payment of a Bounty on the Export of Apples and Pears from the Commonwealth.

APPROPRIATION (UNEMPLOYMENT RELIEF) ACT 1936 (No. 13 of 1936)—

An Act to grant and apply out of the Consolidated Revenue Fund a sum for the purposes of the Grant of Financial Assistance to the States.

CUSTOMS TARIFF 1936 (No. 14 of 1936)—

An Act relating to Duties of Customs.

CUSTOMS TARIFF (CANADIAN PREFERENCE) 1936 (No. 16 of 1936)—

An Act to amend the *Customs Tariff (Canadian Preference)* 1934.

CUSTOMS TARIFF (EXCHANGE ADJUSTMENT) ACT 1936 (No. 15 of 1936)—

An Act to amend the *Customs Tariff (Exchange Adjustment) Act 1933–1934*.

DAIRY PRODUCE EXPORT CONTROL ACT (No. 26 of 1936)—

An Act to amend sections eight, fourteen and fifteen of the *Dairy Produce Export Control Act 1924–1935*.

EXCISE TARIFF 1936 (No. 17 of 1936)—

An Act relating to Duties of Excise.

FINANCIAL RELIEF ACT 1936 (No. 1 of 1936)—

An Act relating to Financial Assistance to the States in the provision of Relief to Primary Producers, and for other purposes.

FLOUR TAX ASSESSMENT ACT 1936 (No. 9 of 1936)—

An Act to amend section twenty-four of the *Flour Tax Assessment Act 1934–1935*.

INCOME TAX ASSESSMENT ACT 1936 (No. 27 of 1936)—

An Act to consolidate and amend the Law relating to the Imposition Assessment and Collection of a Tax upon Incomes.

LOAN (FARMERS' DEBT ADJUSTMENT) ACT 1936 (No. 8 of 1936)—

An Act to amend sections six and eight of the *Loan (Farmers' Debt Adjustment) Act 1935*.

MEAT EXPORT CONTROL ACT 1936 (No. 7 of 1936)—

An Act to amend the *Meat Export Control Act 1935*.

ORANGE BOUNTY ACT 1936 (No. 5 of 1936)—

An Act to provide for the Payment of a Bounty on the Export of Oranges from the Commonwealth.

PETROLEUM OIL SEARCH ACT 1936 (No. 25 of 1936)—

An Act relating to the Encouragement of Drilling Operations in connexion with the search for Petroleum Oil in Australia and in the Territories of Papua and New Guinea.

PRIMARY PRODUCERS RELIEF ACT 1936 (No. 3 of 1936)—

An Act to amend the *Primary Producers Relief Act 1935*.

PRUNE BOUNTY ACT 1936 (No. 6 of 1936)—

An Act to provide for the Payment of a Bounty on the Export of Prunes from the Commonwealth.

REMOVAL OF PRISONERS (TERRITORIES) ACT 1936 (No. 11 of 1936)—

An Act to amend the *Removal of Prisoners (Territories) Act 1923*.

STATES GRANTS (LOCAL PUBLIC WORKS) ACT 1936 (No. 12 of 1936)—

An Act to grant and apply out of the Consolidated Revenue Fund sums for the purposes of Financial Assistance to the States.

SUPPLEMENTARY APPROPRIATION ACT 1934–35 (No. 18 of 1936)—

An Act to appropriate a further sum out of the Consolidated Revenue Fund for the service of the year ended the thirtieth day of June, One thousand nine hundred and thirty-five.

SUPPLEMENTARY APPROPRIATION (WORKS AND BUILDINGS) ACT 1934–35 (No. 19 of 1936)—

An Act to appropriate a further sum out of the Consolidated Revenue Fund for the service of the year ended the thirtieth day of June, One thousand nine hundred and thirty-five, for the purposes of Additions, New Works, Buildings, &c.

SUPPLY ACT (No. 1) 1936–37 (No. 21 of 1936)—

An Act to grant and apply a sum out of the Consolidated Revenue Fund for the service of the year ending the thirtieth day of June, One thousand nine hundred and thirty-seven.

THE ACTS OF THE SESSION—continued.

WAR PENSIONS APPROPRIATION ACT 1936 (No. 20 of 1936)—

An Act to grant and apply out of the Consolidated Revenue Fund a sum for War Pensions.

WHEAT GROWERS RELIEF ACT 1936 (No. 2 of 1936)—

An Act to provide for Financial Assistance to the States in the provision of Relief to Wheat Growers.

WIRELESS TELEGRAPHY ACT 1936 (No. 10 of 1936)—

An Act to amend sections two and nine of the *Wireless Telegraphy Act 1905–1919*.

WOOL TAX ACT 1936 (No. 23 of 1936)—

An Act to impose a tax on Wool grown in Australia and shorn on or after the first day of July, One thousand nine hundred and thirty-six.

WOOL TAX ASSESSMENT ACT 1936 (No. 22 of 1936)—

An Act relating to the Imposition, Assessment and Collection of a Tax upon Wool grown in Australia and shorn on or after the first day of July, One thousand nine hundred and thirty-six.

WOOL PUBLICITY AND RESEARCH ACT 1936 (No. 24 of 1936)—

An Act to make provision for Improving and Increasing the Production and Use of Wool.

BILLS OF THE SESSION.

(FOURTH PERIOD.)

ACTS INTERPRETATION BILL. Initiated in Senate. Advanced to second reading.

ARBITRATION (PUBLIC SERVICE) BILL. Initiated in House of Representatives. Advanced to Committee stage.

COMMONWEALTH PUBLIC SERVICE BILL. Initiated in House of Representatives. Advanced to first reading.

COMMONWEALTH RAILWAYS BILL. Initiated in House of Representatives. Advanced to first reading.

CRIMES BILL. Initiated in Senate. Advanced to Committee stage.

NATIONALITY BILL. Initiated in House of Representatives. Advanced to second reading.

NEW GUINEA BILL. Initiated in Senate. Advanced to first reading.

SERVICE AND EXECUTION OF PROCESS BILL. Initiated in House of Representatives. Advanced to Committee stage.

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House of Representatives.

Thursday, 12 March, 1936.

Mr. SPEAKER (Hon. G. J. Bell) took the chair at 2.30 p.m., and read prayers.

- MOTION OF CENSURE.

GOVERNMENT AND COMMONWEALTH BANK

—ISSUE OF TREASURY-BILLS—INTEREST

RATE—OVERSEAS TRADE BALANCE.

Debate resumed from the 11th March (*vide page 59*), on motion by Mr. CURTIN—

That the Government is deserving of censure for—

(a) Failing to take action to safeguard Australia's overseas funds by checking the increasing flow of unnecessary imports, thus leaving it to the Commonwealth Bank Board exclusively to direct national monetary policy in a manner gravely affecting the economic conditions of Australia.

(b) Disclaiming all responsibility for the course now taken, which prejudices the employment of the people and increases the difficulties of trade and commerce generally.

Mr. ARCHIE CAMERON (Barker) [2.30].—I do not know whether or not the action of the Opposition in bringing forward this motion of censure was due to a misreading of scripture. I would point out to them, however, that when the prodigal son returned to his father a calf was slaughtered to celebrate his homecoming. The attempt on this occasion,

apparently, is to slaughter a lion. Possibly honorable members opposite are hunting the more ferocious animal on account of the fact that eight prodigals have returned to their father.

The Opposition could have launched several motions that might have caused the Government some embarrassment, or if not the Government, at all events some of its supporters. For example, had it been proposed to censure the Government for failure to restore within Australia the system of compulsory military training, which is necessary for the defence of this country, and is one of the outstanding planks in the platform of the Labour party, I, and probably quite a number of other honorable members on this side, whether we liked it or not, on account of our principles, would have been obliged to cross the floor and assist in the defeat of the Government. That matter must be discussed before very long. All the talk about brighter uniforms will not overcome the difficulty with which we are faced. I shall not at this stage debate the matter further than to suggest that, if certain statements which have appeared in the press lately are to be regarded seriously, I shall expect an order to be issued recalling the existing army boots and replacing them with dancing shoes.

Mr. ARCHDALE PARKHILL.—It would be a silly thing of that sort which the honorable member would think of.

Mr. ARCHIE CAMERON.—The next point with which I wish to deal is the very definite expression by the Opposition of what amounts to a lack of confidence in the Commonwealth Bank Board. My personal view is that the Government should test the feeling of the House on this matter. It should move an amendment to the motion designed to discover whether honorable members opposite are prepared to state by their votes whether they have or have not confidence in the management of the financial situation by the Commonwealth Bank Board. I believe that that would place some of my friends opposite in a somewhat awkward position. They are the political representatives of quite a body of people who are part owners of savings bank deposits, amounting to £130,000,000, which have been entrusted to the care of the directors of the Commonwealth Bank.

Yesterday's debate left well in the air the position in regard to the board.

The motion of censure consists of a concatenation of suggestions, conjectures, suppositions and prophecies. Time after time those occurred throughout the speech of the Leader of the Opposition (Mr. Curtin). I would recall to honorable members certain prophecies made during the last period of this session. Night after night, on the motion for the adjournment of this chamber, honorable gentlemen on the left of the Chair rose in their places and announced that a terrific war would be on our doorstep before the House next met. That state of affairs, however, to which apparently they looked forward with some gusto, has fortunately not yet materialized. I trust that honorable members opposite will be just as much astray in their prognostications with respect to the trade position.

This is not the first occasion upon which I have heard a similar motion debated in this House. The last onslaught was led by our friend from Capricornia (Mr. Forde). If I remember rightly, there is little difference between what was said about twelve months ago and what was said on this motion by the Leader of the Opposition. To my mind, the attitude of the Labour party is inexplicable. We find that party, which prides itself on representing the under-dog and on taking up the cudgels against the great vested interests, criticizing the action of the Commonwealth Bank Board in making available to the general investing public £1,000,000 worth of treasury-bills on the same terms and conditions as were enjoyed as a monopoly for some years by the private banking institutions of Australia. The situation is most interesting, and we are entitled to a clear pronouncement of policy upon it by honorable members of the Opposition. They are not in the happy position of being able to censure the Government unless they can advance a fairly concrete proposal.

The House listened last night to quite a disquisition in regard to experiments and the increased rate of interest. This Government cannot be charged with having freely indulged in experimental legislation. Hitherto, that has been the

particular monopoly of our friends opposite. The Labour party has been a reservoir from which has flowed stream after stream of experimental legislation, most of which has ended in the marsh to which Robert Burns consigned the whole of the Stuart family. If honorable members opposite had the power to work their will with the Commonwealth Bank, along the lines advocated last night by the honorable member for Griffith (Mr. Baker), I am afraid that that institution would find itself in such a marsh. The concern for interest rates is not the special monopoly of the Opposition. It is the concern of every member of the House who represent electorates in which primary and secondary industries are conducted. Let us consider for a moment the history of the Opposition when it was in power. To which party belonged the Ministry that first went on the New York loan market, and paid the highest rate of interest ever required of an Australian government? That Ministry was not constituted from this side of the House. In all my political experience I have heard only one Labour man—and he was well kicked for his pains—advocate a reduction of the rate of interest before it was brought about some years ago. I refer to the Honorable Thomas Butterfield. When he came out into the open, he said that the rates then being charged could not be maintained, as they were no longer the true rates, because the borrowers were paying an insurance against risk. He contended that the risk of lending money was so great that the lender was asking for something in addition to the real rate in order to insure himself against the risk taken. On that occasion Mr. Butterfield was taken seriously to task by men who were considered to be financial experts in the party of which he was rather a distinguished member.

Let us consider the interest rates that have been charged during the last few years, and let us view the matter from the broad aspect. I am not at all satisfied that the rates of interest that have prevailed in recent years are the proper ones. Certain important factors were brought into calculation in fixing the rates, and one was the fact that the lender—for instance the holder of Government bonds when the Premiers plan was instituted in 1931—was so chary about

being able to secure his capital that he was prepared to accept a big reduction of interest, if he could see his principal safe. Another factor considered was that on account of the fall of prices it was no longer possible to make a profit by the investment of money in primary industries, or ordinary manufacturing and trading concerns. There was also extra heavy taxation on account of the general depression. The whole of these factors, and perhaps some others, were a contributing cause of the considerable reduction of the rate of interest, not because people thought that the rate would remain down indefinitely, but because they had an immediate objective in view—the safeguarding of their capital rather than securing for a short time a doubtful, though high, rate of interest.

The Leader of the Opposition was good enough to suggest one or two directions in which he thought improvements might be made. First, he said that something might be done by way of a bounty to assist sales overseas.

Mr. CURTIN.—I did not advocate those things.

Mr. ARCHIE CAMERON.—That is just the trouble. The honorable member did not advocate anything. He put forward a destructive argument of a weak kind, but we could see his natural common sense oozing through his contentions. This was noticeable in his references to bank deposits and economic anarchy. One had no difficulty, however, in recognizing the low tariffist. In this Parliament we witness the anomaly of the high tariff party led by one who, so far as my knowledge of him goes, is definitely a low-tariff man. That probably explains the interesting announcement in the *Canberra Times* this week that the forthcoming tariff debate will be led from the Opposition side by its Deputy Leader, the honorable member for Capricornia (Mr. Forde), instead of by its Leader (Mr. Curtin).

Mr. CURTIN.—The honorable member, too, is good at suppositions.

Mr. ARCHIE CAMERON.—I am dealing with a question that the honorable gentleman must answer in this House before he is a month older. He said something about bounties. I would not accuse him or his party, under present

conditions, of being foolish enough to advocate anything. Not even the Opposition desires a motion like that now before the House to be carried, after the experience in both the State and Federal spheres of Labour in power in bad times. Does the Opposition wish to split once more the party that was re-united last week? Every honorable member opposite knows that the last thing he desires is the responsibility of office in the Commonwealth sphere.

Mr. BAKER.—We thought that good times were back again.

Mr. ARCHIE CAMERON.—We have to admit that a decided improvement has occurred; but as the honorable member for Wakefield (Mr. Hawker), and the honorable member for Flinders (Mr. Fairbairn) pointed out last night, the speech of the honorable member for Griffith (Mr. Baker) showed that there was serious misunderstanding on the part of the honorable member as to the actual position of the pastoral industry even in his own State. The honorable member seemed to overlook the fact that certain disabilities due to drought were still prevalent in Central and Western Queensland. These influences are also felt in parts of New South Wales, a section of Victoria, and large portions of South Australia and Western Australia. Whilst a definite improvement in conditions has taken place, due partly to the increase of the prices of wool and wheat, no member on this side of the chamber is prepared to say that normal conditions have been restored. If he were to make such an assertion, I would not believe him.

I shall now deal with the six points mentioned by the Leader of the Opposition. The first was a bounty to assist sales. If that became the policy of the Opposition, taxation would have to be maintained at its present high level, or even increased, in order to provide the money necessary for the payment of the bounty. One complaint I have heard from the Opposition is that certain commodities are sold here at a much greater price than is charged for them in foreign markets. If the Opposition persisted in that policy, it would mean an extension of the system to which they object. The next point was that there should be tariff

restrictions to reduce the stream of imports; but that is in direct contradiction to one of the most important statements in another part of the speech made by the Leader of the Opposition, when he referred to economic anarchy due to tariff policy shutting out trade. A further point taken was the raising of an external loan but did the honorable gentleman seriously mean that the Labour party would consider the raising of loans on an external market under present conditions? If so, I think that it would find such a proposal impracticable. Next came a suggestion for the rationing of exchange, without varying the rate. The honorable member himself said that that would be unsuccessful, so I need add nothing on that point. As to the variation of the exchange rate, from my point of view, and that of those whom I represent in this chamber perhaps more closely than some other honorable members, this would be a decided advantage. If there were an increase of the rate, it would immediately mean an increase of the prices of those exportable commodities which the producers have to sell; but coupled with that would be an increase of the internal price levels of those commodities which the working man on wages has to buy. Consequently I am a little dubious as to whether that course would be adopted by the Opposition if they had the responsibility of making the decision.

The next matter raised by the Leader of the Opposition was that of general deflation, the establishment of a higher interest rate and the contraction of Australian purchasing power, which it is contended, will, in essence, have practically the same result as an increased rate of exchange. The Opposition has had quite a lot to say about the increasing flow of imports. Let us examine what is meant by the term "trade". I have always understood trade to mean an exchange of goods for goods if not directly, at least, indirectly. But if we are to take the statements of honorable members of the Opposition at what appears to be their face value, their idea of trade is that we should go on exporting and exporting but never receiving anything in exchange. That sort of trade, if it can be so called, cannot continue for long. It is obvious

that if we are to speed up our production and so become competitors in foreign markets, as the Leader of the Opposition mentioned yesterday, then we have to be prepared to accept goods from foreign purchasers in exchange for the goods which we send to them. That conception of trade, however, does not fall in with the tariff policy of the Australian Labour party.

Mr. CURTIN.—But the mere exchange of goods for goods would not enable us to pay our external obligations.

Mr. ARCHIE CAMERON.—Australia has a certain amount of external obligations to meet, but I do not think that the honorable member seriously suggests that the Cabinet would not take cognizance of the London reserve position although he made that charge. I am afraid he has not produced a bill that would stand inspection by a political Auditor-General, at any rate, because the charges he makes are not accurate.

Mr. BAKER.—It is the honorable member's duty to prove that they are not accurate.

Mr. ARCHIE CAMERON.—When speaking last night the honorable member for Griffith (Mr. Baker) did not prove the accuracy of those charges. He certainly spoke about *ad hoc* and *propter hoc*, which caused me to accuse him of being all hocks; but with all due respect to what the Prime Minister said yesterday about the modesty of the honorable member, I suggest that the most distinguishing feature about him is not his "hocks", but his ears.

Mr. CURTIN.—Mr. Speaker, I ask, is that a parliamentary expression?

Mr. SPEAKER (Hon. G. J. Bell).—The expression was certainly not parliamentary. Unfortunately it was occasioned by an interjection, which I overlooked, and which should not have been made. I hope that honorable members will not interject or make personal remarks.

Mr. ARCHIE CAMERON.—There is such a thing as a law of interest which, I am afraid, in the discussion of such things as trade and interest rates, there is rather a tendency to overlook. If there is a great demand for money in the community for certain products, whether primary or secondary, and the industries concerned show signs of revival, then

there will be a growing demand for money from the banking institutions for investment in those particular industries. That demand, to my mind, is one of the factors which, to-day are causing a slight increase of the rate of interest. This morning a number of honorable members viewed a picture dealing with the great motor works at Woodville, South Australia. Two or three years ago very few men were employed in those works; to-day in two of those establishments there are over 7,000 men employed in the making of motor bodies. It is obvious that if there is an increased demand for motor bodies there must also be an increased demand for certain materials or goods which are not manufactured in this country, but which must be imported by the firms concerned, which in this instance, are Messrs. Holdens and Richards. The same thing applies to public utilities, such as the laying of the telephone cable to Tasmania, which was recently completed by the Commonwealth Government. For that particular work the Commonwealth Government had to import the cable. Was it wrong in doing so, although it must have reduced the balance of our London funds? A similar process goes on throughout industry generally, this factor and others affecting our London reserve. The Leader of the Opposition dealt at some length with the matter of our London balance and how it is arrived at. I suggest that no team of statisticians has yet been born that can forecast accurately what the London balance is going to be, say, in a month's time; this is mathematically impossible because of the many factors which enter into the matter. An alteration of the prices we obtain for our goods may not affect the London balance in our favour at all. For instance, if the alteration of price occurs after a commodity has been bought in Australia by an overseas merchant, it makes no difference to our London balance. That balance is, however, affected by the amount of money which goes out of this country to pay the costs of travellers who leave this country. Likewise, it is affected by the amount of money transferred to this country by visitors to Australia from overseas. Another factor to be considered is the shipping rate, most

of which is payable to the United Kingdom, whilst a reduction of the rate of insurance is bound to affect the balance in London. These things cannot be forecast. The prices of staple commodities, which are very largely responsible for the maintenance of this balance, cannot be forecast with any degree of accuracy even a day ahead, let alone a month ahead. Thus, this is a subject which should be left entirely to the management of those who have had some experience in dealing with it and can speak with authority on it.

The suggestion was made last night that this chamber should be given the sole right of determining the policy of the Commonwealth Bank. I am absolutely opposed to such a proposal, and in this respect I cannot do better than refer honorable members to the report of the royal commission which inquired into the affairs of the Agricultural Bank in Western Australia. One point made by that commission was that Ministers in Western Australia so interfered with the investments and activities of that bank, that to-day Western Australia is faced with a debt of some millions of pounds—a loss which has to be made good by the tax-payers. I understand that the interest bill on those losses amounts to something like £640,000 a year. Another instance of political interference with banking policy is the notorious attempt of the Government of New South Wales to interfere in the business of the Savings Bank of New South Wales, as a result of which many of the depositors in that bank were placed in a very unfortunate position. Nothing has been brought forward by the Opposition to show that the Government has failed in its duty in regard to the interest rate or the exchange rate or the offer of treasury-bills to the general public. Honorable members on this side of the chamber, especially those who represent producers who owe considerable sums of money, would like to see the interest rate kept as low as possible.

Mr. MAHONEY.—The producers cannot pay increased interest rates.

Mr. ARCHIE CAMERON.—With an increased demand for money and an extension of secondary industries, there is bound to be a hardening of interest rates. The present rate of 1½ per cent. for call money is not fixed; at any time

it may either drop or rise. It would be interesting to know what the Opposition would do if it were on the treasury bench. Could it prevent the Bank of New South Wales from increasing the rate of interest on fixed deposits?

Mr. BEASLEY.—Does the honorable member think that the action of the bank was right?

Mr. ARCHIE CAMERON.—I do not know all the circumstances. No evidence has been presented to this House that the action of the Commonwealth Bank Board in making available in the open market treasury-bills to the value of £1,000,000 was responsible for the increased rate of interest payable by the Bank of New South Wales on fixed deposits. Decisions of this nature are not made hurriedly. I do not know Mr. Davidson, of the Bank of New South Wales, other than by reputation, but he would be a very impetuous gentleman to control such an institution as the Bank of New South Wales if, a few minutes after the Commonwealth Bank Board announced its decision to make treasury-bills available to the public, he decided to increase the rate of interest payable by his bank on fixed deposits. The Opposition has no more knowledge of this question than has the ordinary private member on this side of the chamber. It may be that the Government has more information; but, if so, it has kept that information to itself. As I have said, decisions of this nature are not made suddenly, but are the result of mature and deliberate consideration on the part of the directorates of the banks concerned. If we knew the facts, we should probably find that the Bank of New South Wales arrived at its decision before the Commonwealth Bank Board announced its intention to place treasury-bills on the open market. At least Opposition members are unable to produce any evidence to the contrary.

Mr. GARDEN.—It may be that there was a conspiracy to throw the blame on the Commonwealth Bank instead of on the private bank.

Mr. ARCHIE CAMERON.—I do not know anything about conspiracies, because I was not brought up in the atmosphere in which they are hatched. The attitude of the Opposition reminds

me of a story of the man who caused a great deal of noise, but gathered very little wool when he attempted to shear the pig.

Mr. WARD (East Sydney) [3.4].—Not one speaker from the Government side of the chamber has answered the serious charge made by the Leader of the Opposition (Mr. Curtin), that the functions of government have passed from this Parliament to an authority outside Parliament. Moreover, differing statements as to what actually took place prior to the action of the Commonwealth Bank Board in making available treasury-bills in the open market have been given by the Prime Minister (Mr. Lyons) and the Treasurer (Mr. Casey). The Prime Minister did not tell the whole of the facts to this House, probably because he was not in possession of them. If that be the situation, it is rather a peculiar position for a Prime Minister to occupy. The right honorable gentleman said that he was not aware of the action contemplated by the Commonwealth Bank Board until the day before action was taken. He went on to say that it is not the duty of the Government to tender advice to the Commonwealth Bank unless that advice is sought. Not long after the right honorable gentleman took his seat the Treasurer told us that the Government had been in close consultation with the Commonwealth Bank Board throughout. It would appear either that the Prime Minister had the information but was not prepared to give it to this House, or that he did not have it, and is, indeed, Prime Minister only in name. The fact is that, instead of this being a contest between the Commonwealth Bank and the private banks, the whole business has been most cunningly managed in order to make it appear that the Labour party is inconsistent in that, although it was responsible for the establishment of the Commonwealth Bank, it now supports the private banks against that institution. That is not the position, because the Commonwealth Bank to-day is a vastly different institution from that which was established by the Labour party in 1911. To-day the Commonwealth Bank is merely a bulwark of the private banks. I am of the opinion that the Commonwealth Bank Board, the

heads of the private banks and their representatives in this Parliament have all along been in close collaboration. The honorable member for Barker (Mr. Archie Cameron) referred to Mr. Davidson, of the Bank of New South Wales, as an impetuous person.

Mr. ARCHIE CAMERON.—I said that he would be an impetuous man if, immediately the Commonwealth Bank decided to put treasury-bills on the open market, he raised the rate of interest payable by his bank on fixed deposit.

Mr. WARD.—The reason why the Bank of New South Wales acted so quickly was that the action taken by the Commonwealth Bank had the approval of the private banks. The Prime Minister made no serious attempt to answer the charges of the Leader of the Opposition. He said that the Commonwealth Bank had been charged with having protected the private banks, and he went on to say that it was more than a protector of the private banks, for, in addition, it protected government savings banks and the savings of the people. Had the Commonwealth Bank Board been keen to protect the savings of the people, it would have done so when the Government Savings Bank of New South Wales was compelled to close its doors. Instead of protecting the depositors, it allowed the money-lending fraternity to extort enormous sums of money from them, when they were compelled to dispose of their deposits at reduced rates. The Prime Minister might have explained why the Commonwealth Bank Board failed to come to the assistance of the Government Savings Bank of New South Wales at a time when it was assisting private banks in Western Australia and Queensland. Honorable members opposite say that political control of the Commonwealth Bank is undesirable. If the government of the day does not control the financial policy of the country, it does not govern; and any government that is not governing has no right to exist. Despite the disclaimer of the Prime Minister, the Treasurer has admitted that the Government has in many instances influenced the decisions of the Commonwealth Bank Board. Unfortunately, the real producers of the wealth of this country—I refer to the workers—are not represented on the

Commonwealth Bank Board; that body is only representative of conflicting capitalistic influences. The true position was made clear last night by the honorable member for Griffith (Mr. Baker), when he exposed the activities and business connexions of the members of the board. The honorable member showed clearly that the Commonwealth Bank Board is representative of interests diametrically opposed to those of the general community. Even so, when these interests come into conflict, and a difference of opinion as to the merits of a particular policy that should be followed exists among the members of the Bank Board, the Commonwealth Government exercises an influence on some members of the Commonwealth Bank Board. The Treasurer admitted that for the last two years the Commonwealth Bank Board has been in favour of an open bill market, and that it had been prevented from adopting that policy only by the fact that, in the words of the Treasurer, "the Loan Council stultified the efforts of the Commonwealth Bank Board for the last two years to establish an open bill market". I want to make it clear to those who have said that Labour members have advocated an open bill market that this action of the Commonwealth Bank Board has not resulted in the establishment of an open bill market. An open bill market is one in which the public may participate at competitive interest rates. Honorable members have spoken of the action of the board as a rediscounting of £1,000,000 worth of treasury-bills which were made available to the general public, as the Treasurer himself said, "as an experiment". As the minimum amount that any one individual can take up is £10,000, how many members of the public will have an opportunity to secure any of these bills? Certainly not too many members of the public of any importance in my electorate will have an opportunity to apply for any of these treasury-bills. Commonwealth treasury-bills, as has been said by some speakers, came into existence in 1929 for the purpose of assisting the Commonwealth Bank and the private trading banks to finance government deficits. When first introduced, the pre-

vailing interest rate was 5½ per cent.; but by 1931, while the present Prime Minister was Treasurer of the Commonwealth—and I say this in answer to the honorable member for Barker (Mr. Archie Cameron), who said that the first man who ever spoke of lower interest rates was some member of the Labour party in South Australia—the rate had been raised to 6 per cent. During the same year an important conference was held at Canberra, attended by the then Premier of New South Wales, Mr. Lang. At that conference Mr. Lang laid down in definite and unequivocal terms, his proposals for affording relief in regard to interest rates to governments and other public bodies throughout Australia. From then onwards, interest rates began to tumble.

Mr. THOMPSON.—It was not because of Mr. Lang.

Mr. WARD.—It may not have been due to any action taken legislatively by the then Premier of New South Wales to reduce interest rates, although he did everything possible within his powers as State Premier to bring about that result. The reason why interest rates began to fall was that the Premier of New South Wales pointed out very plainly to people investing in Government securities that the Government had come to the end of its tether and that they had to be prepared to accept either lower interest rates or nothing at all. To-day treasury-bills are discounted at 1¼ per cent.

The Treasurer said that this proposal of the Commonwealth Bank Board was not of very great importance, that it was only an experiment, and that the board was only testing the open market. Very well; suppose it is satisfied with the results achieved. If it is successful in disposing of £1,000,000 worth of treasury-bills now proposed, it is only logical to expect that it will proceed to unload the other treasury-bills which it holds, which I understand amount to over £21,000,000. If, as the Treasurer says, this Government was powerless to prevent the Commonwealth Bank Board from issuing £1,000,000 worth of treasury-bills on the market, it would be equally powerless to prevent the board from disposing of the £21,000,000 worth of treasury-bills which it holds.

to-day. If that is done it will mean the withdrawal of moneys available for special purposes, the restriction of credit, an increase of the charges for overdrafts, and eventually, for the general public and the workers of this country, worsened conditions and increased unemployment. If the issue of £1,000,000 worth of treasury-bills is an experiment, probably the experiment is not in the direction suggested by the Treasurer, but because the Commonwealth Bank Board was not anxious to stampede people by placing the whole amount on the market at the one time. Probably the Commonwealth Bank was heeding the advice given a few years ago by Mr. Bruce in regard to unemployment, giving it to the people gradually. The whole policy of financing governments by the issue of treasury-bills is nothing more than that inflation of currency which I have heard honorable members opposite speak against so strongly on many occasions. That policy is wrong. If the Commonwealth Bank were functioning as a people's bank, the Government and the people should be able to receive all the accommodation they need at no greater cost than a mere charge to cover working expenses of the bank itself without its being necessary for the bank to trade these loans out to private banks and individuals. As a matter of fact, the reason why honorable members opposite favour the issue of treasury-bills as against the issue of direct credit to the Government by the Commonwealth Bank is this: The issue of treasury-bills bears interest. It has the same effect as the printing of Commonwealth Bank notes; it releases credit, and all credit, whether represented by treasury-bills or Commonwealth Bank notes, is backed by the future productivity of this country. That is the only way it can be backed. Honorable members opposite object to the note issue being used to provide accommodation for governments on the ground that it is inflation; but they do not object to the financing of governments by the issue of treasury-bills because on treasury-bills the people of this country must pay annual toll. That is the very reason why the Government favours the flotation of short-term loans by treasury-bill issues

as against the utilization of the note issue. Interest rates have shown a tendency to rise. The Treasurer, in attempting to answer the criticism from this side, compared the interest figures of 1929 with those of the present day to show that the rates to-day were much lower than was the case in that year. But he did not answer the charge that interest rates are increasing. Why not compare the interest rates of six months ago with those prevailing at the present moment? Because it cannot be denied that interest rates to-day have an upward tendency. In November last, a loan of £7,500,000 was floated at 3½ per cent., the issue price being £99 10s. In the previous June, there had been a loan of £12,500,000 floated at 3⅔ per cent., and issued at £99 10s. So that even in the very brief period of six months interest rates on Government borrowing have increased inside Australia. Let us look, for a moment, at the external position. This Government is being continually praised for what has been done in the conversion of Australian loans overseas, particularly through the activities of Mr. Bruce. In July last a conversion loan of approximately £13,500,000 was negotiated at 3 per cent. and issued at par. In January, 1936, a further conversion loan of £21,500,000 was negotiated at 3 per cent. and issued at £95 10s. It will be seen, therefore, that the effective interest rate in regard to that transaction was very much greater than that upon the first loan, although the nominal rate of interest appeared to be the same. This was during a time when the British Government was receiving its loan accommodation at a rate of interest as low as one per cent. The Treasurer told us yesterday that interest rates were influenced by the confidence that people had in governments. Accepting his argument as sound for a moment, I suggest that what has happened recently both within Australia and overseas proves conclusively that not only the people of Australia, but also those of Great Britain, have lost confidence in this Government. I make that assertion on the basis of the Treasurer's own reasoning. Two Australian banks—the Bank of New South Wales and the Bank of Adelaide—have recently increased their interest rates.

We may be sure, therefore, that it will not be very long before the other private banks follow suit. The Commonwealth Bank may also be expected to proceed along the same lines without much delay, for it is not now a government or a people's bank, nor has it been so since the Commonwealth Bank Board was appointed in 1924. The Commonwealth Bank is, to-day, dominated by the private banking interests, and is not serving the purpose for which it was originally established. The private banks will reap a substantial profit through the increase of interest rates. There is no doubt that they intend, immediately, to raise their interest rate on overdrafts, but the money they will make available will have been obtained at a cheaper rate of interest under contract, the terms of which provide that there shall be no increase of interest on deposit money until such time as the contracts mature. The banks will therefore use this cheaper money to provide accommodation for other interests on overdraft and otherwise at a higher rate of interest. During the debate on the Supply Bill in this chamber in 1934, the present Treasurer replied to certain statements of the honorable member for West Sydney (Mr. Beasley) on this subject. The *Hansard* report reads as follows:—

Mr. CASEY.—His remarks are best answered by a very brief reference to the consistent decline of the interest rate in this country during the last three years.

Mr. BLACKLOW.—What is the cause of that?

Mr. CASEY.—It is due to the increasing confidence of the public in the Government and in the economic future of the country.

I should like to hear what the honorable member now has to say in the altered circumstances which face us.

I do not believe that the motive of the Commonwealth Bank Board in issuing these treasury-bills has yet been disclosed, for the reason that the board does not wish to repeat the experience it had previously when it introduced a policy of deflation in this country by means of what was known as the Premiers plan. That plan caused a storm of protest throughout the country, and although an anti-Labour Government has been able to survive the storm for a period, it is clearly realized on all sides that a similar storm could not be survived now. The people

Mr. Ward.

would rise in their wrath and sweep from office any government which sought to impose on them another similar plan. The bank board has therefore decided on this occasion to proceed along more subtle lines. It has been quite openly discussing these matters, as can be seen from reports which have appeared in various sections of the press throughout the country. I direct attention to the following statement of Mr. Davidson, manager of the Bank of New South Wales, which appeared in the *Sydney Morning Herald* of the 4th March last—

The Commonwealth Bank for some time has indicated by successive steps that it has the belief that recovery is proceeding at too fast a rate and therefore ought to be slowed down.

What is meant by that? What does recovery mean? Is it suggested that our industries are operating too actively and that men are being taken back into employment at too fast a rate? That would appear to be the opinion held by the Commonwealth Bank Board and shared by this Government. For this reason it is proposed to take steps to restrict operations. In this way further attacks are to be made upon the working people of this country and an increase made in the enormous number of them who are still unemployed. I direct attention also to the following evidence given recently by Sir Claude Reading, chairman of the Commonwealth Bank Board, before the Royal Commission on Banking and Monetary Reform:—

"We have been advising the Government that the proper course would be to fund a reasonable amount of treasury-bills. We think the position would be more definitely strengthened by that course. A good opportunity was lost in 1934 when there was plenty of idle money available". He believed that something between £30,000,000 and £40,000,000 might be regarded as a reasonable short-term debt which Australia could carry without embarrassment.

At the present moment Australia has short-term debts of about £50,000,000. If this sum is to be reduced to £30,000,000, then the treasury-bills to the value of £1,000,000 already placed upon the market by the Commonwealth Bank Board must be regarded merely as the forerunners of others, and we must expect that the board intends to compel the Commonwealth Government to reduce its short-term indebtedness by this means.

MR. ARCHIE CAMERON.—This action constitutes not a reduction of, but merely a change in, the form of the indebtedness.

Mr. WARD.—While that may be true it is also true that by the action which it has just taken the Commonwealth Bank Board is trying to force the Government to reduce its short-term indebtedness within Australia. I believe that the Government has already agreed to follow the course set by the Commonwealth Bank Board, but it is trying to create the impression that it is being compelled to take this course. By this means it hopes to shelve its responsibility to Parliament and the people generally. Certain facts may be recited which cannot be refuted. It will be remembered that in 1934, when the Loan Council was considering the subject of State financial accommodation and loan requirements, difference of opinion occurred in regard to the amount that should be made available. According to press reports the struggle between the State Premiers and the Commonwealth Government extended over a considerable period. Finally the Commonwealth Bank Board agreed that it would finance government deficits for 1934-35 by means of treasury-bills only on the understanding that the relevant bills were retired during the financial year. The board intimated, at the same time, that it would not in the future finance government deficits by means of treasury-bills but would only adopt this course to meet a lagging in revenue. We can see therefore that in spite of what the Treasurer said yesterday the Commonwealth Bank Board has intimated already to the Commonwealth Government and also to the State governments that it is no longer prepared to assist governments by discounting treasury-bills. In the circumstances I wish to know how the Government proposes to assist the anti-Labour governments of the States, which are in difficulties with their State budgets, in view of the fact that the Commonwealth Bank Board has definitely refused to discount treasury-bill issues. In the directors' report issued by the Commonwealth Bank Board and received by honorable members only to-day, we find a statement in which it is said that the time has arrived

when balanced budgets and decreased loan works should be the immediate policy of Australian governments. The board advocates, not a long-range plan, but an immediate policy, with all the cuts and sacrifices to be imposed on the workers of Australia. What State government has yet balanced its budget? In New South Wales, the Premier (Mr. Stevens) is in a precarious position in regard to the budget, and, if he finds the opportunity is taken away from him to finance deficits by issuing treasury-bills, what course will he follow? He will immediately take the course palatable to him, and further reduce the living standards of the people. Regardless of consequences, he will stop relief works, cut into the widows' pensions and family endowments, and destroy all social services. His attitude is that the State budget must be balanced, no matter what sacrifices the people will be called upon to make.

Those long-lost friends of the Commonwealth Bank who sit opposite are attempting to hold it up as an institution which is a model of what a government bank should be. In 1911, when a Labour government established the Commonwealth Bank, it did so for the purpose of its competing with private trading banks. Any honorable members supporting the Government who care to examine the records which are available in the Parliamentary Library will find that their predecessors in this Parliament bitterly opposed the establishment of the Commonwealth Bank; but they will also read that when those gentlemen found that they were powerless to prevent the bank from being brought into being they set out to sabotage the institution.

Dr. MALONEY.—Hear, hear!

Mr. WARD.—By their efforts the Commonwealth Bank was changed into an instrument for the protection of the trading banks. It became a bulwark for the private banks rather than a bank competing with them. Subsequently, it was given control of the note issue. The Parliament's powers of control over the Commonwealth Bank's activities were further whittled away, and, in 1924, a nominee bank board was created. In the years before the establishment of that board the Commonwealth Bank had

been able to put through the greatest and most important financial operations in the history of this country. In defending the board, honorable members opposite have talked about the wonderful accomplishments of the bank. As a matter of fact, when the bank was first established every effort was made by those opposed to it to destroy it, despite which, without the assistance of a board, the Commonwealth Bank, which was then in the charge of an efficient governor in Sir Denison Miller, was able to overcome all difficulties.

At this stage, I want to deal with misstatements made by the Prime Minister (Mr. Lyons). Some of them were ridiculous in the extreme. He said that in New South Wales to-day unemployment had been reduced to 8 per cent. I do not know who supplied him with the figures, but in the report of the directors of the Commonwealth Bank issued to-day—and I believe these are conservative figures far from touching the real situation—the percentage of trade union members unemployed for the fourth quarter of 1935 is given as 13.7, a considerable increase on the percentage indicated in this chamber by the Prime Minister. If that is the position, does it account for the resignation of the former Under-Secretary for Employment (Sir Frederick Stewart)? If the Prime Minister's figure be accepted, we would appear to be in a better position regarding unemployment than before what are called "depression years", whose advent made it necessary for the Commonwealth and State Governments to undertake the responsibility of feeding unemployed, who formerly were left to the charity of relatives and certain charitable institutions outside governmental activities. The Prime Minister may tell us why the honorable member for Parramatta was forced to resign his position as Under-Secretary for Employment. Was it because members of the Government felt that he had no further work to do in that capacity? Does his resignation also indicate the intention of the Government to drop the proposal being forced upon it to introduce a shorter working week in this country? The Prime Minister's figures, no doubt, will be cited and used as an

authoritative statement of the position of the employment market in Australia. It may be said by those charged with the investigation of the question of hours of labour, that, if the unemployment level is down to 8 per cent., there is no need to reduce hours, because, if they are reduced, a shortage of labour may occur. That might be an argument advanced by the Government against a reduction of hours of labour. The Australian representative at the conference of the International Labour Office (Sir Frederick Stewart) was authorized by the Government to support the proposal for a shorter working week, but what has been done by the Government to ratify the convention adopted by the conference? In connexion with this matter, the Government is now proposing to send another honorable member overseas. I refer to the honorable member for Bendigo (Mr. E. F. Harrison)—

Mr. SPEAKER.—Order! The honorable member for East Sydney (Mr. Ward) is getting a good deal away from the terms of the motion.

Mr. WARD.—The Prime Minister made reference to the position of unemployment in Australia, and I am attempting to show that the Government has used erroneous information for the purpose of dropping the proposal that hours of labour should be reduced. Regarding this question of hours of labour, it would be interesting for the Prime Minister to tell us exactly what course the Government proposes to take. Can any indication of its policy be gained from the fact that it has deliberately selected a man to represent the Government at the International Labour Conference at Geneva who has no knowledge of industry, and who all his life has been engaged in soldiering?

Mr. SPEAKER.—Order! The honorable member's remarks are entirely irrelevant. The honorable member has exhausted his time.

Mr. PATERSON (Gippsland—Minister for the Interior) [3.38].—The Prime Minister (Mr. Lyons), the Treasurer (Mr. Casey), the Minister for Trade and Customs (Mr. White), and several other honorable gentlemen have so completely and effectively disposed of the charges brought against the Government by the

Leader of the Opposition (Mr. Curtin) that very little remains to be said, and, in consequence, I do not propose—nor is it necessary—to occupy the time of the House for more than a few moments. Like his predecessor, the Leader of the Opposition is a very eloquent and attractive speaker; but, despite that, in all my experience in Parliament, I have never seen a previous censure motion fall so flat as this censure motion has done. The honorable gentleman directed his criticism, or part of it, to the action of the Commonwealth Bank in making £1,000,000 of existing treasury-bills available to the public at a rate which has been current for some considerable time. When that decision was arrived at and announced in the morning press, it was quietly received. No heroics were indulged in by honorable members opposite. The announcement was received with absolute complacency and such newspaper comments as appeared at the time were entirely favorable. Everything, in short, was quiet on the western front. Then, several days later, the manager of a great private bank gave notice of the intention of that institution to raise interest rates on deposits, and it seems to me that, with an ingenuity worthy of the honorable member who has just resumed his seat, he laid the necessity for that action on the doorstep of the Commonwealth Bank and of the Commonwealth Government. Immediately this announcement appeared in the press, honorable members opposite woke up. Here was an opportunity to be grasped; here was something that must not be missed. This was a chance to beat the Government with a cudgel conveniently placed in their hands by the representative of a great private bank. It was interesting to see how readily honorable members opposite allied themselves with the representative of private enterprise, whose methods they professed to despise, and how quickly they began to attack that bank, which, up to then, they had always regarded as their very own child. This action of the Commonwealth Bank, which had at first been received by honorable members opposite with such equanimity, such unconcern, such complacency, suddenly became a most sinister thing, full of grave portent, and liable to be

followed by the most appalling consequences. Honorable members opposite are only too willing to believe in the possibility of those appalling consequences, though the nature of them they are unable to understand. In saying that, I do not desire to cast any aspersion on the intelligence of honorable members opposite, because I do not think that this experiment of the Commonwealth Bank has been long enough in operation for any one to be able to say just what its advantages or disadvantages may ultimately be. In my opinion, the importance of the step taken by the directors of the Commonwealth Bank in making this very limited amount of existing treasury-bills available to the public has been magnified out of all reason. To say that this thing is a storm in a tea-cup is an exaggeration; it is nothing more than a bubble in a thimble.

The honorable member for East Sydney (Mr. Ward) referred to the general rise of interest rates, and asked why the Treasurer had not replied to the charges made in that respect. He asked what was the cause of the upward trend of interest rates. One does not need to be a treasurer skilled in matters of finance to be able to answer that question. Any intelligent person knows that interest rates must harden to some extent just so soon as confidence in industry places a sufficient demand on the money available. Let us go back a few years and follow the trend of interest rates, and try to discover the reason for their fluctuation. When the Scullin Government brought down its loan conversion scheme, the interest rate on gilt-edged securities became, nominally, 4 per cent. However, although the nominal rate was 4 per cent., the actual rate of interest earned was, for a considerable time, about 5 per cent., because there was not sufficient public confidence even in government securities to keep them at par on the open market. Then the Lyons Government came into office; public confidence in the value of government stocks improved steadily, and the price rose to par.

Mr. SCULLIN.—Does not the Minister know that the price of government bonds rose £20 in the £100 during the four

months before the Lyons Government came into office?

Mr. PATERSON.—I do not wish to detract from any good work done by the right honorable gentleman, and I should be the last to take from him any credit which is due to him. The price of government bonds rose steadily and when par was reached not only was the nominal rate 4 per cent., but the actual earning power of the bonds was also only 4 per cent. For some time after that, public confidence was not sufficiently restored to encourage the investment of any great amount of money in ordinary industrial projects, so that for many people the one really safe avenue for investment was government securities. The price of such securities rose until ordinary £100 bonds were selling at as much as £107, and the actual earning power of the bonds was reduced to a little over 3 per cent. Eventually, however, confidence was completely restored, and now funds are being freely invested in commercial and industrial enterprises, so that the market for government securities has weakened, and the price has fallen somewhat. The honorable member for East Sydney said that the greatest achievements of the Commonwealth Bank had taken place during the time when there was no Commonwealth Bank Board. Have honorable members forgotten the great part that the board played during the difficult times of the depression?

The Leader of the Opposition (Mr. Curtin) said that, in order to improve our financial position overseas, imports should be substantially reduced. It was interesting to hear such a statement coming from a Western Australian. He said that, unless this course were taken, our finances would be thrown into disorder, and unemployment would increase. The Prime Minister (Mr. Lyons) showed yesterday that never before have so many persons been employed in secondary industry. The number of such employees is now about 460,000. Paradoxical though it may seem, it is an indisputable fact that, when importing is brisk the volume of employment is greatest, and there is a good reason for that. For instance, when a motor chassis is brought into this country, a body has to be built for it, tyres must be provided, and other

accessories made in Australian factories have to be attached. When the car is put into commission, considerable employment is provided for persons employed in garages, &c. Moreover, a considerable proportion of our imports consists of raw material, which is made up in our own factories. Of recent importations, plant and equipment have formed a considerable part and these imports provide employment not only for those who erect the equipment, but also for those who subsequently employ it in the production of goods. Labour is needed to operate it as well as to set it up. Whatever doubts may have been entertained by honorable members opposite with respect to our trade balance, the latest figures quoted yesterday by the Prime Minister must have dispelled them. The right honorable gentleman pointed out that already, with little more than eight months of the financial year gone, after paying for our imports we have a balance greater by £1,600,000 than we had at the end of the twelve months in the last financial year, the respective figures being £17,700,000 and £16,100,000. Australian wool is realizing a substantial price to-day, and a good deal of the clip has yet to be sold. Wool is Australia's greatest asset.

I shall not detain the House longer, because I feel that it is absolutely unnecessary for me to do so. Even if the Leader of the Opposition is not to-day prepared to admit it, I hope and believe that before the year closes he will have very good cause to agree that his motion has proved to be simply an airy superstructure without any foundation.

Mr. HOLLOWAY (Melbourne Ports) [3.51].—I preface my remarks by saying that when Parliament debates a big fundamental problem of this character, it is a pity honorable members cannot refrain from indulging in personal post mortems. I deprecate the suggestion of Ministers that this is not an important question, and that there is nothing which calls for a reply. The Prime Minister (Mr. Lyons) has suggested that we on this side have lost the faith and respect that we once held for the Commonwealth Bank, and that, by reason of our attitude on this occasion, we have more or less discarded

our adherence to it as an institution. That is a misconception. I have too great a knowledge of the judgment and wisdom of Ministers to believe that they misunderstand our attitude. It is not fair to say that because we are at variance with the Government on account of its failure to determine what the policy of the Commonwealth Bank Board shall be, we have lost faith in the instrumentality itself. I have the greatest respect and admiration for the Commonwealth Bank, and my admiration for it grows every year. The majority of honorable members opposite, however, because of the political views which they hold, have always been opposed to it. As a matter of fact, the great organs of public opinion in this country predicted at its establishment that it would not live for more than six months.

Mr. PATERSON.—It has won a lot of ground within recent years.

Mr. HOLLOWAY.—Of course it has. It has vindicated the judgment of the Labour movement, which has always stressed the necessity for such an institution and advocated the strengthening of it. Ministers must agree that at least we have been consistent in our advocacy of greater freedom being given to the bank and the removal of it from the manacles placed upon it by the Bruce-Page Government in 1924. I can never forget the terrible misery and travail through which the world has passed during the last fifteen years as the result of the organized method adopted to bring about deflation. Three or four years ago I made the statement that fifteen years ago those who control the financial affairs of the world had purposely inaugurated the plan which brought about the period of deflation. When I first made the statement I was almost ridiculed by the present Treasurer (Mr. Casey). I do not blame him for that. Possibly, I had the reports of the International Labour Office before he received them, and on that account felt sure of my ground. I am confident that to-day he, the Prime Minister, and every other honorable member opposite, will agree that I then stated what was an actual fact. What was the result? Everybody remembers the advice given by

Professor Cassels, when he appealed to the controllers of finance not to take action that would bring about deflation. He pointed out that deflation would grow like a snowball, and that its momentum would become so great that they would not know how to arrest it and the world would be brought to a state of ruin and chaos, from which it would take decades to recover. Surely the lesson which we learned in Australia during the depression of the last six or seven years, with the travail, poverty, misery and unemployment then witnessed, should cause us to be dubious about agreeing to a similar suggestion! All the great financial writers of the world have continually urged upon governments and the great institutions which control finance, the wisdom not of curtailing inflation in any way, but rather of making more elastic the distribution of credit until we had at least reached the standard of values which existed in 1929. Yet, while we are still not yet around the corner, while we are still struggling to get back to something like the position of 1928-29 we have this suggested experiment. Surely the statement on the matter in the report of the Commonwealth Bank Board is an endorsement of the assertion of the Leader of the Opposition, that this will have a deflationary influence on the currency of the country! The board itself says that it is necessary to restrict the amount of loan money made available for public works. Such a policy must mean more unemployment and a reduced spending power. Is not that identical with what was done in 1920, when orders were given to all the business institutions of the world that they must not, from that date, recapitalize any of their profits, that they must restrict rather than extend their operations, that they must cut everything to the bone for the purpose of bringing about a period of deflation which would reduce the rates of interest and all other values to those that ruled in 1914? That action was taken, notwithstanding the advice of all the greatest economists, and every one has suffered as a result. Since then, all of those who have taken a leading part in the consideration of world problems have sounded the warning that nothing should

be done to checkmate the upward tendency until the 1929 values had again been reached, when whatever steps wisdom dictated should be taken to make the position stable at that point. Although we have not nearly reached that stage, it is suggested that the release of credit for public works should be discontinued, and that the operations of the Commonwealth Bank should be so conducted that a period of gradual deflation would return. Yet, in the same breath, the people of Great Britain are being urged to begin a period of emigration! Imagine a government, one of the principal instruments of which is doing what may have a tendency to bring about deflation, and thus cause unemployment to become greater, negotiating with other governments for the introduction of immigrants to this country! Surely in such circumstances it is right that we should protest against this proposal!

In what I am about to say upon the purely financial aspect of economics, I speak with a good deal of temerity, because I do not consider that I am capable of analysing the very intricate financial questions involved; but I have had opportunities to study economics generally, and I know something of industrial history. I am absolutely certain that we shall never have real prosperity in Australia until interest rates rise. As a student of economics, I welcome any increase of interest rates that is the result of a legitimate demand for credit for use in industrial activities. Increases of wages, prices, and values generally, must automatically cause interest rates to rise. Surely that is obvious to any student of economics! If wages, prices, and values generally are restored to the level of 1928-29, interest rates will revert to something approaching what they then were. I personally believe that they were too high, and that the money-lenders made excess profits. I am satisfied, however, that good government would prevent their rising to as high as they then were. Under the present economic system real prosperity can be brought about only by a constant demand by the captains of industry for more credit. A legitimate demand for money for investment in industrial activity must of necessity increase interest rates. If increased by

that process, good would result. This proposal, however, is illegitimate and can only bring about deflation. No student of economics will argue that it is bad for interest rates gradually to rise. We are protesting on this occasion, because the issue of treasury-bills will not increase credit for immediate investment in industrial operations, but will merely mean the withdrawal of deposits from other avenues for the purpose of obtaining a slightly higher rate of interest. That would be merely to take money from one pocket and put it in another. The party of which I am a member protests against such a policy. Our real protest, however, is against the action of the Government in making itself subordinate to one of its own instruments—the only instrument in this country owned by the people that can issue credit which has the backing of the nation's assets. Everybody knows that when a country wishes to borrow, those who have to determine whether it is a gilt-edged proposition examine its natural visible and invisible assets. Take Australia for example. They ask their advisers: "What standard of education have the Australian people? What is their technical knowledge? What have they in visible and invisible assets?" The order in which the countries of the world are placed is: Great Britain, No. 1; United States of America, No. 2; Canada and Australia, Nos. 3 and 4. I have quoted figures dozens of times before the courts of this country to show why Australia is not in the position in which it was once said to be. I have never known those who have the lending of money internationally to place Australia lower than third or fourth among the nations of the world. We should be proud of its position and not continually malign it by adopting an inferiority complex. Australia is regarded as a good asset by every money-lender in the world. Doubt is raised regarding it only when Australians who go abroad tell the wrong story concerning the value of its assets. A very highly titled and respected lady who recently arrived in Australia from London, repeated what her father said when he was here a few years ago. That gentleman, then Sir Hugo Hirst, now Lord Hirst, said to me, "Your own people are largely responsible for the way

in which your country is regarded by people abroad." When in Great Britain, Australians often make statements of which they should be ashamed. The credit of our nation stands high, and we should never be refused loans if the Government earnestly desired to get them. If we used our own Commonwealth Bank there would be no need to raise loans from private sources.

The criticism offered by the Opposition is not directed against the Commonwealth Bank, which is an institution of which we are proud. We say, however, that the Government has no right to hand over the control of this instrument, which was created by the people of Australia, to a board such as that which now directs its policy. The board should be free to manage the bank as it sees fit, but the Government should define the policy. No institution in the land is more admirably equipped for the issuing of loans to the people, yet the Government is so unpatriotic that it borrows from the private banks. If it paid interest to the Commonwealth Bank, the money could be used in discharging some of our internal and external indebtedness. Our opinion of the Commonwealth Bank becomes higher each year, but we contend that the charter which the Government has handed to the board is wrong. My view of this matter is supported by that of thousands of others who have spoken on the subject in various parts of the world since the beginning of the period of deflation. In 1933, shortly before he died, Mr. Basil Blackett, referring to Australia's financial problems, said that we should use the bank of the nation to create the credit necessary for carrying out our industrial programme. This policy would enable us to provide money needed for internal works, and would assist in meeting our overseas obligations. He said that any country which had an instrument such as the Commonwealth Bank could do that, and he added that owing to our central bank working in co-operation with the private banks instead of as a competitor with them, we had turned a good servant into a hard and inhuman master. The Opposition contends that the present Government has done that by handing over the complete control of the Commonwealth Bank to the board. I have no

complaint regarding the character of the members of the board. They are estimable gentlemen, and as big-hearted as any member of this chamber; but their life-long training in the service of private banks has made it impossible for them to act other than as they did when working for the profit of the shareholders of private banks. If they had not done that, they would no longer have been kept in their positions as directors.

Mr. HUGHES.—That criticism is not applicable to the members of the Commonwealth Bank Board.

Mr. HOLLOWAY.—I consider that it is. The right honorable gentleman means that they may not now be directors on the boards of private banks; but how could they, in the closing period of their lives, change the views which they formed in the service of private banks, and in which many of them have personal interests, although they are not directors? If I were a member of the board of a private bank I should have to compete with the other banks, in order to show a satisfactory balance-sheet, and prove that I had been a good manager. The Opposition points out that the Government, which represents the people of Australia, and stands for the good government of the people—which means the provision of permanent employment and a fair distribution of the wealth produced in the community—should not hand over to a board created by Parliament the complete control of an institution which should, and does, control the supply of the life-blood of our economic society. When medical men fail to effect cures of their patients by ordinary methods, they often, as a last resort, infuse new blood into their veins. We find that, economically, Australia has been squeezed dry because of the interest payments made abroad and among the private banking institutions in Australia. Therefore, we suggest that we should gradually but surely infuse new blood into our economic system by releasing more credit to enable us to recapture our former position.

The Commonwealth Bank Board cannot now contend that inflation would cause collapse, but a majority of its members say, "Although we have done fairly well, we suggest that care should be exercised. We shall experiment with this

small issue of treasury-bills, so that what was said in our report must be done will be done." In that report the board advised the governments of Australia to restrict their loans for public works. These are necessary to give an impetus to industry, and surely at this stage, when a slight move towards prosperity is apparent, we should protest against the board taking complete control of the financial situation. The Prime Minister has told us that the Government is not concerned about the board's action. Having faith in the board, it has no intention to interfere with it. I respect the Treasurer for having told us as much as he did on this matter, but I draw particular attention to what he actually did say. In addition to the statement made by the Prime Minister that the Government would not interfere with the board, the Treasurer remarked that the Loan Council, not the Government, was and would be consulted by the board. That assertion made the position worse, because the Government is to be subordinate to both the Loan Council and the board. My protest is against the attitude of the Government itself for not determining the policy of the board. Our attack, as I have said, is not against the Commonwealth Bank as an institution, but against the monetary policy of the Ministry. The Labour party regards the bank as one of its own children. I consider it to be the greatest asset the Commonwealth has.

The right honorable member for North Sydney (Mr. Hughes) could tell us the story of the failure of all the private banking institutions of this country when he and other Ministers called them together on the eve of the war of 1914-1918. The right honorable gentleman and his colleagues summoned a conference of representatives of the leading banks of Australia, and, when he asked them what they could do towards financing Australia's war expenditure, they replied, "This is too big a job for the private banks." In substance, the right honorable gentleman then said "Surely, if all you gentlemen pool your interests, and for the time being become one big co-operative bank, rather than independent private banks as you are in normal times, you can finance the Government's opera-

Mr. Holloway.

tions!" But they replied, "No, we cannot do it." Thereupon, one of the Ministers said to the Governor of the Commonwealth Bank, "Mr. Miller, what can you do to help us?" The manager of this little bank which had just been established, and whose funds amounted to only £2,000,000 or £3,000,000—it did not need even that amount of money—answered, "Well, Mr. Minister, I can do whatever you conceive to be necessary to be done. Whatever the Government wants this bank to do, it can do." At that time the institution was only two or three years old, but with a manager and a small staff—it had no elaborate board, and no advisers from the University or the Statistician's Department—it raised £300,000,000 at the average cost of 5s. 7d. per cent. The cheapest rate at which government money has been raised in other circumstances is 13s. 10d. per cent., which was the cost involved two or three years ago when the interest rate was not half of that ruling when the Commonwealth Bank charges amounted to only 5s. 7d. per cent. The bank could have gone on doing that. Surely it would be a good thing if the £12,000,000 recently obtained from the private banks were advanced by the Commonwealth Bank. It would mean that the £5,600,000 to be paid in interest would be earned by the people's bank. When we have to renew the loan we shall have paid a huge amount of interest to the private banks, and we shall still owe the principal. If we were to pay the interest to the Commonwealth Bank, the money would be available to help in carrying on public works such as the standardization of railway gauges and in paying off our debts overseas. This is not done, but not because it would not be possible to do it.

I do not say this out of any personal animosity, but simply because of my political principles. The real fight in this matter is that the Labour party believes in a nationally-owned bank, that banking is too big a job for private enterprise, and that through it private enterprise wields too great a power over the people. For this reason we claim that the control of banking should be kept outside the hands of private enterprise. We contend that the Common-

wealth Bank should control the banking policy laid down by the Government and that it should be owned and backed by the people of Australia, that it should do all the work at least of government departments, earning interest which can be used over and over again to meet the financial commitments of governments, rather than that such interest should go into the pockets of private people. That is our policy so far as banking is concerned. Unlike members of the Government we are opposed to private ownership controlling the banking policy of this country. So long as these two opinions are held there will always be a conflict, similar to that which now exists between the Government and this Opposition. In that conflict we may sum up our position as follows: What we predicted about the Commonwealth Bank 20 years ago, and was ridiculed as "fiduciary" proposals by members of the party which to-day speaks as the Government, is now pronounced correct by the greatest thinkers on finance in all countries. To-day at least 75 per cent. of what is called money, and which has been released for the carrying on of activities throughout the world, is issued on a fiduciary basis.

Mr. JOHN LAWSON (Macquarie) [4.22].—I assure honorable members that I accept unequivocally the principle that the Government should not, in any circumstances, attempt to direct the policy of the Commonwealth Bank Board, but I cannot associate myself with the scheme underlying the attack launched against the Government by the Opposition, because I believe that that attack has been based on entirely false premises. The main issue is not the effect of the decision of the Commonwealth Bank Board to issue treasury-bills to the public upon the trade balance, nor whether the Commonwealth Government should attempt in any way to direct the policy of the board along the lines condemned by the Prime Minister (Mr. Lyons). I believe that it is whether or not the bank board is seeking to usurp the powers and the functions of Parliament, and to play a determining part in the financial policy of this Government. As it is the bank with which the Government does its banking business, it

is in a particularly favorable position to adopt that role; it underwrites Government loans; it plays a very strong part in determining interest rates; it finances treasury-bills; it controls the note issue; it controls the gold reserve, and it is also a big factor in determining the general policy of the trading banks. I believe, therefore, that it is wrong in principle for Government representatives—as some have done during this debate—to display nothing more than a passing interest in the policy of the Commonwealth Bank Board, or to express the view that the motive of the Commonwealth Bank Board, in making available to the public this issue of treasury-bills, is of no concern to this Government. I submit most emphatically that, whether we like it or not, we have to face the fact that the policy of the Commonwealth Bank Board can make or break governments.

Mr. BEASLEY.—And it can break the country, too.

Mr. JOHN LAWSON.—Yes. To this extent it is a sacred obligation on the Commonwealth Government to concern itself very closely with the policy of the Commonwealth Bank Board. As has been indicated by the honorable member for Melbourne Ports (Mr. Holloway), the bank is a child of the Commonwealth Government, which, from time to time, as vacancies occur, appoints the members to the board. No matter what our ideas on banking generally are, we have to admit ultimately that Parliament is answerable to the people of this country for the policy of the Commonwealth Bank Board and for the actual effects of that policy in practice. This is why the Commonwealth Government has a direct representative on the board, and it is also a reason why the Government should play, not a dominating part, but at least a strong part, in shaping the board's policy. I have viewed with considerable misgivings statements made by the Treasurer (Mr. Casey) in this debate, concerning the circumstances surrounding the issue by the Commonwealth Bank Board of these treasury-bills. His statements indicate that the Government is not playing as strong a part as it should in moulding the policy of the board. The Commonwealth Bank Board

took an unprecedented step in making this £1,000,000 worth of treasury-bills available to the public.

Mr. BEASLEY.—And the issue is made to a limited section of the public only.

Mr. JOHN LAWSON.—I claim that the board has taken this action without having given any warning to the people of Australia as to its intentions, despite the fact that the effect of its action has been to jolt the whole business and financial structure of the Commonwealth. This action has put out of gear, temporarily at any rate, the workings of the financial and business structure of the Commonwealth, and has created a position which has given rise to statements, vicious, malicious and otherwise; it has created anxiety in the minds of the investing public and business people generally, and has generated an air of mystery in regard to banking policy, which calls for some explanation. But we have had no such explanation. The crux of the position is that, notwithstanding this unprecedented action being taken by the Commonwealth Bank Board without any warning to the people, and notwithstanding its effect upon the public, parliamentarians and business people generally, no attempt has been made by any member of the board to allay the resulting suspicion or anxiety or to explain the reasons for such a step. I suggest that in failing to explain its action the Commonwealth Bank Board has acted unjustly towards the people of Australia. The only explanation which has been forthcoming in regard to this matter has come from the Treasurer who said that he had no part whatever in formulating the policy of the board, that he was in no way responsible for its action, and, in fact, that the motives of the board were no concern of his. This position indicates clearly that the Commonwealth Bank Board has been lacking in its duty towards both the Commonwealth Parliament and the people of Australia.

Mr. SCULLIN.—Does the honorable member know all the facts when he makes that statement?

Mr. JOHN LAWSON.—Does any honorable member know all the facts?

Mr. SCULLIN.—The honorable member should not condemn the other side until he has heard it. Probably upon analysis

he would find that the Government was to blame.

Mr. JOHN LAWSON.—I am prepared to listen to the other side of the matter, but I have made most determined efforts to ascertain the facts, and have failed. I defy any member of this Parliament to say that he has had access to all of the facts.

Mr. BEASLEY.—We have not been informed of any of the facts.

Mr. JOHN LAWSON.—That is the position. I criticize not the action of the Commonwealth Bank in issuing these treasury-bills, but rather the failure of the bank to give any explanation of such action, its failure to defend its position, or in any way to attempt to allay the anxiety and suspicion which its action has aroused in the minds of the people, this, notwithstanding the fact that the bank board has been trenchantly criticized by bankers in all parts of Australia.

Mr. SCULLIN.—The duty of the Commonwealth Bank Board is to give its explanation to the Government, and I think it has done it. It is the Government that is at fault.

Mr. JOHN LAWSON.—I do not claim to be versed in the technique of these matters, but I still hold the view that the bank board should have given some explanation. Whether it should be given by the chairman of the bank board or by the Treasurer is a technical issue. The whole thing resembles a mystery drama in which the Commonwealth Bank Board plays the role of the sphinx; the Treasurer that of the Delphic oracle, because any one of his statements is capable of a dozen different constructions; and the people of Australia and the members of this Parliament the role of Alice in Wonderland—who gaze in astonishment at a series of unprecedented phenomena without being able to understand them or get any explanation of them. I do not presume to criticize the action of the Commonwealth Bank Board in issuing these treasury-bills. Its action may be right or wrong, but that aspect of the matter is not so much the issue at stake as is the way in which these treasury-bills were issued, and the motives which prompted the issue. One bank has already raised its deposit rates, and other banks have announced

that they propose to follow suit. The latest information I have received is to the effect that the associated banks are now following the lead given by the Bank of New South Wales. The danger inherent in such a policy is the inevitable tendency towards a higher level of interest rates, and that I suggest, is a matter in which this Parliament is particularly interested. A review of the happenings of the last three or four years shows unmistakably, that, more than any other factor, the decline of interest rates has assisted in the recovery of governments and industry. It is chiefly responsible for the present favorable budgetary position of almost every government in the Commonwealth, and has been an essential factor in the smaller measure of recovery that has taken place in rural industry. Therefore, I say most emphatically that a continuance of budget equilibrium of governments, and a steady expansion of industry in Australia, thus ensuring a progressive absorption of the unemployed in primary and secondary industries, demand an immediate check to any tendency towards higher interest rates. We have a right to expect that either the Treasurer or the chairman of the Commonwealth Bank Board, whose ever function it may be, to make a public statement assuring the people, that nothing will be done to encourage another deflationary period, and that no action will be taken to bring about a further increase of interest rates.

We have been adjured by several speakers on this side of the House to trust the Commonwealth Bank Board; to rest assured that, in every aspect of its policy, it is endeavouring to do its best for the people of Australia. I am quite willing to give to the board full credit for the undoubtedly services which it has rendered to this country in the past, but that does not mean that I must accept, without criticism, any act of bank policy which, in my opinion, may not be in the best interests of the people. We should not make the mistake of assuming that the record of the bank in the past will be the record of the bank in the future. We must keep close watch on its policy, and consider the effect of its decisions upon industry. Australian banks, in-

cluding the Commonwealth Bank, have not been over-generous to this Government or the people of Australia. Let honorable members consider the interest rate on these treasury-bills. The Commonwealth Bank pays 1 per cent. for three-months deposits, and charges the Government $1\frac{1}{4}$ per cent. for three-months treasury-bills. When the bank is a borrower it pays 1 per cent., but when it is a lender it charges $1\frac{1}{4}$ per cent. This suggests that, after all, the Commonwealth Bank is not playing the part of financial fairy godmother to the Commonwealth Government. One has only to examine the treasury-bill position in London to realize the truth of this statement. On £30,000,000 worth of treasury-bills in London, it charges $2\frac{1}{2}$ per cent., and on £3,250,000 worth of bills it charges $1\frac{1}{2}$ per cent., whereas the London rate for British treasury-bills is 11s. 2d. per cent.

Mr. BEASLEY.—At one period it was down to 4s. per cent.

Mr. JOHN LAWSON.—This phase of the Commonwealth Bank's activities should be very closely examined. It furnishes complete proof that the bank does not fix the rate of interest it charges according to the ruling rate of the day in the country in which it operates. In determining our attitude to the board's most recent action, we should consider carefully the effect of this issue of treasury-bills upon the general interest rate in Australia. Up to the present we have had no adequate explanation of the bank's attitude. What has happened justifies the suspicion or belief that the real purpose of the issue of these treasury-bills at the rate of interest stated is to ensure a higher interest charge, thus checking government expenditure on public works and putting a brake on the expansion of industry. I repeat, therefore, that we should have a complete and authoritative explanation of the bank's attitude, because if the policy of the bank is to increase interest rates and check government activity in respect of works, it constitutes a definite usurpation of the powers and functions of this Parliament, and if it does that it invites coercive action by Parliament along the lines which we and the people generally have always regarded with abhorrence.

Sir FREDERICK STEWART (Parramatta) [4.44].—Much has already been said in the course of this discussion on the motion moved by the Leader of the Opposition (Mr. Curtin), but I hope, by endeavouring to avoid repetition, to keep myself within the brief time limit allowed by the Standing Orders. The motion charges the Government with having failed to exercise political prescience in anticipating the fluctuations of the Australian cash balances in London, and with having failed to make provision, through its fiscal policy, to meet those fluctuations. I think that the Prime Minister (Mr. Lyons) dealt rather effectively with this aspect of the case, although I have to confess, with some reluctance, that there is room for considerable complaint regarding the variability of the explanations which have issued from official quarters on this subject during the last week or two. I welcome the opportunity which this motion gives the House to discuss this matter from another angle. My concern is with the possible effects on industry of the issue of treasury-bills by the Commonwealth Bank, and the alleged motives for such action. I know that I shall probably be charged with merely repeating what a certain eminent banker has already said, but I do not mind telling the House, that, before I left for England, exactly twelve months ago to-day, I was not unaware of a developing political psychology, which viewed with apprehension a too rapid movement towards industrial recovery in Australia, and I protested in the proper form against the continuance of that psychology. Undoubtedly the continuance of this school of political thought gave rise to circumstances which made my position as Under-Secretary for Employment in this Government quite redundant. I have never been willing to continue in any position once the savor of worthwhileness has departed from the job. My fear is that the improvement in the industrial situation from a most unsatisfactory position three or four years ago—a reduction from 30 per cent ratio of unemployed to 13.7 per cent.—has tended to create an atmosphere of complacency which is not justified by the circumstances. There is room for considerable satisfaction at the improvement

which has taken place, and I acknowledge that this Government, perhaps more than any other entity, has the right to feel gratified, because I believe that by its general policy it has played a not inconsequential part in achieving this result. But I do not forget, nor should other honorable members of this Parliament forget, that even 13 per cent. of unemployment means that 251,000 Australians are outlawed from industry.

Mr. BEASLEY.—There is also some doubt about the method by which those figures were arrived at.

Sir FREDERICK STEWART.—Whilst this state of affairs persists, I am not prepared to listen to any suggestion that our industrial machinery should be put into reverse gear. During recent political campaigns, I did not hesitate to advocate that the hands of politicians should be kept off the banking institutions of this country. I have not changed my opinion in that regard. But this does not mean that we should regard all our banking institutions as impeccable and beyond the range of criticism. Nor does it mean that we should accept without complaint everything which they may do. I shall continue my confidence in the existing banking institutions only so long as I am satisfied that their policy is conducive to the best interests of the people of Australia.

Let us examine some of the motives which might have actuated the Commonwealth Bank Board in issuing £1,000,000 worth of treasury-bills. We can, I think, lightly dismiss any suggestion that the bank was in need of £1,000,000, because that amount would be only so much small change to an institution dealing in the volume of finance handled by the board. The only explanation we have had is that of the Treasurer (Mr. Casey), which I cannot accept. I cannot believe that the object of the Commonwealth Bank Board in arranging for the issue to the public of £1,000,000 worth of treasury-bills was to determine the reaction of investors to such a course. Is any experiment needed to ascertain whether investors desire a higher or lower rate of interest? Does it need any experiment to determine whether investors prefer the security offered by

any trading bank, however powerful it may be, in preference to a security which has the backing of the whole Commonwealth, including that of the trading banks, behind it? Does it need any experiment to ascertain whether those with money available prefer an investment, the interest from which is partially free of taxation, to one on which the profits are subject to full taxation? I cannot believe that is the true explanation of the action taken by the Commonwealth Bank Board. The Treasurer must have thought that honorable members were a lot of dull school boys when he gave such an explanation to the House. I am strongly in favour of an open treasury-bill market, and I cannot conceive the reasons actuating the representatives of the Commonwealth Government in opposing the principle. It has been stated that this is the first instalment of the principle of an open market, but we know that it is not. Had it been, I should not have complained; my attitude would have been one of commendation. The honorable member for Macquarie (Mr. John Lawson) has already referred to the fact that even in the issue of treasury-bills, a cardinal principle of money lending has been abrogated. A higher rate of interest is being offered on a better security. Those who know anything at all about money lending and banking principles have always understood that the better the security the lower is the rate of interest. The honorable member for Macquarie has also anticipated me somewhat in directing attention to the fact that by charging the Commonwealth Government 1½ per cent. for short-term accommodation, the Commonwealth Bank Board is actually charging more than the prevailing rate on less attractive securities. The Australian trading banks today are holding £30,000,000 deposited for three months at 1½ per cent. If Australian investors are prepared to loan money to trading banks, for short periods, at 1½ per cent., it ought to be possible for the Commonwealth Government to receive an equally favorable rate. The honorable member for Macquarie also referred to the position in Great Britain. I know it may be said that we cannot expect to achieve the same results in Australia as are obtained in the short-term market in London. London, of course, is

the financial clearing house of the world, and as obviously large sums of money not required at the moment are invested in some form of security at a nominal rate of interest we cannot expect to obtain the same terms in Australia in respect of short-term borrowing. The Commonwealth Government is actually paying £2.46 per cent. in London for short-term accommodation, approximately the figure which the Imperial Government is paying for long-term accommodation. Let us consider the position in London. For the eight weeks ended the 31st January, the British Treasury offered, under a correctly designated open treasury-bill market, treasury-bills to the amount of £310,000,000. The amount fluctuated between £35,000,000 and £45,000,000 weekly; but the total for the eight weeks was £310,000,000. The average rate of interest varied from 14s. 6d. per cent. down to 10s. 4.12d. per cent., which was the rate during the last week in January. Notwithstanding the low rate—although the Government required and accepted only £310,000,000—investors offered £559,000,000, or nearly twice the amount required. In eight weeks, the British Treasury declined £249,000,000 offered at rates between 10s. 4.12d. per cent., and 14s. 6d. per cent., while, at the same time, this Government is paying £2.46 in the same market for short-term accommodation on £33,000,000.

As stated by the honorable member for Macquarie, industrial recovery in Australia is closely related to interest rates, not only for government borrowing, but also for industrial borrowing. As the result of a compulsory reduction of our internal debt in Australia, the budgets of the Commonwealth and of the States are benefiting to-day to the amount of £6,500,000. We are also benefiting by £3,500,000 as the result of the optional conversions in London. I ask honorable members what would be the position of the Commonwealth and of the State governments had they still to bear the burden of this additional £10,000,000? As with governments, so with industry. No single factor has played such an important part in improving the industrial position in Australia, and in diminishing the ratio of

unemployment, as has the availability of money at low interest rates. Yet we are expected to accept the dictum that interest rates must inevitably be increased. I am not prepared to do that. Our approach to the next depression will be at the turning point in the amount which the investment of money returns. The hope was expressed by the honorable member for Wakefield (Mr. Hawker) that, in view of the apprehension which prevails, the Commonwealth Bank will take adequate steps to prevent injury being done to Australian industry or other interests. The Prime Minister informed us that the Government would watch the position closely with a similar end in view. I trust that it will do so. Others will also be watching the position anxiously, not the least of whom are those who have suffered mental and physical deprivation associated with continued unemployment. If honorable members did not occupy the time of the House for longer periods than I do, Parliament would not have to meet in Canberra for lengthy periods, and the responsibility of the Minister for the Interior (Mr. Paterson) in certain directions would be reduced. I find no particular exhilaration in speaking as I do, but it is necessary to remind some important members of the Government of the definite, clear, and unequivocal obligation which the Government assumed when, at the commencement of the session, it promised to place at the forefront of its policy—pre-eminent over every other governmental activity—an effort to relieve the industrial position. I accept the Prime Minister's assurance given yesterday that the Government will adhere to the policy submitted to the people. So long as it does so, it will have my loyal and, I trust, constructive support; but if the time should come when I have to decide between loyalty to any party and loyalty to the distressed members of this community, I shall not hesitate to take such steps as I consider necessary to protect the interests of the people.

Mr. BEASLEY (West Sydney) [5.2].—The debate on this subject has developed in such a way that the statement of the Minister for the Interior (Mr. Paterson) that the motion moved

by the Leader of the Opposition (Mr. Curtin) has fallen flat cannot possibly be substantiated, particularly in view of the utterances of the last two speakers. Already four Ministers have participated in the debate, in an endeavour to explain the position confronting the Government. Every honorable member on this side of the House has waited patiently in an endeavour to ascertain the reasons which actuated the Commonwealth Bank Board in the policy in which it has adopted, and it is quite obvious that at least two supporters of the Government have waited with equal patience. They are disappointed just as we are, and we demand that the facts shall be placed before Parliament and the people. The honorable member for Parramatta (Sir Frederick Stewart) has voiced public opinion on this subject. Every impartial observation made by the press on the subject coincides with the views expressed by the honorable member, and it will be in the best interests of the Commonwealth if this debate is continued in an endeavour to force the Government to declare the motive behind the board's action. I suppose it is unnecessary for me to say that on previous occasions honorable members on this side of the chamber have expressed their opinion clearly on an open market for treasury-bills. Some time ago, I believe in March of last year, I either moved the adjournment of the House or dealt with this subject by a specific motion. The issue of treasury-bills to private banks is the greatest financial racket ever put over the country. There is little need for me to go into details to prove our contention that these treasury-bills were issued exclusively to the private banks to enable them to turn their cash reserves into even more advantageous profit-making propositions than were already open to them. As has been already stated during this debate, treasury-bills have been issued in the past at a rate as high as 6 per cent. Later the rate dropped to 4 per cent. In the ordinary process of financial dealings the banks are able to multiply their reserves by anything from seven to nine times; but by dealing in these treasury-bills they have had an additional avenue of profit opened up to them, and they know very well that the bills can be discounted within three

months by application to the Commonwealth Bank Board. In view of all the circumstances of the case every impartial observer must conclude that there is some close connexion between the Commonwealth Bank Board and the private banking institutions in these transactions. Why should the Commonwealth Bank Board extend this concession exclusively to the private banks? What right have the private banks to profit by a set of circumstances not available to other financial institutions? Why should they be allowed to extract greater profits than are reasonable from their dealings? Because the issue of treasury-bills under the processes now operating gives the private banks an exclusive opportunity to increase their returns, we contend that we are justified in reiterating that there is collusion between them and the Commonwealth Bank Board.

Earlier, when we discussed the principle of issuing treasury-bills upon the open market, we had in mind always that the procedure followed in Great Britain in this regard would be observed in Australia. It is well known that at one stage treasury-bills were tendered for upon the open market in Great Britain at 4s. 11d. per cent., and the issue was over-subscribed. Subsequently, the rate of interest rose to 11s. per cent. The information which the honorable member for Parramatta (Sir Frederick Stewart) has also provided us with this afternoon on this subject is most illuminating, particularly having regard to the circumstances governing Australia's overseas indebtedness. I have had prepared, but unfortunately have not at my hand at the moment, a table setting out the conditions under which various conversions have been made in Great Britain on behalf of Australia, the other British dominions, and certain foreign countries, and this showed beyond all question that Australia had been called upon to pay a higher rate of interest than other British dominions, and even some foreign countries, including the ex-enemy country, Austria.

We have heard a good deal lately, particularly from the Treasurer (Mr. Casey), about the beneficial result of the restoration of confidence in Australia, but

it appears to me that confidence has only been restored in such a manner as to provide those who dabble in Australian securities overseas with a definite opportunity to exploit this country. What has happened lays open to serious question the operations that have been conducted in London recently by Australia's representative there.

Previously, when it has been suggested that treasury-bills should be placed on the open market in Australia, those who advocated that course did not contemplate that the Commonwealth Bank Board would fix a definite rate of interest. It was expected that the bills would be marketed, as in Great Britain, on a competitive basis. Those who applied for them would be invited to indicate the rate of interest they were willing to pay.

Sir FREDERICK STEWART.—That is what ought to have been done, and what was expected.

Mr. HUTCHINSON.—But have we financial institutions in Australia that can be compared with those of Great Britain?

Mr. BEASLEY.—Bearing in mind the amount of money available here, I submit that we have. It was never contemplated that the Commonwealth Bank would fix the rate of interest. However, neither the honorable member for Indi (Mr. Hutchinson), nor I, can say what would happen if treasury-bills were offered on an open market. The only logical thing to do is to test the market on a competitive basis. Until that is done no one can tell what the result will be.

Mr. SCULLIN.—What the bank has done will not test the market at all.

Mr. BEASLEY.—That is so. The fixing of the rate of interest precludes the making of any real test. During the early proceedings before the Royal Commission on Banking and Monetary Reform indications were given that some of the big insurance companies desired an opportunity to invest a certain proportion of their funds in treasury-bills, but the action of the Commonwealth Bank Board in fixing the rate of interest has removed the competition that would have arisen from these sources. I believe that,

if treasury-bills were offered on a competitive basis, a number of financial institutions other than banks would be likely to invest some of their funds in them. After all, such security is the best that can be obtained by any investing authority. Unfortunately, the competitive aspect seems to have been entirely overlooked or deliberately avoided by the Commonwealth Bank Board. It is also regrettable that other conditions governing the issue of the bills will make it impossible for other than a very few institutions to apply for them. The minimum amount of any application is £10,000. The bills are to be issued in denominations of £5,000, but the minimum amount that may be allotted to any one applicant is £10,000. Why should such a high limit be placed upon the distribution of these bills? Why should not persons who have even £500 to invest be entitled to make an application for bills to that value? I can see no justification whatever for the fixing of such a high minimum as £10,000.

Although this motion has been under discussion for two days and four Ministers have spoken to it, we have not yet been given any answer to our earnest inquiry as to the reasons which have actuated the bank in adopting this new procedure. This must be regarded as an amazing situation by honorable members irrespective of their political allegiances. The Leader of the Opposition was forced to submit his case under very unfavorable circumstances, for he was not able to obtain statistical information covering even the first two months of this year. He had to rely on data covering the period up to the end of December. I submit that information covering the period to at least the end of February should have been available. However, the honorable gentleman made a very exact analysis of the figures that were available.

Sir HENRY GULLETT.—He had exact figures, and that is the knockout.

Mr. BEASLEY.—The Leader of the Opposition was definitely handicapped in stating his case by reason of the fact that he could not obtain recent information. The honorable gentleman has charged the Government with "failing to take action to safeguard Australia's oversea funds by

checking the increasing flow of unnecessary imports". From all that has happened, we are forced to the conclusion that the action of the Commonwealth Bank Board in fixing the interest rate on these treasury-bills was not designed to test the market, or to discover whether this form of monetary policy was or was not acceptable to the Australian public. We believe that the action was taken for the express purpose of doing something which the Government, as a Government, had failed to do or which it was unable to do because of the conflicting political interests represented within it. It is useless for any Minister to tell us that the Government is unaware of the reasons which actuated the Commonwealth Bank Board in taking this action. We believe that the board acted as it did in order to lift the responsibility from the shoulders of the Government for taking an action which, in the light of its policy of tariff slashing, must be unpalatable. This action is really a subterfuge. It is a method of doing something which the Government should have done in another way. It was enlightening to hear the honorable member for Parramatta say this afternoon that he did not believe the Treasurer had stated what he considered to be the reasons why the Commonwealth Bank Board had issued these treasury-bills. Nothing could have been more definite than the statement of the honorable member, who spoke as an ex-Minister of this Government and also as a gentleman closely associated with the business life of Australia. He is known far and wide and his views on this subject will undoubtedly carry a good deal of weight throughout the country.

Sir HENRY GULLETT.—Is the Opposition borrowing strength from this side of the chamber because it knows its own weakness?

Mr. BEASLEY.—Our contention is that the Government knows exactly why these treasury-bills are to be issued in this way. It is taking refuge behind the Commonwealth Bank Board because it is tied to a freetrade element within the Cabinet, and also to certain interests associated with the Ottawa decisions, which have forced an import situation upon Australia which is compelling the

country to face a state of affairs that will mean, before very long, a reversal of Government policy. Actually the situation is getting beyond the control of the Government. The action of the Commonwealth Bank Board has been taken, in our opinion, to enable the Government to avoid the necessity for having to make a *volte-face* upon its own policy. It is for this reason that the Commonwealth Bank Board is issuing these treasury-bills at a fixed rate of interest and distributing them to a very limited constituency.

In the circumstances that face us it is as well to bear in mind that the national debt of Australia has increased since 1931 by £86,000,000. The debt per head of the population has advanced from £177 2s. 3d. to £184 14s.. This increase of £6 11s. 9d. per head of the population is very serious. How, in the face of it, can honorable gentlemen opposite talk about the return of prosperity or the restoration of confidence? Even if they laugh off such a serious state of affairs, they may be very sure that the general public will not laugh it off when made acquainted with the facts.

We have grave reason to complain, too, of the accuracy of certain statistical information which was used by the Prime Minister yesterday. The right honorable gentleman told us that the unemployment figure in New South Wales as present is only 8 per cent. If he knew the situation in New South Wales as some of us know it, he would not attempt to bolster up a bad case by such figures. In view of our knowledge of the unemployment situation in New South Wales we are forced to question the accuracy of the right honorable gentleman's figures in this regard and, if in this regard, in others also.

There has, of course, been consultation between the Commonwealth Bank Board and the Government in regard to these treasury-bills. There can be no question at all about that. I believe that the Treasurer went further than he intended to go yesterday in the earlier part of his speech when he admitted that there had been close collaboration between himself and the Chairman of the Commonwealth Bank Board. The chairman of the board acted, apparently, as an intermediary between the board and the Government. The Treasurer further said that, regard-

ing matters which he considered to be of minor importance, he did not advise the Cabinet, but that the more important aspects were considered by members of the Government. I think it is safe to say that some of the Ministers know nothing whatever about this matter, and the Minister in charge of negotiations for trade treaties (Sir Henry Gullett), who laughs loudest, probably knows least. While I am on the subject of that Minister, let me inform honorable members what that gentleman stated the other day when speaking to the members of the Coburg Men's Club in Victoria. He said—

The people should wipe the bogey of depression out of their minds, and realize that Australia is in an extremely prosperous position.

I intend to get thousands of copies of that statement printed, and every week, when unemployed men, whose social benefits have been reduced, come to me for help, I shall hand them a copy, and tell them to laugh off their troubles. I shall remind them that, in the words of the Minister, they are "extremely prosperous".

The Leader of the Opposition pointed out that the Government, though it realized that the financial position overseas was becoming precarious, was unable to take the necessary action to put matters right because, through its alliance with the Country party, it was debarred from limiting importations by tariff adjustments. Therefore, in collaboration with the Commonwealth Bank, it adopted the alternative course of making money dearer in an endeavour to restrict the operations of importers.

It is evident that there was collusion between the Commonwealth Bank Board and the private banks over the issue of treasury-bills. It was altogether improper that the private banks should be given the opportunity to make profits out of treasury-bills, especially as they received 4 per cent. for the accommodation they provided, when similar bills were being taken up on the open market in London for 11s. The Treasurer stated that the Commonwealth Bank rate of interest for deposits was $\frac{1}{2}$ per cent. lower than the rate offered by trading banks, and he said that there was no squeal about that. There was no squeal,

because the arrangement was eminently suitable to the private banks. The Commonwealth Bank has never set out to be a serious competitor of the private banks. Any manager of a country branch of the Commonwealth Bank will say that he has been advised not to seek country business in the way of making advances to agriculturists or pastoralists, but to allow that business to be done by the private banks. Since the rate of interest for treasury-bills to be offered on the open market was fixed, one private bank has raised the rate of interest on deposits, and now it is stated that all the other associated banks have fallen into line. Before long, no doubt, the Commonwealth Bank will also raise its rate. This may check the operations of importers to some extent, but it will also retard the development of our secondary industries, and will make it even more difficult for the primary producers to carry on. Very few primary producers are free of debt, and hardly any of them can extend their operations without financial accommodation from the banks. The members of this party are convinced either that the majority of the members of the Government were unaware of what was being done in connexion with the treasury-bills, or that the Government has refused to reveal the real motive behind the transaction. It is evident that consultations took place between the Commonwealth Bank Board and some members of the Government, so that it is idle to pretend that the Commonwealth Bank Board has been entirely free of political influence. No doubt, if the facts are ever revealed, the public will learn that the Government was warned more than once by the Commonwealth Bank Board that the financial position overseas was unsound. The Government, however, refused to meet the situation in the ordinary way, because the only effective method of doing so would be to take the same action as the Scullin Government took on a previous occasion, and then it would have been reminded of the things its members had said of the Scullin Government at that time. It is perhaps good to inform some honorable members opposite, who have only recently entered this House of what occurred in 1928 and what led up to those occurrences. The Minister in charge

Mr. Beasley.

of negotiations for trade treaties was a member of the Bruce-Page Government which, for years prior to 1928, had pursued a policy that finally landed Australia in the position from which the Scullin Government had to extricate it. The chairman of the Commonwealth Bank repeatedly warned the Bruce-Page Government of the unsound financial position into which the country was drifting, but no action was taken by that Government. I am convinced that there is no truth in the statement that these treasury-bills have been offered at the present time for the purpose of testing the market. Any statement to that effect is mere hypocrisy. The Opposition is well aware of this, and that is why the present motion was moved. Even honorable members opposite, if they view the matter impartially, and decline to be influenced by the special pleading of Ministers, must realize the seriousness of the situation. They should pay some heed to what responsible authorities outside Parliament are saying. I am convinced that if this motion is not carried by the House, it will, before very long, receive the unqualified endorsement of the public.

Mr. FAIRBAIRN (Flinders) [5.33].—I am afraid that I cannot offer honorable members anything in the way of excitement and entertainment such as has been given by the honorable member for West Sydney (Mr. Beasley) in his excellent speech—excellent, that is, as an entertainment. Some matters which have been brought up during the course of this debate are deserving of further attention and dispassionate discussion. The first part of the motion of censure chides the Government for not having undertaken to dictate the policy of the Commonwealth Bank. During the last two elections the Government gave an undertaking to the people that it would not tamper with the monetary system of Australia, and on that undertaking it was re-elected. Therefore, for members on this side of the House to round on the Government because it has adhered to a policy on which it was elected is astounding. That honorable members opposite should criticize the Government is only natural, and in accordance with their expressed intention during the election campaign.

Sir FREDERICK STEWART.—I am not prepared to be a party hack.

Mr. FAIRBAIRN.—During the last two election campaigns honorable members opposite said frankly and unmistakeably that they stood for an alteration of the financial system, and complete control of banking by the Government. That point I do not wish to discuss further, because I consider that the Government would be failing in its trust if it went back on its pledge to the electors and departed from the policy on which it was returned to power with such a substantial majority.

The second point in the speech of the Leader of the Opposition (Mr. Curtin) dealt with what he described as the failure of the Government to check the alarming position in relation to the balance of trade. Since the Prime Minister (Mr. Lyons) has given to the House figures which were not available to the Leader of the Opposition when he prepared his speech, I shall not endeavour to make capital out of the remarks of the honorable gentleman, because to do so would be to take an unfair advantage of him.

There are, however, other points to which I desire to refer. First, there is the fact referred to by the Treasurer (Mr. Casey), that honorable members on both sides of the House are inclined to exaggerate the deflationary effect of the action of the Commonwealth Bank Board in making available to financial institutions other than the trading banks treasury-bills to the value of £1,000,000. The Treasurer pointed out clearly that that sum represents only one-thirtieth of the amount of money on fixed deposit for a term of three months, not to mention money on deposit for six, nine, twelve or 24 months. That there is approximately £30,000,000 invested with the trading banks on three-month terms, means that about £1,000,000 is deposited at fixed rates with them about every three days. It will be seen, therefore, that of itself this experimental issue of £1,000,000 of treasury-bills gives to the trading banks very little real cause for increasing their interest rate. The issue of treasury-bills is only one of many ways in which the Commonwealth Bank can control interest rates. This issue means that the Commonwealth Bank will

obtain £1,000,000 from investors who otherwise might have invested their money with the trading banks on fixed deposit. The Commonwealth Bank, however, can use that £1,000,000 in ways which will counteract the effect of the increased interest rate. I want to make clear that, although a return to higher interest rates has been precipitated by this issue of treasury-bills, the major responsibility does not rest with the Commonwealth Bank Board. Every person who has taken any interest in business affairs in Australia during recent months, as either a borrower or a lender, has been aware that the law of supply and demand would result in interest rates rising soon—possibly within four or five months, or, it may be, not for twelve months.

Mr. JOHN LAWSON.—Should the Commonwealth Bank precipitate that rise?

Mr. FAIRBAIRN.—The Commonwealth Bank has not started the movement towards increased interest rates.

Mr. JOHN LAWSON.—But it is doing its best to help in that direction.

Mr. FAIRBAIRN.—Every one who has seen a mortgage drawn within the last few months is aware that the borrower has endeavoured to get the longest term possible and the lender the shortest term. Both borrowers and lenders know that, by the law of supply and demand, interest rates must inevitably rise soon.

Sir FREDERICK STEWART.—Does not that argument apply also to wheat, butter and sugar?

Mr. FAIRBAIRN.—The responsible members of the Opposition have frankly admitted that for some time Australia has been heading towards higher interest rates. During this debate they have not denied that tendency; they have merely contended that this action on the part of the Commonwealth Bank Board has precipitated a rise. I suggest that the responsible party is, not the Commonwealth Bank Board, but a certain individual in charge of an institution which wishes to make capital out of the tendency towards higher interest rates. I do not think that any one who considers this subject can honestly say that this issue of treasury-bills by the Commonwealth Bank Board could, of itself, have any appreciable effect on interest rates,

especially as it was obvious that a majority of the trading banks did not intend to increase their fixed deposit rates immediately. To me it is most distasteful to criticize in public any individual or institution, but I suggest, with all diffidence, that a certain individual who is at the head of a private trading bank is primarily responsible for precipitating the rise of interest rates which for some time has been threatening. It is well that the members of this House, and the people of Australia, should realize that the man who has used this issue of treasury-bills as an excuse for endeavouring to gain a trading advantage over his competitors is the individual who for some time, with no false modesty, has held himself up as the apostle of cheap money in Australia. In spite of this, and knowing that higher interest rates are bound to come as a result of the application of the law of supply and demand, he has used the action of the Commonwealth Bank as a smoke screen behind which he has endeavoured to gain a trade advantage over his rivals. As I have said, such references are most distasteful to me; but, in fairness to the Commonwealth Bank Board, whose reputation is of vital importance to the people of Australia, I cannot emphasize the facts too strongly. The work commenced by the individual referred to is being furthered in this House by those who say that an era of dearer money has been thrust upon us. Naturally, after the eloquent speeches delivered this afternoon by honorable members on both sides of the House, investors will approach the managers of other banks and ask for the higher rate of interest which is being paid by the Bank of New South Wales. For fear of losing customers, the other trading banks will be forced to fall into line.

Mr. JOHN LAWSON.—They are already falling into line.

Mr. FAIRBAIRN.—It is to their credit that they were not stampeded into immediately declaring higher rates. They have delayed several days since one bank took advantage of the existing circumstances to gain a trade advantage over them. I pass on to the service rendered yesterday by the honorable member for Griffith (Mr. Baker) when he drew attention to the

high qualifications of certain members of the Commonwealth Bank Board. I cannot understand why he omitted to mention one other member of that board—a man who has been closely associated with organized Labour. During his speech, the honorable member paused to remark, with scorn, that Mr. Peter Tait, who was appointed to the Commonwealth Bank Board because of his great knowledge of the grazing industry, was probably the most successful grazier in Queensland. Starting more or less from scratch, Mr. Tait has become a successful grazier, who has earned the respect and confidence of, not only the graziers of Queensland, but also, I venture to suggest, more employees in the grazing industry than perhaps any other grazier in that State. Yet the honorable member criticized his appointment. I can only suggest that his judgment as to who are suitable persons to control the Commonwealth Bank is on a par with his knowledge of seasonal conditions in Australia, as exemplified when he described a cycle of droughty conditions as a series of fortuitously good seasons. It is not to be wondered at in those circumstances that he should consider that at all costs, if the Commonwealth Bank is to render good service, successful business men should not be placed upon the board. The honorable member said that he did not mind members of the board having business experience.

Mr. BAKER.—I object to their having private interests which conflict with public interests.

Mr. FAIRBAIRN.—I do not know how any one could have business experience without having business interests. I should like the honorable member for Griffith (Mr. Baker) at some future date to explain how it is possible to have experience of business without having association with it.

The Leader of the Opposition complained that the volume of purchases from abroad had grown alarmingly and that the Government should have taken steps to check it. The figures made available to the honorable member since his speech must have convinced him that the position is not so alarming as he thought it was, but I consider that the source of much of our purchases from abroad gives cause for great

alarm. One of the very large items referred to is motor vehicles. What I consider as alarming is that the big increase in our purchases of motor vehicles, should for the most part, be from the country that is our worst customer. The Leader of the Opposition would therefore have been well justified in asking the Government what it intended to do to check this most alarming tendency. While I do not propose to refer to this matter at any length now, as it is one with which I intend to deal fully when the tariff schedule is being debated, I must state my belief that this tendency to purchase motor vehicles from other than our best customers, should not be allowed to pass without comment when we are discussing the volume of our purchases from abroad. We must be prepared to purchase from countries which are good customers and should not expend our purchasing power in buying from a country which practically refuses to buy from us in return.

Several speakers, including the Prime Minister, in making reference to the finances of this country and to the overseas trade balance, have commented upon the great assistance which has been rendered this country in the last few years by the increased wool prices. This country, I think, should pause to consider how much its prosperity and finances are based upon our great basic industry, namely, the wool-growing industry. We talk with a certain amount of pride about having been able to set up in this country a standard of living which compares more than favorably with that of any other country, and various political parties are apt to throw out their chests and try to show that this for the most part is due to the wonderful political activities of their particular parties, but the real reason for it is the outstanding wool-growing industry. With the possible exception of South Africa with its gold-mining, no other country has its finances so closely bound to a particular industry as Australia's prosperity is bound to the wool-growing industry. As it is an industry which has never come cap in hand to the Government asking for assistance, it is of all industries that which has received not only no assistance, but also the least consideration from the governments

of Australia, Federal and State. No opportunity should be missed, therefore, to remind politicians of how utterly our financial structure is based on this unique industry of ours. It has been claimed that the rise of wool prices has been fortuitous and that not in any way are thanks due for this to governmental action. The latter part of this claim the Government, I think, is prepared to admit; but I should like to point out that the rise has not been merely fortuitous. It has been due to the very sound policy which has been adopted by the industry itself. When it was bearing a burden of savage taxation and costs, the wool industry was offered and accepted prices which at times did not amount to much more than half the cost of production. Nevertheless, the graziers did not go about snivelling and asking for assistance, or pleading for artificial fixation of prices, but by meeting the market kept the factories of the world in production, with the result that to-day the statistical position of wool is sounder than that of any other commodity in the world.

One other point to which I wish to refer is the Prime Minister's justifiable reference to the improvement which has taken place in finances, in business, and in employment during the tenure of office of the Lyons Government. The Prime Minister would have failed in his duty if he had not pointed this out. I consider, however, that undue complacency about what has been accomplished already is dangerous. Rather should we search out the reasons why Australia has made this improvement. One reason has so often been stated that the party opposite may be justified in accusing us of employing a hackneyed phrase. Nevertheless, we are right in claiming that the reason is "restoration of confidence". I do not wish to expand on that, although I do realize the great effect on restoring confidence that the following out of a sound economic policy has had; but I venture to suggest that the very definite affirmative action of this Government which, above all else, not only restored confidence but also stimulated employment and business, was its courageous action in making large remissions of taxation to industry directly it saw the financial position taking a turn

for the better. No other action on the part of this Government has played so important a part in bringing about this improvement. It was not so much the amount of relief given to industry, as the psychological effect produced on industry by showing the people that at last they had a government in power that realized the value of reducing taxation to a minimum. And in saying this, I am not jibing particularly at its predecessor, the Scullin Government; I am referring to all preceding governments. At any rate, this was the first administration to realize the psychological as well as the material effect of reducing taxation. I fear, however, that it is now in danger of folding its hands in complacency and forgetting what still remains to be done. On that first occasion when steps were taken towards reducing taxation, the Government had to be very brave. But I consider that its financial position has now improved to such an extent that it might well give a very much greater measure of financial relief to the tax-payers.

I conclude by saying that the Government can be entirely exonerated from the two specific charges contained in the censure motion. But it would be most unwise and equally dangerous for the people of Australia should Ministers fold their hands in complacency, and say "We have produced this; we can now sit down and watch the ball rolling faster and faster towards prosperity". The ball will only roll towards prosperity if the Government is prepared to give more of that excellent motive power which was supplied by early actions. I urge the Treasurer to devote at least a small portion of the enormous amount of time that he devotes to his duties, to a close examination of the manner in which the load of taxation can be eased from the shoulders of the tax-payers, because the psychological effect that would follow such a step would re-act to the benefit of the whole country and create more employment, greater business activity, and general prosperity.

Mr. LAZZARINI (Werrawa) [6.5].—The honorable gentleman who has just resumed his seat (Mr. Fairbairn) and other honorable members opposite appear to think that when they have declared

with an air of detached superiority that the members of the Labour party stand for the national control of finance they have said something very damning and sufficiently condemnatory in itself. We do take that stand, because we believe that the monetary policy of this country exercises an influence possibly greater than that exercised by any other factor upon the rural, pastoral, industrial and general economic life of Australia. It is absurd to argue that something that is detached from the governing body of the nation, the national parliament, something that is not required to render an account to any body except itself, should have the power to engraft a monetary policy upon Australia. I can imagine the howls of the honorable member for Swan (Mr. Gregory), the honorable member for Forrest (Mr. Prowse), and others, were it suggested that the fiscal policy of this country should be propounded by the Chamber of Manufactures, because the members of that body have the greatest knowledge and the widest experience of manufacturing operations. I question whether any fiscal policy, however extreme it might be in either direction, could exert upon the general economic structure of our country as great an influence as that exerted by the monetary policy. So it is quite logical and reasonable, and in view of the economic chaos of the world to-day, quite necessary for the monetary policy to be decided by a body such as the national parliament, which has to stand up to the daily criticism of the press, and from time to time must give an account of its stewardship to its masters. The press is able to inform the public of what is happening, and what the effect is likely to be. Everything is done in the light of day by responsible persons, instead of behind closed doors in a board room of the Commonwealth Bank, perhaps in collaboration and association with the very people who make the major portion of their profits from the effects of whatever policy is adopted.

The confusion of thought associated with the position is illustrated very clearly in some of the remarks of the honorable member for Flinders. That honorable gentleman stated that the Commonwealth Bank doubtless would use this

£1,000,000 worth of treasury-bills to obtain cash which otherwise would be placed at fixed deposit. The impression which that would seem to convey is that the bank does not use the funds that are placed at fixed deposit with it. I point out that the bank would have the £1,000,000 in either case, and would use it for the accommodation of its customers. As a matter of fact, the funds placed at fixed deposit are of more effective use to the bank than the money it will receive from the sale of treasury-bills.

I am not perturbed, nor is any other honorable member on this side, at the charge of the honorable member that we stand for the national control and organization of the monetary system of this country. We have definitely proclaimed our adherence to that policy throughout Australia. I assure the honorable gentleman that when the electors in the not far distant future endorse it by returning this party to power, he will have no cause to complain when we give effect to it. If it were not for the power of the press and wireless, as well as that wielded by the party opposite with the funds contributed principally by financial institutions, the people would not have been side-tracked into political dead-ends, but would have accepted it long ago. The honorable gentleman referred to orthodox finance. Our policy is orthodox; it has been enunciated by the greatest thinkers of the world. If the people were afforded reasonable means to analyse it, and were not led astray by malignant misrepresentation, they would always follow it.

As the debate proceeds, it appears to me that the House is losing sight of the terms of the motion, and that the vote may be given on other than the real issue raised by the Leader of the Opposition (Mr. Curtin). Many honorable members have demanded to know what will be done. We say what we would do. The Government is charged with a definite offence on two counts, and that charge alone constitutes the subject-matter of this debate. No attempt has been made to answer it. The gravamen of it is that responsible government has been handed over to a body which is not responsible to the people. The major feature of the charge is that the Commonwealth Government has allowed the Commonwealth

Bank Board exclusively to direct monetary policy in this country, and that that vitally affects the economic position of all industry and of our people generally. A further feature of it is the refusal to adopt proper measures to prevent the development overseas of an unfavorable trade balance, which will possibly cause a deadlock similar to that which occurred some years ago. Those members of the Government who have so far spoken have refused to face these direct accusations. The Commonwealth Bank either does or does not control monetary policy. If it does, and as a result the economic life of our people is affected, the board is discharging what should be the function of this Parliament. Consequently, when the Prime Minister (Mr. Lyons) admits that the board has the sole right to do this, he admits the soundness of the charge of the Leader of the Opposition. An analysis of the speeches of the Treasurer (Mr. Casey) and the Prime Minister will convince honorable members that there is no greater example anywhere of loose and muddled thinking in regard to economic problems, particularly the problem of finance. The Treasurer informed honorable members that no one had any knowledge of the probable economic and financial effect of the action of the Commonwealth Bank.

Sitting suspended from 6.15 to 8 p.m.

Mr. LAZZARINI.—The relations between the Government and the Commonwealth Bank approach the ludicrous when we have both the Prime Minister and the Treasurer telling the House that the Commonwealth Bank has sole responsibility for monetary policy, and then the Treasurer telling us that this institution is launching out on some experiment of the effect of which upon the economic life of the nation nobody has the slightest idea. One of the charges levelled against the members of my party was that we were the only people who attempted experiments bordering upon the dangerous, and that such experiments followed well defined and established lines of policy. Yet while the institution responsible for a change of the economic and monetary policy of Australia launches out in what he terms an experiment, the consequences of which he cannot predict, the Treasurer is content to

twiddle his thumbs and take no notice. We are told that this kind of thing gives abounding confidence to the people of Australia in the institutions for which the Government is responsible. We have heard the words "confidence" and "restoration" repeated *ad nauseum* in this debate as they have been for many years. It seems to me that the confidence of which the Treasurer speaks is more the confidence that the "mug" has in his ability to defeat the wiles of the thimble-and-pea man and the exponents of the three-card trick, the confidence of the punter that he can beat the bookmaker, the confidence of the burglar that he can evade capture by the police. Certainly the private banks appear to be confident that they can go on meddling with the economic life of the country for their own benefit, and can always depend upon complaisant governments and Ministers to put over the hocus-pocus in this Parliament, and to create a psychology that will prevent the people from realizing what jobbery is going on. Hearing the Treasurer speak of this restoration of confidence and of all the money available, one would think that when a Labour government comes into power the people lose confidence in the banking institutions, draw their money out and bury it; later with a change of government confidence is restored, money is put back into the banks, and increased accommodation is available to industry and governments. According to the Prime Minister a restoration of confidence took place immediately after he ceased to be Treasurer of a Labour government and became the Prime Minister of the United Australia party Government. For the policy in respect of which he criticized the Scullin Government yesterday he was as much responsible as anybody. As a matter of fact when the present Prime Minister occupied the portfolios, first of Postmaster-General and later of Treasurer, in the Scullin Government, he was one of the prime movers to bring about a policy of deflation and to prevent cheap interest rates; he was spurring the party on to give effect to that policy. He left the Labour party and became Prime Minister of a government of a different political complexion. He knows and we know that

in what he said yesterday he was speaking with his tongue in his cheek. The fact is that there has been no alteration in the actual volume of money in this country for a decade or more. I take 1922 as a neutral year, a year far removed from the circumstances with which this censure motion deals, a year when there was no thought of those things which have happened since. The Commonwealth *Year-Book* shows that since 1922 there has been no appreciable alteration in the actual volume of money in this country.

Mr. ARCHIE CAMERON.—What does the honorable member call money?

Mr. LAZZARINI.—The same as economists call money—the currency of the country, and the control of it rests wholly with the Government. The drift in Australia's economic life commenced with the visit to Australia in 1927 of Sir Ernest Harvey, a director of the Bank of England, who was followed four years later by the "Big Four" led by Sir Arthur Duckham, who in turn were followed by Sir Otto Niemeyer, who completed Australia's economic destruction. The year 1922 was well in advance of those happenings, and in that year the actual volume of money in Australia was £58,000,000; in 1930, practically the middle of the Scullin Government's régime, it was £53,000,000; whilst at the end of 1935, the actual volume of money in Australia was £55,000,000. The Commonwealth Statistician informs us that at all times, practically half of the total money in circulation is in the hands of the people; it is the till money of the nation and is constantly moving from one holder to another. We find, therefore, that, in 1922, £29,000,000 was in the hands of the banks for the creation of the superstructure of credit; in 1930, when the Scullin Government was in power, the amount was £26,500,000, and to-day it is £27,500,000. The variation disclosed by those figures is insignificant in comparison with the great volume of credit created by cheque pounds and bank advances. Any other purchasing power in Australia is bank-created credit or money. Democracy took from despotic kings control of the issue of credit and vested it in constitutional government, but instead of the government retaining that

control, the banks have been allowed to usurp it and with the exception of the £27,500,000 held by the banks in deposit, the whole of the £500,000,000 upon which the banks charge interest is a fictitious credit which the banks have created without any legal authority. When the Treasurer and the Prime Minister speak of the shortage of money during the Scullin Government's régime, or of contraction or deflation, they prove the truth of what the members of this party have said consistently, and insist upon to-day, namely, that when Labour is in power the banking institutions used all the powers they usurped from Parliament in order to hamper and discredit the Government. When their friends are back on the treasury bench their policy changes. Our charges are proved by the statements of honorable members opposite. For instance, the honorable member for Barker (Mr. Archie Cameron) made a speech which might well have been prepared by Mr. Davidson, general manager of the Bank of New South Wales; yet he belongs to a party that is supposed to represent a section of the community which has been financially and economically crucified by the banks. The wheat-growers and other farmers of Australia have a debt structure of from £300,000,000 to £400,000,000. These institutions which in the past created the land boom and then caused the boom to burst, took from the producers two-thirds of the richest lands of Australia; and later created another little boom in order that they could sell out at a high profit. Everything we have contended has been proved out of the mouths of Government members and responsible Ministers. They speak, apparently with satisfaction, of the economic distress that overtook this country in 1930, and when they claim that the returning prosperity now being experienced is due to cheaper money being available to the people, they accuse the banks. All statistics prove that the banker is the nigger in the wood-pile. We are prepared to allow our case to rest on the utterances of Ministers and their supporters. The Prime Minister has said that the restoration of confidence has caused a great demand for bank credit; the truth is that there would never have been this great demand if the bankers had

not first restricted that credit. If we consider the events of 1927-28, we find that the banking policy of the associated banks of this country was one of deliberate restriction of industry—primary and secondary. When industry still wanted to expand as it had been expanding up to 1929, the banks refused to provide money for that purpose; on the contrary they commenced at that time to curtail credit. I shall give the House one concrete example of this. A manufacturer of cotton goods in a substantial way had, like many other big industrial concerns, large accommodation from the bank in order to carry on. This gentleman informed me that he required further accommodation to buy 1,000 bales of Queensland cotton to carry on his industry. From the time he had first obtained accommodation from the bank, the assets of his company had doubled, and, as I have said, he wanted additional accommodation for the purchase of cotton. The bank not only refused to make further accommodation available to him, but also required him to reduce his then overdraft by £150,000. One thousand bales of Australian cotton had to be put on board a ship, sent to Liverpool and brought back to Australia, in order to enable this company to obtain finance with which to carry on its operations. Whilst the banks at that time were out to curtail industrial development in Australia, they were allowing credit to be made available to an abnormal extent for the erection of large flats and palatial picture theatres in the capital cities.

Mr. McCALL.—American capital.

Mr. LAZZARINI.—No; these ventures were financed by the banks. All that credit was made available at a time when the development of primary and secondary industries was being retarded. The Commonwealth Bank Board was a party to that policy.

Some honorable members opposite seem to think that the charge against the Labour party that it is opposed to the board is unanswerable, but the majority of the members of my party believe in the Commonwealth Bank, and consider that it should carry out the functions for which it was founded. As soon as my party gets an opportunity to do so, it

will take action to enable the bank to direct the monetary policy of Australia in the interests of the people generally. My objection is to the financial views, and to the personal and social interests, of the gentlemen whom the present Government appoints to the board from time to time. I am opposed to the board's policy in nearly all its aspects. The present Government has hamstrung the Commonwealth Bank by preventing it from competing with the private banks. It has become merely a bulwark on which the associated banks lean, and from which they obtain accommodation which no other citizen, irrespective of the amount of his assets, is permitted to enjoy. There is close association between the members of the board and the private banks. Their interests are so interwoven that the Commonwealth Bank and the private banks form a common association. I have heard it called "The Thieves' Kitchen". The Commonwealth Bank Board has taken a certain action with regard to treasury-bills, and, possibly using that as an excuse, the leading institution among the associated trading banks immediately raised its rate of interest. This was done either in defiance of the Commonwealth Bank and the Government or in collaboration with the bank board. The action of the board in the near future will prove whether there has been a deliberate attempt to create deflation, or whether the associated banks are acting independently of the Commonwealth Bank.

Mr. McCALL.—The private bank to which the honorable member has referred is not one of the associated banks.

Mr. LAZZARINI.—That statement is pure eyewash. I am wondering whether the Commonwealth Bank Board is not even now considering the increase of its interest rate to that fixed by the Bank of New South Wales. I think, and I am almost convinced, that within a few days the Commonwealth Bank also will raise its rate. If it resists this attempt to secure an all-round increase of the interest rate, the Government, to show that it is sincere, should introduce legislation to enable the bank to go out after business in competition with the private institutions. The press has been condemning the Commonwealth Bank

throughout the piece. I saw in the last issue of the *Sunday Sun and Guardian* a cartoon on the subject of the bank's proposed offer of treasury-bills to the public. That journal, of course, is a bankers' newspaper, for it is controlled and owned by a bank. If the people generally were aware of that fact they would hesitate to accept all its statements on financial matters. In the cartoon prosperity was depicted as a motor car proceeding along the road to national recovery. The Commonwealth Bank was shown as a traffic policeman holding up his hand to stop the car, and a less prominent uniformed official, representing the private trading banks, remarked "O.K., Chief". If the interest rate can be raised all round, and if, by insidious press propaganda, the public can be led to believe that the Commonwealth Bank is solely responsible for the increase, the newspapers will have achieved the result they desire.

The Prime Minister (Mr. Lyons) spoke of cheap money that had been made available because of action taken by the present Government. When he was a member of another party and a Minister as well, he was a most ardent supporter of the resistance of the associated banks to the lowering of the interest rate. As a matter of fact, if the truth were known, his support of the associated banks was the real and a sufficient reason why he left the Labour party and joined the United Australia party.

Mr. SPEAKER.—The honorable member's time has expired.

Mr. HUGHES (North Sydney—Minister for Health and Repatriation) [8.25].—I cannot hope to follow the honorable member for Werriwa (Mr. Lazzarini) and those adventurous colleagues of his who have plunged into the dark thickets of finance and banking, as viewed from certain angles, and from which they have not been able to extricate themselves in the time permitted in this debate. I have some doubt, indeed, whether I shall be able to cover that legitimate field into which the Leader of the Opposition (Mr. Curtin) led us in his admirable opening speech. Narrowed down, this motion charges the Government with failing to check unnecessary imports, leaving the

Commonwealth Bank Board to do what the Government itself ought to have done, and then disclaiming responsibility for what the bank has done, which, it is asserted, must prejudice employment, trade and commerce, and the condition of the people generally. Now, what has the bank done? I speak not at all of these extravaganzas to which we have listened for the last hour or two, but to the sober indictment which fell from the lips of the Leader of the Opposition. It proposes to offer to the public £1,000,000 worth of treasury-bills! That is the beginning and end of the charge which the honorable gentleman himself levelled against the board. The Government is also chided for its negligence in not applying a remedy to conditions that must, so the honorable gentleman tells us, lead to disastrous results. Let us take the case against the bank first. The bank has, as I have said, decided to issue treasury-bills to the amount of £1,000,000. That, in itself, is nothing to excite even comment, let alone criticism, and I agree with my colleague the Treasurer (Mr. Casey) when he said that had the private banks not chosen to regard this action of the Commonwealth Bank as a happy chance to justify the increase of the rate of interest, we should have heard nothing about it. It is not suggested that the action of the bank is novel. It is true that hitherto it has not made treasury-bills available to the public, but I have yet to learn that the innovation is deserving of censure. As honorable members know very well these are old bills. They represent a small fraction of the bills held by the Commonwealth Bank and the trading banks. They have been offered to the public at the same rate of interest as has obtained for fifteen months and, in my opinion, that, in itself, is not justification for the action of the private banks in raising the rate of interest. It is not suggested that the Commonwealth Bank itself has followed that example, and certainly it does not warrant the statement made by the honorable member, and repeated by his colleagues, that this action was taken as part of a deliberate plan to retard recovery in this country. The honorable member for West Sydney (Mr. Beasley) levelled that

charge in unmeasured terms. He alleged that the Commonwealth Bank had acted in collusion with the trading banks to retard the remarkable recovery from the depression that the country has made as a result of the policy of the Government. What evidence is there to support a charge so monstrous and so odious? Although he did not accuse all Ministers, the honorable member did not hesitate to charge the Government with having not only known beforehand what action the bank proposed to take, but also with having instigated the bank to do what it desired, but had not the courage to do itself. I ask the House to contrast what the Leader of the Opposition (Mr. Curtin) said in regard to the relations between the bank and the Government, with the statements of the honorable member for West Sydney and several of his colleagues. The gravamen of the charge made by the Leader of the Opposition was that the Government failed to assert itself and insist that, as finance is vital to the well-being of the country, it should have control of financial policy, in order to ensure the well-being of the community. He and some of his colleagues said that the Commonwealth Bank is actually independent of the Commonwealth Government, and that the bank, in effect, is the overlord of the Government—this despite the fact that yesterday when the Prime Minister (Mr. Lyons) was setting out in measured terms the many and great services that the bank had rendered since the appointment of the board, the honorable member for Melbourne Ports (Mr. Holloway) interjected that the bank was a mere bookkeeper for the Government. Precisely what the honorable member meant I do not know; at any rate a book-keeper occupies a subordinate position; he is the servant of another. Thus, on the one hand we have the statement that the Bank Board is an independent agency, that it controls finance—the life of the community—and that the Government is as nothing. And on the other hand we are told that the Commonwealth Government, being craven-spirited and hesitating to do that which it believes ought to be done, has used the Commonwealth Bank Board as a tool to carry

out its nefarious purposes. These two statements are entirely inconsistent. I am not suggesting for one moment that the Leader of the Opposition was guilty of that inconsistency, but the Government has to deal with these charges as they are made. I protest most emphatically against the charge made by the honorable member for West Sydney that the Government is a party to a base conspiracy to destroy Australian industries and to sacrifice them on the "altar of Ottawa".

OPPOSITION MEMBERS.—Hear, hear!

Mr. HUGHES.—Even the ranks of Tuscany can scarce forbear to cheer my presentation of the honorable member's contention. No one in this House has stood more zealously or more consistently for Australian industries than I have, and I would rather go out of this Government and even out of this Parliament, than be a party to anything which would injure Australian industries.

The Leader of the Opposition stated that the Government has failed in its duty by not checking imports. By that he means there has been such an excess of imports over exports as to imperil the stability of this country and to threaten us with a repetition of the conditions which brought about the depression. He has failed utterly to show that any need exists for action in this respect. The Prime Minister answered that charge in terms that have not been challenged. The right honorable member has shown that up to the first week in March there was a balance of exports over imports to the value of £17,700,000 as against an excess of £16,100,000 for the whole of the year 1934-35. If this be a fact—and no one has challenged the Prime Minister's statement—where is the need for the action advocated by the Leader of the Opposition? Why should we disturb a settled condition of things under which we continue to emerge from depression into prosperity? The honorable gentleman suggested three alternative methods by which we could have avoided that action which, he alleges, has been taken by the bank to correct an unfavorable economic position. If the honorable gentleman himself did not do so, certainly some of his colleagues

claimed that the action of the Commonwealth Bank was taken for the deliberate purpose of checking imports through an increase of the interest rate. No evidence whatever has been advanced in support of that assertion. During this debate efforts have been made to belittle the Commonwealth Bank Board, and certain honorable members have taken refuge in the flimsy shelter of a declaration to the effect that they are decrying not the Commonwealth Bank, but merely the board. We have been asked to believe that there was a golden age in which the Commonwealth Bank standing for lofty ideals did yeoman and wonderful service for the country, and this, so it is said, the bank was able to do because it was then controlled by the Government. There is not one word of truth in that statement; the Commonwealth Bank was never under political control. Naturally, some honorable members who have come into public life recently are compelled to swallow as gospel the loose and utterly inaccurate statements made by their older colleagues. Let me here administer a wholesome corrective; I shall not claim that it will be an emetic. In the paean of praise which he showered upon the Commonwealth Bank as he conceived it to exist in its golden age, the honorable member for Melbourne Ports (Mr. Holloway), endeavoured to lead us to believe that there was something about the control exercised by the Bank Board that differed fundamentally from the control exercised by the first Governor of the bank (Sir Denison Miller). The honorable member, who surprised me with the fertility of his invention, told an apocryphal story of what happened during the war, when, adjured by me or some equally insignificant person, all the bankers of Australia trembled before the Government and gave us £100,000,000 or £200,000,000, or maybe it was £300,000,000, at a rate of interest which is too paltry to mention in a great assembly like this. Unhappily, the honorable member's story is not quite true. Leaving fiction, let us turn to facts: Let me read an extract from a speech made by myself on the 22nd of November, 1911, during the second reading debate on the Commonwealth Bank Bill, and reported in *Hansard* Vol. LXII. page

3044. I need hardly remind honorable members that I was a member of the Ministry that established the Commonwealth Bank. For twelve years from 1911 to 1923, with the exception of ten months, I was a member of that or succeeding governments, and therefore no one is better qualified than myself to speak concerning the operations of the Commonwealth Bank and the relations between the Government and the bank during its early years. The then Opposition had stated that the bill would create a bank that was practically—

under the control of the government of the day and the parliament of the hour.

In order to show that the suggestion was entirely baseless, I said—

The scope of the powers of the Governor is precisely limited. He is placed above the power of any party influence . . . put in a position to exercise authority and to make the best he can of the business, and he will have behind him the credit of the Commonwealth, of which nothing can rob him . . . The Commonwealth Bank will have behind it the resources and power of the Commonwealth.

I then went on to show that the bank's powers and authority were clearly set forth in the act, and added that it was—

to carry on in a legitimate way the business of banking. It was to compete with other banks, and to do that it must conduct the bank in a business-like way.

I concluded my speech by saying—

This bill placed the bank clearly and unmistakably out of the control of any political and extraneous influence, so far as any human institution can be.

Speaking as one who knows, I say definitely that during and after the war years the bank was an entirely free agent. At no time was it subjected to control or interference by the Government of the day. And that is precisely the position of the bank to-day. Because of the sound business principles upon which it is based, it has achieved the magnificent results that now stand to its credit. The honorable member for Melbourne Ports (Mr. Holloway) spoke this afternoon of what the bank had done in the way of floating huge loans for the Commonwealth Government. If the bank had been conducted on the lines suggested by the honorable member for West Sydney (Mr. Beasley) or the hono-

able member for Werriwa (Mr. Lazzarini) it would never have got out of its swaddling clothes. It has waxed and grown strong because it has won the confidence of the people and has carried on the business of banking in a business-like way. The honorable member for Melbourne Ports argued that the bank should be controlled by the Government or Parliament. Can any honorable member seriously contend that we are equipped with sufficient knowledge of the intricate business of banking to say how much credit is necessary for the governmental and industrial activities of this country? The honorable gentleman waxed enthusiastic in regard to some system under which the Commonwealth Bank could pump credit into the economic structure. As to that, all I need say is that to give to Parliament or a government under the party system the power to pump credit into the economic structure would be like entrusting men already far gone in drink with the authority to decide how much liquor every man—including themselves—ought to have. Who is going to say when the pumping should cease? No cartoon would excite the risibilities of the multitude more effectively than a picture of the honorable gentleman for Melbourne Ports pumping credit into the economic system of the Commonwealth under direction from those who control his party inside and outside this chamber. How could the amount of credit to be made available be determined by a majority of members on either side of the House? And how could there be confidence in any bank so controlled? Let me repeat that the activities of the Commonwealth Bank have been conducted on sound business principles, and because of this fact, it has won the confidence of the people. Now in the exercise of its wisdom, and as the result of long experience, when the board has decided to issue £1,000,000 worth of treasury-bills to the public, it is covered with abuse. Most odious charges are levelled at the board and the Government whose only fault is that, in its relations with the bank, it has followed in the footsteps of earlier governments the great virtues and achievements of which honorable members opposite now pretend to laud. There

is no evidence whatever to sustain the charge levelled at the Government.

The Leader of the Opposition would have the people of this country believe that the action of the bank in issuing treasury-bills has been taken for the express purpose of destroying the Australian industries with consequent increase of unemployment. It has also been said that the Government had been consulted, that the Government was in collusion with the bank and was using that institution as its tool. To that charge I reply that the record of the Government speaks for itself. The figures relating to increased employment, especially in our secondary industries are an effective answer. When this Government came into office 29 per cent. of our adult population were unemployed; to-day the figure is down to 13.6 per cent. In every part of this country there is evidence of reviving trade and expanding industries. This is especially true of our secondary industries, behind which, it is said by some honorable members opposite, we are now standing with a dagger in order to stab them in the back! The truth is that, as a result of this Government's policy, there has been the most surprising revival of industry in the history of the nation. Our factories now give employment to 459,000 operatives, and they are rapidly extending. My colleague, the Minister for Trade and Customs (Mr. White) has shown that the rising tide of imports, against which the Leader of the Opposition pointed his oratorical dagger, consists mainly of those classes of goods which are essential for the conduct and expansion of Australian industries, and that other goods which may be in the luxury class are an outward and visible sign of the increased spending power of the people, due to the policy of this Government. Does the Leader of the Opposition deny that?

But I am not one of those who dwell on past achievements. We have gone far along the road to recovery but we have yet far to travel, and I for one will never be satisfied while in this country, there is one man anxious for work but unable to obtain it. That is the goal to which I direct my steps.

Mr. Hughes.

This Government proposes to continue its progressive policy which has brought about the magnificent results that confront us on every hand, and if ever it meets a situation such as that visualized by the Leader of the Opposition, it will deal with it promptly. I do not for a moment contend that an ample supply of credit is not essential to recovery. I have said again and again that we must have an ample supply of credit for necessary public works and the expansion of industrial enterprises, in order that we may emerge from depression to prosperity.

The Leader of the Opposition and his friends opposite have suggested that this action of the Commonwealth Bank in issuing treasury-bills to the public is a sinister move to contract the amount of credit available for industry. I deny that absolutely. Neither the honorable gentleman nor his friends have submitted evidence to substantiate that charge. If, however, at any time it is demonstrated that there is a downward tendency in the re-employment figures, I for one will be prepared to join with any honorable member who will lead a crusade to find employment for the people. That, I suggest, is the supreme test of the policy of any government in this or any other country. Tried by that test, this Government emerges triumphant.

Mr. PRICE (Boothby) [8.51].—The Leader of the Opposition (Mr. Curtin) and those honorable members who support the motion of censure have failed to make good their case against the Government or the Commonwealth Bank. Other honorable members have pointed out that the issue of £1,000,000 worth of treasury-bills is not a new proposal. I have every confidence in the Commonwealth Bank and the board which controls it. Its record of achievement is a sufficient answer to the charges made by the Leader of the Opposition. In its personnel, the board is truly representative of all sections of the community, and no one can deny that it has always operated in the best interests of the people. I feel sure, therefore, that it will do excellent work in the future. Apparently, the Leader of the Opposition, in submitting this motion of censure, has taken the long view. Possibly he and his friends are looking

forward to the time when they may be on the treasury bench and in a position to dictate the board's policy. I have a very vivid recollection of what happened a few years ago when there was a desire on the part of a number of Labour members to introduce a fiduciary note issue. There was an attempt to dictate to the Commonwealth Bank Board. I did not agree with that proposal, and stated my reasons on the floor of the House. I am glad that at the time of which I speak, the late Sir Robert Gibson was the Chairman of the Commonwealth Bank Board, and successfully withheld the pressure that was put upon him. I shall do all in my power to prevent the Commonwealth Bank from being under political control.

Mr. MARTENS (Herbert) [8.58].—The right honorable member for North Sydney (Mr. Hughes), in his defence of the Government from the charges contained in the motion of censure with respect to the policy of the Commonwealth Bank, emphasized that the principles governing the bank are the same to-day as they were when it was established. I charge the right honorable gentleman, in the first place, with having been opposed to the establishment of the bank, and I go further and say that the policy of the bank board to-day is not on all-fours with its policy when the late Sir Denison Miller was in control. I also deny the charge that the Labour party is in favour of political control of the bank. At no time has this party been in favour of political control. But it is in favour of the bank business being conducted in legitimate competition with the private banks, as was the case when the late Sir Denison Miller was in control and would be to-day if Sir Ernest Riddle had real authority to direct its policy. When I say that the bank should be in legitimate competition with private trading banks, I have in mind an extension of its activities by the establishment of branches throughout the Commonwealth. Some time ago I supported an application for a branch in Gordonvale, then in my electorate, but the stereotyped reply received was to the effect that all the necessary banking facilities were already available to the people living in that district. At that time there was only a

savings bank in the district, but in consequence of suggestions made to the board there are now two banks. Similar conditions existed at Ingham, where, in consequence of reliable statistics presented to the Commonwealth Bank Board, inquiries were made and later the savings bank business was removed from the post office and a savings bank established at that town. Had it not been for the interest displayed by representative bodies in those and other centres, and their continued agitation, proper banking facilities would not now exist.

Mr. CURTIN (Fremantle) [9.2].—In the motion I submitted I did not level any charge against the Commonwealth Bank, and there can be no conceivable implication of a charge against that institution in the speech which I delivered. My charge is against the Government, and the Government's answer is that whatever action the Commonwealth Bank Board has taken has been for purposes quite unrelated to the reasons which, I conjectured, had impelled the bank to take action. I stated that during the last 30 months the balance of payments overseas swung decidedly against Australia, and as a result the reserves had been drawn upon not for one or two months or one year, but almost uninterruptedly throughout the 30 months. For that period our reserves had been depleted so seriously that the position for this year could not be viewed other than apprehensively. Using the only data available to me, which was up to the end of January, or seven months of the fiscal year, I made an estimate of the possible position at the end of June of this year. The only reply which the right honorable the Prime Minister (Mr. Lyons) has been capable of making to that estimate of our probable position, is that during the month of February and the first week of March there had been an extraordinary increase of the value of exports over the average of the previous seven months, due to improved prices for wool and the increased sales of that commodity. I conceded in my speech that it was very probable that the February figures would show an improvement in respect of exports over the average of the previous seven months. Even after allowing for

such increases, I still contend that the overseas trade of the Commonwealth during the present year, having regard to the external obligations of Australia, involving continual strain upon our overseas payments and reserve funds has impelled the Commonwealth Bank to take action because the Government itself failed to act. I put that forward as a reasonable hypothesis. Notwithstanding the fact that five Ministers have participated in the debate in defence of the Government, only one has attempted to explain why treasury-bills amounting to £1,000,000 which the Commonwealth Bank now holds are to be made available to the public, not in an open bill market, but at a fixed rate, and only to those individuals in the community who are capable of subscribing for £10,000 worth. Thus this restricted and limited issue at a higher rate of interest than could be secured if the money were placed on fixed deposit, will inevitably have the consequence of hardening interest rates in Australia. Only one Minister has explained why it has been done. He stated that it has been done as an experiment in order to try out the reaction of the Australian public to the establishment of an open bill market. The Treasurer (Mr. Casey) declares that it is an experiment, but the Minister for Health (Mr. Hughes), with all his years of experience, says that the proposition is not novel. The right honorable member regards it as a quite ordinary exercise of the bank's administrative power. He knows that for some time treasury-bills have been taken up by the Commonwealth Bank Board as issued by the Commonwealth Government on its own behalf and on behalf of the States. Granting that the issue to the public is an experiment, it would be interesting to know the necessity which exists for such an experiment particularly at this juncture when the action being taken will necessarily increase the interest rate in Australia. What perspicacity do the members of the bank board possess if they did not know that the effect of issuing to the public this amount of money at the rate of interest prescribed would have a hardening effect upon interest rates? I did not make the charge that interest rates commenced to harden when

Mr. Curtin.

this issue of treasury-bills was made available to the public. I carefully pointed out that from the time our London funds continued to be drawn upon because of excessive importations of unnecessary goods which we could not afford and which could be characterized as luxuries, interest rates tended to decrease. The right honorable the Prime Minister discounted my figures for 30 months by quoting the most recent figures for February and March, and, parenthetically, I ask why it is that a Commonwealth department should refuse to supply me with figures which are made available to the Prime Minister? I applied to the Commonwealth Statistician for the most recent figures upon this subject just because, as the Prime Minister was good enough to acknowledge, it is not my practice to suppress available facts when discussing any subject in this Parliament. I submit that an explanation ought to be made by some one.

Mr. CASEY.—The figures are compiled by the Department of Trade and Customs, and then made available to the Bureau of Census and Statistics. The figures referred to by the Leader of the Opposition were available in the Customs Department, but at that time had not reached the Commonwealth Statistician.

Mr. CURTIN.—Why should the Department of Trade and Customs undertake the responsibility of being the purveyor of statistics even to Ministers? I have not the slightest doubt that the research which it was known that I was conducting impelled the Prime Minister to discover whether by whipping up the officers in some departments it would be possible to obtain information later than that which would be available to me.

Mr. CASEY.—The statistical bureau is under my administration and I assure the Leader of the Opposition that is not so.

Mr. CURTIN.—I unreservedly accept the Treasurer's statement. I have every confidence in the impartiality of the Commonwealth Statistician's bureau and the sense of propriety which characterizes those who control it. I felt certain that when I asked for the latest information the bureau gave me the latest in its possession. But I was

astonished to find that almost within a day or two of data having been supplied to me much later information was made available to the Prime Minister. My statement that the London position can be regarded as having excited the concern of the Commonwealth Bank Board can be tested by examination of the amount of short-call funds held by the Commonwealth Bank Board in London. I wish to place on record the amounts of short-call funds available to the Commonwealth Bank in London on certain dates—not the total amount held by the pool because there is a pooling arrangement under which the Commonwealth Bank has first call on available funds belonging to other banks. I am quoting only the funds which the Commonwealth Bank had at short call. On June 25, 1934, the amount was £32,400,000; on September 24, 1934, £27,800,000; on December 25, 1934, £22,400,000; June 24, 1935, £15,100,000; December, 30, 1935, £12,900,000, and March 2, 1936, £12,700,000. I was accused of not having the latest figures in regard to the London position. If it is argued that this fall in the cash reserves of the Commonwealth Bank in London is not a true reflection of the position of our reserves overseas the implication must be that while the funds held by the Commonwealth Bank itself were steadily falling as a result of the continual drain in connexion with the payments for imports, by some astonishing piece of commercial alchemy the funds available to the private banks must have been increasing.

Mr. CASEY.—That is a fact.

Mr. CURTIN.—That is an extraordinary rejoinder in view of the significant paragraph in the latest report of the Commonwealth Bank Board just tabled in Parliament, in which the board draws attention to the imports position. Furthermore, a statement by the National Bank was published only yesterday, surveying the possible explanations as to why the treasury-bill issue has been made available to the public. Despite the oratory of five Ministers, no adequate explanation has been given to this Parliament concerning this proposal which the Treasurer says is an experiment. The honorable member for Parramatta (Sir Frederick Stewart), who was

once a member of the Cabinet, does not accept the Treasurer's explanation. According to the *Melbourne Star* of the 11th March, the monthly summary of the National Bank makes the following comment:—

In some quarters it is held that the Commonwealth Bank, by making a public issue of treasury-bills, has inaugurated a chain of consequences, including rising interest rates and a hardening in the money market. While those things may happen, the dominating causes lie outside the Commonwealth Bank's action. They are to be found in rapid utilization of bank lending resources in the last two years and the over-stimulation of imports which has resulted therefrom.

I have never been in any way identified with the view of the private trading banks in Australia as against the banking and monetary policy of the party which I have the honour to lead; but when there has been need for a cold survey of the facts of our capitalistic situation, I have never ignored the views of those competent to express an opinion. The explanation that this issue of treasury-bills is an experiment conducted by the Commonwealth Bank, regardless of consequences, simply will not go down. The Commonwealth Bank Board could not disregard the consequences. I believe that it would be the last bank board which would wantonly, or even experimentally, introduce a change of policy the immediate effect of which would be to hasten the hardening of interest rates, particularly when the hardening process had already commenced. If that is the explanation for this issue of treasury-bills, then, indeed, one can only say that, for the first time in its long history, the Commonwealth Bank Board has, in a whimsical and freakish spirit, entered upon an experiment the immediate first consequence of which has been a disastrous reaction to interest rates in Australia. I refuse to hold the bank culpable on that ground. The Minister for Health (Mr. Hughes) entertained us to-night with a recital of the magnificent way in which the Commonwealth Bank has served this country, and how it has always been free from political control. I seek no political control over the bank in the exercise of its administrative functions; but I submit that it is the duty of this Parliament to ensure that the bank is not compelled to resort

to a device, which is the best that it can employ, to make good the deficiency occasioned by the Government's wanton disregard of its responsibilities. The right honorable gentleman says that there is no serious position overseas; yet all the evidence available—the shrinkage of the London funds of the Commonwealth Bank, the continuous increase of imports into Australia, the swelling of customs revenue, and the utilization of that revenue by the Government to reduce direct taxation in order to satisfy the chief political interests that it represents—go to show the contrary. The Government claims responsibility for the improvement that has taken place in factory employment, and in conditions generally, and would have us believe that the situation is satisfactory; but I point out that associated with that recovery, has been a definite exercise of inflationary credit in the Australian monetary system. It is conceivable that some authority—it may be either the Government or the Commonwealth Bank—has come to the conclusion that that movement towards inflation, which commenced in 1931 in order to combat the worst effects of the depression, has continued long enough. The circular issued by the National Bank, from which I have just quoted, refers in specific terms to the "over-stimulation of imports". Probably it meant the unwise expenditure by many Australian people in the purchase of motor cars, thereby tending to create that unfavorable balance between the United States of America and Australia to which the honorable member for Flinders (Mr. Fairbairn) referred this afternoon as something that ought to be corrected. It is clear to economists in Australia that certain phases of expenditure, both public and private, have reached a stage threatening a new credit boom, and it may be that steps are being taken to put some brake upon the inflation movement and the momentum which it has generated. If that be the case, my accusation is that the Constitution imposes upon this Parliament the responsibility for determining the monetary policy of this country. Here I point out that monetary policy is a distinctly different thing from bank management, or the management of treasury-bills, or

decisions as to whether or not Brown shall get credit which is refused to Jones. I deny—and I hope that the country will regard my denial as emphatic—that the Labour party ever did, or does now, stand for political interference with banking, as between bank and client. Further, I deny that this party has ever stood for interference with the Commonwealth Bank Board in the discharge of the functions of bank management. But when it comes to the rate of interest which governments shall pay for credit, based upon their own tax-collecting capacity, and to deciding whether or not credit shall be issued by its own national instrumentality, on conditions favorable to the people or favorable to speculators and investors, then I say, most definitely, that if the people of this country are to be sovereign, their sovereignty must express itself in the national management of the credit structure of the nation.

Sir HENRY GULLETT.—The honorable member is making a political speech.

Mr. CURTIN.—As an illustration to the Minister, I point out that the education policy of a nation should be determined by the legislature, but the schoolmasters should be appointed by the department and the text-books prescribed by its experts. I submit, further, that political responsibility for national policy is entirely different from the administrative agencies whereby that policy is carried out. Whatever has been the attitude of the people of Australia hitherto in regard to the limits of national control of banking and the dangers of political interference, they had a rude awakening during the last fortnight when they discovered that an entire disregard of political responsibility on the part of the Commonwealth Government has exposed this country to an unnecessary increase of interest rates, prejudicing industry and imperilling the recovery of the nation from the depression.

Question—That the motion be agreed to—put. The House divided.

(MR. SPEAKER—HON. G. J. BELL.)

Ayes	25
Noes	41
Majority	16

Mr. Curtin.

AYES.

Baker, F. M. J.	Mahoney, G. W.
Barnard, H. C.	Makin, N. J. O.
Beasley, J. A.	Maloney, Dr.
Blackburn, M. M.	Martens, G. W.
Clark, J. J.	Mulcahy, D.
Curtin, J.	Riordan, D.
Drakeford, A. S.	Rosevear, J. S.
Forde, F. M.	Scullin, J. H.
Frost, C. W.	Ward, E. J.
Garden, J. S.	Watkins, D. O.
Holloway, E. J.	<i>Tellers:</i>
James, R.	Gander, J. H.
Lazzarini, H. P.	Lawson, George

NOES.

Abbott, C. L. A.	Lyons, J. A.
Cameron, Archie	Marr, Sir Charles
Cameron, Sir Donald	McBride, P. A. M.
Casey, R. G.	McCall, W. V.
Corser, Bernard	McClelland, H.
Fairbairn, J. V.	McEwen, J.
Fisken, A. C. W.	Nairn, W. M.
Francis, J.	Nock, H. K.
Gregory, H.	Parkhill, Archdale
Groom, Sir Littleton	Paterson, T
Gullett, Sir Henry	Price, J. L.
Harrison, E. F.	Prowse, J. H.
Harrison, E. J.	Scholfield, T. H.
Hawker, C. A. S.	Stacey, F. H.
Holt, H. E.	Stewart, Sir Frederick
Hughes, W. M.	Street, C. A.
Hunter, J. A. J.	Thorby, H. V. C.
Hutchinson, W. J.	White, T. W.
Jennings, J. T.	<i>Tellers:</i>
Lane, A.	Gardner, S. L.
Lawson, John	Thompson, V. C.

PAIRS.

Brennan, F.	Collins, T. J.
Green, A.	Perkins, J. A.

Question so resolved in the negative.

Motion negatived.

RHINELAND DEMILITARIZED ZONE.

OCCUPATION BY GERMAN TROOPS.

MR. CASEY (Corio — Treasurer) [9.31].—*by leave*—The settlement of Germany's boundaries at the Versailles Conference constituted one of the fundamental and one of the most difficult problems to be solved.

In the interests of international peace France advocated strongly the erection of a neutral State, to act as a buffer on the left bank of the Rhine. Unsuccessful in this, France did obtain, without essential difference of opinion, the demilitarization of the left bank, that is, the area between the Rhine and the French and Belgian frontier. Germany also agreed not to maintain fortifications to the east of the Rhine in a zone thirty miles wide, and not to assemble armed forces or conduct manoeuvres in the whole demilitarized region. Any violation of these provisions

was to be regarded as a hostile act against the signatory powers and as calculated to disturb the peace of the world. Articles 42, 43 and 44 of the Versailles treaty embody these principles.

Germany, on various grounds, including injustice, a dictated peace, and self-defence, has infringed several of the provisions of the Versailles Peace Treaty, notably those dealing with rearmament, but German spokesmen have, at various times, expressly stated that Germany had no intention of upsetting the *status quo* of the western frontiers as laid down in the treaty. Emphasis was given to this by the German Government freely and voluntarily negotiating the Locarno Pact, which stabilized, by guarantee, the frontiers in Western Europe. This Pact was signed in December, 1925, and has been since regarded as the one clear and really valuable mutual treaty of security in Europe.

By this Pact, the contracting parties, namely, Great Britain, Belgium, France, Germany and Italy guarantee to maintain the territorial *status quo* resulting from the revised frontiers between Germany and Belgium and between Germany and France, the inviolability of those frontiers, and also the observance of stipulations concerning the demilitarized zone of the Rhineland. This stabilization is the essence of the whole Pact, the rest of which is designed to effect this end. Germany, France and Belgium undertake to refrain from making war on each other except in self-defence, and the violation of the demilitarized zone is expressly mentioned as entitling France and Belgium to resort to war in self-defence.

Article 4 especially affects Great Britain, because Great Britain and the other signatories agree, in the event of a violation of the Pact or a breach of the demilitarization zone provision, to come immediately to the assistance of the State against whom the act of aggression is committed. But it is to be noted that an alleged breach must be brought to the notice of the League Council, and the guarantee operates when the Council is satisfied that a breach or violation has been committed. In case of flagrant violation and where immediate defensive steps are necessary, assistance is to be

given at once if the powers are satisfied that the violation constitutes an unprovoked act of aggression. The case, however, must still be referred to the Council, and the parties subsequently agree to act in accordance with the decision of the Council, provided that it is concurred in by all members other than representatives of the parties which have engaged in hostilities. No time limit is fixed for the period of the Pact, which also expressly states that it imposes no obligation on any of the British Dominions, unless a dominion signifies its acceptance thereof. No dominion has accepted the obligation of Locarno.

Until 1935, there was no doubt as to Germany's intention to adhere to the Pact of Locarno. On the 30th January, 1934, Herr Hitler himself made a public and explicit declaration in the Reichstag in the words:—

The German Government is ready and determined, after the solution of the Saar question, to accept both the spirit and the letter of the Locarno Pact, for there will then exist no territorial question between France and Germany.

At the beginning of 1935 there was evidence that Germany was beginning to chafe at the continuation of the demilitarization of the Rhineland. On the 29th May, 1935, the German Government protested in a note to the guarantor powers, that the Franco-Soviet Pact, signed on the 2nd May, 1935, constituted an infringement of the spirit of Locarno, mainly on the ground that, although not specifically stated, it was obviously directed against Germany. After protesting that, under the Pact, France or Russia could take action against Germany, even in a case where the League could not reach a decision on the alleged act of aggression, the note went on to say that the Locarno Pact could not be modified by a treaty concluded with a third party by one of the signatories.

The British Secretary for Foreign Affairs replied to this note on the 5th July, 1935, in the following words:—

I have the honour to refer to the memorandum which your Excellency was so good as to hand my predecessor on the 29th May, and in which were set forth various considerations regarding the manner in which the Treaty of Locarno was, in the view of the German Government, affected by the terms of the Franco-Soviet Pact, of 2nd May. Since then His Majesty's Government in the United Kingdom

Mr. Casey.

have had cognizance of the note which the French Government communicated to the German Government on the 25th June, in reply to this same memorandum.

His Majesty's Government are in entire agreement with the views expressed and the arguments used by the French Government in this note, and after further consideration of the points made by the German Government they are satisfied that there is nothing in the Franco-Soviet Treaty which either conflicts with the Locarno Treaty or modifies its operations in any way. They likewise agree with the French and German Governments in holding that the provisions of the Locarno Treaty cannot legally be modified or defined by the fact that a treaty has been concluded with a third party by one of the signatories.

As this Franco-Russian treaty is regarded by Germany as the justification for the repudiation of the Locarno Pact, it is of interest to note its main features. By this treaty, Soviet Russia and France undertake, in the event of a threat of aggression by any European State, to consult as to common measures to be taken within the framework of the League Covenant. In the event of an unprovoked aggression on the part of any European State, each shall come to the other's aid and assistance. Further, in case of unprovoked aggression there is an obligation to lend each other aid and assistance in application of article 16 of the Covenant. It is this provision to which Germany particularly objects, as by it, if unanimity cannot be obtained in the Council under article 15, and members thereby are freed from the Covenant obligation, France and Russia are still bound to assist each other in implementing the sanctions under article 16.

The French Government, aware of possible objections, was particularly careful to work out a text within the principles of the League Covenant and in harmony with France's international commitments, especially Locarno.

A non-aggression pact of mutual assistance, similar to the Franco-Soviet Treaty, was also recently entered into between Soviet Russia and Czechoslovakia.

Although the Franco-Soviet Pact was signed in May, 1935, it was not to come into operation until ratifications were exchanged at Moscow. France has delayed ratification in the hope that the "air pact", known as the Aerial Locarno Pact, the Eastern Pact, and the Danubian

Pact, as proposed in the London Declaration of February, 1935, would be negotiated, and thereby lead to a general all-round pacification and settlement of outstanding differences. The intrusion of the Italo-Abyssinian dispute however, affected the whole situation, and added to the prevailing unrest and uncertainty in Europe. Despite repeated efforts on the part of Great Britain, it was found impossible to make any advance with the proposed pacts, as all States were unwilling to commit themselves to further international obligations until the Abyssinian conflict was ended and danger of a European conflagration had passed. Consequently, France, with a growing uneasiness in the face of German rearmament, felt it incumbent upon it to proceed with the ratification of the Soviet Treaty. It had passed the Chamber of Deputies and appeared most likely to be approved by the Senate, when Germany announced its repudiation of the Locarno Pact, and moved armed forces into the demilitarized zone on the 9th March.

Despite the fact that the terms of the Soviet Pact were known in May, 1935, and that Germany's objections to it had not received support from the other Locarno guarantors, Germany subsequently re-affirmed its intention to observe the Locarno Pact. Herr Hitler, in his review of policy on the 2nd May, 1935, reiterated his assurance that now the Saar issue was settled, Germany would give no cause for French anxiety about the eastern frontier. On the 28th February, 1936, he again declared that, as there were no outstanding differences, he desired the friendship of France. The representatives of Great Britain were last week endeavouring to obtain some indication of Germany's views on the proposed London Declaration Pacts, particularly in regard to the Air Pact—a proposal to supplement the Locarno Pact, by the rendering of mutual assistance in case of unprovoked air attack. The action of Germany on the 9th March consequently cut right across these conversations and created a situation which in gravity and importance overshadows all other international issues at the moment.

I do not propose to review the proposals submitted by the German Government

for a new settlement, as they were fully reported in the press. It would be unwise, moreover, to offer any comment at the present juncture, as the issues raised therein are primarily the concern of the Locarno Powers, although the principle of the sanctity of treaties is one which profoundly affects the international relations of every State.

The French and Belgian governments, with the full knowledge and agreement of the United Kingdom Government, have asked that the Council of the League may be summoned as soon as possible to consider the situation, and it is understood that the Council will meet on Saturday, the 14th March, in London, instead of its usual venue, Geneva. The Treaty of Locarno lays down that, in the event of an alleged breach, this course shall be followed.

Three courses appear to be open to the Council. It may deal with the question direct, and in this connexion it is to be noted that any opinion given by the Council on the dispute must be unanimous. Secondly, the question may be referred to the committee which was appointed as a result of the special meeting of the Council on the 16th April to consider the French petition regarding Germany's initial violation of treaty obligations in the decree of the 16th March, 1935, announcing the introduction of compulsory military training, and in the establishment of an air force.

The resolution of the 17th April, 1935, was carried unanimously, and declares—

That as the scrupulous respect of all treaty obligations is essential for the maintenance of peace, and as it is an essential principle of the law of nations that the consent of other contracting States must be obtained for liberation from treaty obligations, and as the German military law of the 16th March, 1935, conflicts with these principles, decides that such repudiation of treaties should call into play appropriate measures by League members, and requests a committee to propose what measures, particularly financial and economic, might be applied should any State in future endanger peace by unilateral repudiation of its international obligations.

Thirdly, the Council may refer the dispute to the Permanent Court of International Justice for a determination as to whether there has been a breach of the Locarno Pact, particularly in view of the German claim that the Franco-Soviet

treaty was an infringement of the Pact. It should be noted, though, in this connexion, that no reason or justification has been advanced by Germany as to the violation of the Belgian section of the Rhineland zone.

The Commonwealth Government has no information as to what procedure or course of action will be adopted, pending the result of the exchange of views which took place at Paris yesterday, and which will be continued in London to-day, between the representatives of the four Locarno powers, other than Germany.

WHEAT GROWERS RELIEF BILL 1936.

Message recommending appropriation reported.

In committee (Consideration of Governor-General's message):

Motion (by Mr. THORBY) agreed to—

That it is expedient that an appropriation of revenue be made for the purposes of a bill for an act to provide for financial assistance to the States in the provision of relief to wheat-growers.

Resolution reported.

Standing Orders suspended; resolution adopted.

Ordered—

That Mr. Thorby and Mr. Casey do prepare and bring in a bill to carry out the foregoing resolution.

Bill brought up by Mr. THORBY and read a first time.

SECOND READING.

Mr. THORBY (Calare—Acting Minister for Commerce) [9.48].—I move—

That the bill be now read a second time.

The purpose of this bill is to provide financial assistance for wheat-growers with respect to the 1935-36 harvest. Each year, since the sharp decline in wheat prices in 1930, financial assistance has been provided by various governments for wheat-growers. This assistance has been granted because it is realized that the prosperity of the wheat industry is enormously important to Australia. The industry engages the principal attention of over 70,000 farmers, and its products are second in importance only to wool in Australia's export trade.

The trials and difficulties of the Australian wheat-farmer have in recent

years been constantly before the Government, and in 1933 a royal commission was appointed to investigate the problem of the industry with a view to recommending a more suitable basis for its operation than the yearly grant of assistance from Government funds. That commission, in its second report, indicated *inter alia* that the plan which promised the most permanent relief to the industry was one based upon the principle of a home-consumption price. This Government took the first available opportunity to implement the recommendations of the commission in this connexion. In October, 1935, it called a conference in Canberra of representatives of all parties interested in the wheat industry. Following upon the deliberations and suggestions emanating from that conference, the Australian Agricultural Council unanimously decided to recommend the Commonwealth and the various State governments to introduce legislation having for its object the provision of a home-consumption price for wheat. The Commonwealth Government duly honoured its obligations in this respect by passing, in December, 1935, its Wheat and Wheat Products Act. Before the plan of that measure could be brought into effective operation, however, it was necessary for legislation in accordance with the Agricultural Council's decision to be passed by the various State parliaments.

Only three State parliaments passed such legislation. As the result of the delay by the other parliaments it was not found possible to put the plan into operation for this year's harvest. At the conference referred to the Commonwealth Government gave an undertaking to the effect that if it were not found possible to bring the home-consumption price plan into operation for this year's harvest, the flour tax would be re-enacted, and financial assistance rendered to wheat-growers from funds derived from that source.

The prices ruling for wheat for this season's harvest have been consistently higher than has been the case for the past few years. The prices obtaining in the three months December to February this year are better to the extent of about 1s. per bushel than those which obtained for the same period last year.

Mr. MAHONEY.—What is the present effect the distribution amongst the growers. The amount has been allocated as follows?—

Mr. THORBY.—About 3s. 7d. a bushel. If this difference is maintained the increase in the total cheque received by the growers this year as compared with last year will be between £5,000,000 and £6,000,000. The shippers' limits for wheat f.o.r. Williamstown during the three months December to February in the years 1934-35 and 1935-36 compare as follows:—

	Highest. Per bushel.	Lowest. Per bushel.
	s. d.	s. d.
1934-35 2 11½	2 4
1935-36 3 10	3 3

These higher prices this year are due to an improvement in the world statistical position of wheat.

In briefly surveying this position we find that up to the year 1926 the average carry-over at the 1st August was about 660,000,000 bushels. In 1928 there was an abnormally large crop in the chief wheat-exporting countries, and for some years afterwards the crops were above average. The result was that on the 1st August, 1934, the wheat carry-over had increased to about 1,140,000,000 bushels. In 1934-35 and again in 1935-36 bad seasons were experienced in North America and low yields resulted. In 1935-36, too, the crop in Argentina was attacked by drought and was the lowest on record for very many years. The result of these poor harvests has been that on the 1st August, 1935, the world carry-over was reduced to about 875,000,000 bushels. It seems probable that that figure will be still further reduced at the 1st August, 1936—probably to less than 700,000,000 bushels. Taking a line from this, it seems likely that prices this year will be maintained at a higher level than for several years past.

As honorable members are aware, the Flour Tax Act was re-enacted in order to provide a fund to assist wheat-growers pending the operation of the home-consumption price legislation. The bill now before the House embodies the Government's proposals in regard to the distribution of relief to the growers. The total amount provided in the bill for distribution is £1,878,906. It is proposed to make this sum available by way of grants to the various States which will, in turn,

	£
New South Wales ..	565,284
Victoria ..	441,948
Queensland ..	42,835
South Australia ..	432,146
Western Australia ..	392,850
Tasmania ..	3,483
Federal Capital Territory ..	360

In providing for this allocation amongst the States, the Government had regard to the crops which it was estimated would be harvested, and also to any unfavorable seasonal conditions experienced. Insofar as the crop basis was concerned, the allocation includes provision for a payment to the States of 1s. a bushel for that proportion of the crop in each State which is equivalent to the proportion of the total crop in Australia which will be used for human consumption within the Commonwealth. This does not mean that growers are to be paid 1s. per bushel on the home-consumption quota. It is simply a basis for calculating the amount to be paid to each State for wheat-growers' relief.

The latest estimate of the total crop is about 140,000,000 bushels. The quantity required for human consumption in Australia is about 32,000,000 bushels, which represents 23 per cent. of the total crop. The allocation under this heading will therefore absorb £1,610,103. The balance of £268,803 has been distributed amongst the States on the basis of the degree of adverse seasonal conditions experienced. From the information available, Western Australia has suffered in this regard more than any other State. To indicate the extent to which that State has been affected in comparison with the rest of the Commonwealth, I shall quote some crop figures for the past few years. In 1933, the total harvest in Australia was 177,237,803 bushels from 14,901,271 acres—an average yield of 11.9 bushels an acre. The Western Australian contribution was 37,305,100 bushels from 3,183,216 acres—an average yield of 11.7 bushels an acre. The Western Australian yield for this year is estimated at just over 20,000,000 bushels—an average of just over 8 bushels an acre, compared with 11.8 bushels an acre for the Commonwealth. An amount of £161,600 has accordingly been allotted to

Western Australia from the £268,803 provided in this connexion. Of the balance, South Australia has been allotted £69,896, and New South Wales, £31,784. The balance will be divided amongst the other States on an acreage basis. The bill provides that payments may be made by the States to individual wheat-growers on any basis deemed reasonable in the circumstances existing in the respective States, subject to the proposed method of distribution being first approved by the Commonwealth Minister. The reason for this provision is that the circumstances in each case are so different that it would be impossible for this Parliament to pass a bill setting out an exact and equitable basis upon which the distributions should be made in the respective States. I wish to refer briefly, however, to the methods by which the various State governments propose to distribute the grant. The Government of New South Wales intends to distribute the greater part of the money on an acreage basis. Approximately £93,000 will be used for relief of wheat-growers who suffered serious loss through adverse seasonal conditions.

The proposal of the Government of New South Wales is that all wheat-growers will get so much on an acreage basis. Those who have suffered through drought conditions will get increasing amounts according to loss or smaller returns from harvesting. In other words, it will be worked on a sliding scale, taking the average crop returns for New South Wales over the last ten years as a basis. All who receive the average return or more will receive payment on an acreage basis. For every bushel for which they receive a return below the average, farmers will receive an increased amount. The unit will be decided by dividing the total amount of money available by the number of farmers whose returns show less than the average. The method may appear complicated when expressed in words, but on paper it is simple. I see no reason why we should not approve of the method as far as New South Wales is concerned.

Mr. CURTIN.—Does not the bill leave it competent for the States to vary any measures that they have to pass?

Mr. THORBY.—No. I have already explained that the bill provides that the States shall submit their methods of dis-

tribution to the Commonwealth for approval.

Mr. CURTIN.—Will not the States have to pass legislation?

Mr. THORBY.—Each State has already submitted the proposed basis upon which it proposes to distribute the money.

Mr. CURTIN.—Supposing a State has difficulty in passing the bill in a form which has met with the approval of the Minister, what happens then?

Mr. THORBY.—It is not my intention, nor is it the intention of the Commonwealth, to impose unreasonable conditions on any State in connexion with this money. We are concerned only with the broad principles. It would be unreasonable to ask this Parliament to pass a distribution of about £1,880,000 to the States without having some indication of how the money was to be distributed among the wheat-growers.

Victoria has decided to distribute £50,000 amongst growers who suffered losses through drought, hail, storm and other damage, approximately £200,000 on an acreage basis and the balance of the grant on a production basis.

Mr. McEWEN.—Why such a small amount for adverse seasonal conditions in Victoria?

Mr. THORBY.—For the reason that the area affected by drought in Victoria is very small compared with the drought-affected area in New South Wales.

Queensland will distribute 25 per cent. of the grant to wheat-growers suffering from specially adverse conditions, and the balance on an acreage basis.

South Australia proposes to distribute the amount specially added to that State's grant in respect of adverse seasonal conditions to those farmers who reaped three bushels an acre and under. The balance of the money will probably be distributed 50 per cent. on an acreage basis and 50 per cent. on a bushel basis.

Western Australia proposes to distribute the amounts specially added to that State's grant in respect of the adverse seasonal conditions as sustenance to those growers who suffered losses through drought, whilst the balance will be paid on an acreage basis.

Tasmania will distribute the money on an acreage basis.

I might point out, so far as Tasmania is concerned, the areas concerned are

small, and it is not a vital matter to that State, although I concede it is a matter of importance to the wheat-growers themselves.

As certain of the States propose to distribute some of the money as a bonus per bushel of production it will be necessary for both Houses of this Parliament to pass a resolution empowering the States to pay a bounty on production, where they desire to do so, out of the funds provided under this legislation. A resolution to this effect will be submitted as soon as the present bill has passed through all stages.

I have previously referred to the source of the funds to provide for these payments. The flour tax of £2 12s. 6d. a ton was re-enacted for this purpose. The revenue derived from this tax was estimated to produce about £1,600,000. As a result of representations made to it and particularly of the buoyancy of the revenue the Government decided to discontinue the flour tax as from the 25th February, 1936. The total revenue derived from the tax will be about £1,200,000. The balance of approximately £680,000 will, therefore, have to be provided from revenue.

I hope that this is the last occasion on which an appeal will be made to honorable members to provide this form of financial assistance for the wheat industry.

Mr. ROSEVEAR.—We have heard that for the last four years.

Mr. THORBY.—That does not make the wish any the less sincere.

As I previously mentioned three of the States have passed legislation necessary to give effect to the home-consumption price plan, whilst two States have introduced the necessary legislation, but have not proceeded with it beyond the first-reading stage. I have confidence, however, that the plan will be brought into effective operation in sufficient time to enable it to be applied effectively at least to next season's harvest. Meantime the proposals in this bill should commend themselves to the House as the best available for assisting an industry which requires it and which is of such vital importance to Australia.

Debate (on motion by Mr. CURTIN) adjourned.

FINANCIAL RELIEF BILL 1936.

Message recommending appropriation reported.

In committee (Consideration of Governor-General's message):

Motion (by Mr. THORBY) agreed to—

That it is expedient that an appropriation of revenue be made for the purpose of a bill for an act relating to financial assistance to the States in the provision of relief to primary producers and for other purposes.

Resolution reported.

Standing Orders suspended; resolution adopted.

Ordered—

That Mr. Thorby and Mr. Paterson do prepare and bring in a bill to carry out the foregoing resolution.

Bill brought up by Mr. THORBY, and read a first time.

SECOND READING.

Mr. THORBY (Calare—Acting Minister for Commerce) [10.10].—I move—

That the bill be now read a second time. Under the Financial Relief Act 1934, provision was made for payment of a subsidy of 15s. a ton on all artificial manures used for purposes other than wheat-growing during the year ended the 30th June, 1935. The closing date for making applications for the subsidy was fixed at the 31st October, 1935. Unfortunately, a number of farmers failed to submit their applications within the time laid down, and requests have been made on their behalf for payment of the subsidy. After full consideration of all the circumstances, the Government has decided to extend the closing date for applications in respect of the 1934-35 subsidy to the 30th April, 1936. This will involve an additional expenditure of approximately £5,000.

The other amendment in respect of this year's fertilizer subsidy simply provides for the elimination of the total estimated amount to be paid in respect of fertilizers used in the year ended the 30th June, 1935. Considerable difficulty is experienced in estimating the amounts to be paid under this scheme during the currency of a year, and it is considered preferable to make the estimate of expenditure when more definite information is available, and to make provision on the Estimates for such expenditure. The act, as I have said, fixed the 31st

October, 1935, as the closing date for the receipt of applications. In the previous year the date fixed was the 30th November. Considerable confusion was thereby caused in the minds of those who were likely to apply for the subsidy in the ordinary course, while, in addition, quite a number of wheat-growers did not know by the 31st October whether they would be harvesting their crop for grain or cutting it for hay. If it were cut for hay they would be entitled to claim the subsidy, but if it were harvested for grain they would be disentitled to it.

Mr. BEASLEY.—Why does not the bill state the amount which is likely to be involved?

Mr. THORBY.—It is utterly impossible either for me or for anybody else to say exactly how much will be required to the end of any given year.

Mr. WARD.—How, then, was it possible to state a definite amount in the act?

Mr. THORBY.—It was an estimated amount.

Mr. WARD.—Why is not a similar course followed on this occasion?

Mr. THORBY.—It is very difficult to estimate even approximately the amount that will be needed. Where a definite amount a ton is specified it is quite unnecessary to fix the total amount to be distributed. We do not know how many tons are to be used until the whole of the applications are received. It is then too late to ask for parliamentary appropriation.

Mr. BEASLEY.—The Minister must have an idea of the acreage involved.

Mr. THORBY.—Even if I knew the exact acreage that is to have fertilizer applied to it, which I do not, it would be impossible for me or any authority to calculate the quantity that would be used to the acre. Every farmer uses a different quantity to the acre, and varying quantities are used for different crops. Then, too, many farmers who purchase superphosphate might not use it within the prescribed period, and thus would not be entitled to the subsidy.

Mr. BEASLEY.—The extra amount might be £20,000.

Mr. THORBY.—It cannot be £20,000. The point to be considered is that Parliament has already agreed to the payment of a subsidy of 15s. a ton irrespective of the number of tons used, the object being

to encourage primary producers to use superphosphate or other fertilizers with a view to increasing the yield of the various crops that are being cultivated throughout the Commonwealth. That principle having been approved, it is illogical to argue that the total amount should be fixed, for the simple reason that if insufficient money were voted, no funds would be available to pay the last applicants, although they would be entitled to the subsidy. Parliament having fixed the amount to be paid with respect to each ton of fertilizer used, honorable members should agree to the deletion of the amount of £325,000 and the insertion of the words "such sums as are necessary."

Debate (on motion by Mr. CURTIN) adjourned.

PRIMARY PRODUCERS RELIEF BILL 1936.

Message recommending appropriation reported.

In committee (Consideration of Governor-General's message):

Motion (by Mr. THORBY) agreed to—
That it is expedient that an appropriation of revenue be made for the purpose of a bill for an act to amend the Primary Producers Relief Act 1935.

Resolution reported.

Standing Orders suspended; resolution adopted.

Ordered—

That Mr. Thorby and Mr. Paterson do prepare and bring in a bill to carry out the foregoing resolution.

Bill brought up by Mr. THORBY, and read a first time.

SECOND READING.

Mr. THORBY (Calare—Acting Minister for Commerce) [10.21].—I move—

That the bill be now read a second time.

This bill is designed to provide for the deletion from the act of the total estimated amount to be paid in respect of fertilizers used in the year ended the 30th June, 1936. Considerable difficulty is experienced in estimating the amounts to be paid under this scheme during the currency of a year, and it is considered preferable to make the estimate of expenditure when more definite information is

available, and to make provision for such expenditure in the Estimates.

Debate (on motion by Mr. CURTIN) adjourned.

PAPERS.

The following papers were presented—

Arbitration (Public Service) Act—Determinations by the Arbitrator, &c.—1935—

No. 23—Public Service Clerical Association.

No. 24—Federated Public Service Assistants Association of Australia.

No. 25—Public Service Clerical Association.

Customs Act—Regulations amended—Statutory Rules 1936, No. 27.

Excise Act—Regulations amended—Statutory Rules 1936, No. 26.

Financial Emergency Act—Regulations amended—Statutory Rules 1936, No. 24.

Sanctions Act—Regulations—Statutory Rules 1935, Nos. 116, 117, 118.

ADJOURNMENT.

THE LATE HONORABLE W. J. MCWILLIAMS: CIRCUMSTANCES OF WIDOW—SERVICE PENSIONS—WAR SERVICE HOMES.

Motion (by Mr. PATERSON) proposed—That the House do now adjourn.

Mr. FROST (Franklin) [10.22].—I ask the Government to give favorable consideration to the granting of a pension to the widow of the late Honorable W. J. McWilliams, who, for over 20 years, represented the Franklin electorate in this House. At the last election which he contested he unfortunately took ill and his death took place during the afternoon of the day upon which his election to the Franklin seat was declared. His widow, who was left in poor circumstances, has endeavoured to carry on since then but has had a difficult time in making ends meet. The late Mr. McWilliams was a good living and conscientious man who reared a large family. He followed the pursuit of farming, but during the depression lost most of the money which he had been able to save, with the result that his widow has been living in distressed circumstances since his death. Already a precedent for the granting of my request exists and I urge the Government to give sympathetic consideration to the claims of Mrs. McWilliams for some compassionate allowance.

Mr. WARD (East Sydney) [10.25].—During the last sittings of the Parliament, when the granting of service pensions was being discussed, honorable members and the public generally, particularly the returned soldiers affected, were given the impression that the recipients of such pensions and their wives would not suffer any reduction in respect of other pensions received by them from the Government. It was understood that ex-soldiers, legally entitled to receive the service pension, would not have their income or assistance from any other Government sources interfered with in any way. I bring under notice the case of an ex-soldier suffering from tuberculosis who, at different times, has been an inmate of the Boddington Sanatorium and the Prince of Wales Hospital at Randwick, and was in receipt of an invalid, but not a military pension. He applied for a service pension. After a good deal of delay by the department in the consideration of his application, he was notified that he had been granted a service pension of 10s. a fortnight, and he naturally thought that it would be supplementary to the invalid pension, and would bring his total pension up to 23s. a week. But on the day he received the notification of the granting of the service pension, he also received a communication from the Pensions Department informing him that, owing to the granting of the service pension, his invalid pension had been reduced from 36s. to 25s. a fortnight. The result is that this man is now receiving a total of 1s. a fortnight less than he formerly received as invalid pension alone. If that is the manner in which the Government proposes to assist these unfortunate returned soldiers, instead of this Parliament being called upon to appropriate moneys to provide for service pensions, it will be found the surplus accruing from the savings effected by the reduction of other pensions will more than offset the cost of the service pensions.

I have had brought under my notice the case of another returned soldier who applied for a service pension, but whose application was rejected. His wife, who was receiving an invalid pension, was informed by the Pensions Department that, owing to the fact that

her husband had been granted a service pension, her invalid pension would in future be reduced from 36s. to 29s. 9d. a fortnight.

I am sure that, when the proposal in regard to service pensions was first brought forward, every honorable member understood that when such a pension was granted other pensions granted to the ex-soldier or his wife would not be interfered with. It appears now, however, that the Government is giving with one hand and taking away with the other, and that the soldiers are not to obtain any benefits from the amended legislation. I have not cited names in the two cases which I have mentioned, because I have not yet obtained the permission of the persons concerned to do so. I ask the Government, however, to indicate exactly its policy in regard to service pensions. Is the department carrying out the instructions of the Government, or has it not understood the Government's directions? At an early date, the Minister should give an indication of the Government's wishes in regard to the granting of service pensions. When this matter was previously under the consideration of the Parliament, I was not one of those who complimented the Government, because I always am wary of legislation introduced by anti-Labour administrations, particularly when it is made to appear that they are prepared to assist deserving sections of the community. The present attitude of the Government in regard to service pensions shows that my suspicions were well founded, and that it does not intend to assist returned soldiers in any way. If it wished to do so, it could give instructions to the department that, when service pensions are granted, ex-soldiers and their dependants should not suffer loss in consequence of them.

Mr. MULCAHY (Lang) [10.32].—I have had under my notice three cases similar to the first mentioned by the honorable member for East Sydney (Mr. Ward). I find that invalid pensioners who are also granted service pensions have their invalid pension reduced. When the bill to amend the Repatriation Act was recently before Parliament, it was not intended that old-age and invalid pensioners should be in any way pena-

lized on receipt of a service pension, but we find that they have suffered monetary loss. Those honorable members who heard the Prime Minister (Mr. Lyons) introduce the last amending bill were quite satisfied that persons receiving an invalid or old-age pension would not be worse off financially through being paid a service pension.

Mr. FISKEN.—Up to 30s. 6d. a week.

Mr. MULCAHY.—Does the honorable member think that is too much for an ex-soldier to receive?

Evictions from war service homes are still taking place, even in the electorate of Barton. The occupants of many of these homes were thrown out of employment during the years of depression. It is now proposed to give hundreds of thousands of pounds to wheat-farmers who have suffered from drought and other causes, but no consideration is given to unfortunate fellows who, through no fault of their own, have lost their employment.

Mr. LANE.—The honorable member should speak the truth. This is not the first occasion on which he has made an untruthful statement.

Mr. SPEAKER (Hon. G. J. Bell).—The honorable member for Barton (Mr. Lane) is distinctly out of order, and I request him not to interject again during this sitting.

Mr. MULCAHY.—I remind the honorable member for Barton (Mr. Lane) and also the honorable member for Macquarie (Mr. John Lawson) that at the next elections they will probably be appealing on patriotic grounds for the support of the unfortunate men who have been evicted from war service homes, but this House is the place where a service can be rendered to them.

Mr. GARDEN (Cook) [10.35].—I have under my attention one or two cases of men who have been on active service and have applied unsuccessfully for a service pension. One of them has been bedridden for nearly two years. He is suffering from rheumatism, but he is told that this is not a disability arising from war service. Although he gave excellent service for 1,045 days, the department has informed him that it was not active service. I

should like to know why service at Tel-el-Kebir is not regarded as war service. The department has also declared that service in New Guinea is not regarded as active service, notwithstanding the fact that an engagement was fought there and some men were killed. If active service is considered to be only that rendered in the actual war zone, we shall know how to reply to inquiries by these unfortunate men. It seems that every obstacle is raised to prevent them from receiving the service pension.

Mr. FATERSON (Gippsland—Minister for the Interior) [10.38].—With reference to the matter raised by the honorable member for Franklin (Mr. Frost), I may say that I knew the late Mr. McWilliams very well. I am sure that we all regret to hear that his widow has fallen on evil times. I shall bring the matter under the notice of the Cabinet, and I have no doubt that it will be sympathetically considered.

If the subjects mentioned by the honorable member for East Sydney (Mr. Ward), the honorable member for Lang (Mr. Mulcahy), and the honorable member for Cook (Mr. Garden) are brought directly under the notice of the Minister concerned, I feel sure that any injustice will be quickly remedied. However, I shall bring those matters under the attention of the Minister for Repatriation (Mr. Hughes). No doubt the right honorable gentleman will be supplied with proofs of the remarks of those honorable members.

Question resolved in the affirmative.

House adjourned at 10.39 p.m.
