was incurred for such a purpose as war, and which was utilised for the provision of munitions, clothing, and food, &c. for the troops engaged. All these things were destroyed, and no assets remained to represent the expenditure. The other species of debt was the debt of the whole of the States and that of the Commonwealth, other than the debt incurred for war purposes. Such debt was represented by tangible assets which have been created by the expenditure of the money borrowed. Outstanding examples of debt of this character would be debt which was incurred for the purpose of building the great railway system of Australia, or for the creation of irrigation schemes, or water conservation. In 1921 the Commonwealth Statistician estimated that the assets which had been created by the expenditure of borrowed money had a value of £673,000,000. To-day it was estimated that these assets would represent a value 20 per cent. higher than that figure; so that in the result they had assets which were valued at over £800,000,000 to represent the outstanding indebtedness of the Commonwealth and the States, which stood at £708,000,000. It was further necessary to remember that of Australia's national debt of £1,013,000,000 only £500,000,000 was owed to creditors outside Australia, the balance of £513,000,000 having been provided by and being owed to their own people. A question which might legitimately be asked with regard to this amount of £708,000,000, which Australia owed for purposes other than war, was why the Government of Australia should have incurred this great liability, when a country, such as Britain, had no national debt other than that which was created for the purposes of war. In this country certain functions were recognised as being legitimately those for Governments to undertake, which, in Britain, were not so considered; and in a new country such as Australia, with its great problems of development, Governments had inevitably to incur large expenditure which Governments did not undertake in older and more settled countries. The actual amount of the capital expenditure of the whole of the railway system of Australia, out of loan money, amounted to £293,408,000, which was 41.3 per cent. of the total State and Commonwealth debt of a non-deadweight character of £708,000,000. This mileage of railways was greater than that of the whole of the railway systems of Great Britain. In Britain and America, however, the whole of the railways were owned and controlled by private enterprise.

Public Utilities.

The post-office, which controlled the whole of the postal, telegraphic, and telephonic facilities of the Commonwealth, was another interesting example of Government-controlled enterprise. In Great Britain, as in Australia, the post-office was controlled by the Government; but in the United States and in Canada the whole of the telephonic and telegraphic communications were in the hands of private enterprise. The post-office had a complete monopoly of communication in Australia, and there was an obligation upon the Government concerned to give to the people a proper and adequate service. It was inevitable that in the future, in order to provide proper telephonic and telegraphic communication in Australia, large sums of money should be borrowed. What he had said with regard to postal facilities applied even more so to the provision of the facilities for the people. There were also great development works which had to be carried out in a new country, which it was impossible to expect private enterprise to undertake. They were truly the responsibility of the Government. The outstanding example of such a work was the irrigation scheme which was being carried out by the co-operative efforts of the Governments of the Commonwealth and New South Victoria, and South Australia. These works would bring into utilisation 2,000,000 acres which would be available for closer settlement, and also embrace the locking of the Murray for navigation purposes.

Population Essential.

Australia's greatest problem was that of population, and the future would be seriously endangered unless they brought about a rapid increase in the number of people. They were determined that they would do nothing to destroy the standard of living of the people; it was their greatest pride, and he believed that what they had done was an example to the whole world. The Development Commission recently created by the Commonwealth pointed the way to a very desirable goal. Under the agreement which had been entered into with the British Government for the provision of cheap money over a period of ten years to the States for development purposes, it was provided that the States should submit their schemes to the Commonwealth for approval. Last year an Act was passed by the Commonwealth Parliament under which all such schemes were to be submitted to and approved by the Development Commission before the States could receive the advantage of the interest rebate provided under the agreement. Prior to the creation of this Commission it would have been for the Federal Government to determine whether the schemes should be approved or not. Some who accepted the point of view which he had put forward, that it was necessary and desirable to expend borrowed money in future, provided the expenditure was on wise and prudent lines, strongly objected to any money being borrowed outside Australia. Were it possible to be content with an increase in population based upon past figures the views of those who opposed foreign borrowing might be accepted. It was, however, necessary to open up and populate this great continent at a very much more rapid rate. (Applause.) He was confident that progressively, out of their own national savings, they would be able to provide for their own national loan requirements. Notwithstanding the difficulties which have arisen as a result of the war effort, the proportion of Australia's indebtedness which was held locally had progressively improved. In 1901, 14 per cent. of the public debt was held by the citizens of Australia; by 1911 this proportion had increased to 29 per cent.; and in 1925 it had reached 51 per cent. A further fact with regard to the external debt, which showed that the position was not so serious as some of the pessimists would have them believe, was that, even with the great increase in their borrowings, it only required 16.5 per cent. of their exports to meet the interest obligations; whereas in 1915-16 it required 14.3 per cent.

Expenditure out of Revenue.

He did not intend to enter upon controversial questions, and there was probably no more controversial matter than the expenditure of the Government of the day, and the amount of the revenue raised. He did not think any Government had ever held office, or would ever hold office that did not protest its recognition of the necessity of keeping expenditure on the lowest possible basis. They had, however, to recognise the fact that even operating within these principles, large sums of money had to be raised to meet the current obligations of Government under a modern democratic system. While no doubt they all held definite views as to what those requirements of government were, he had never heard any suggestion which would so reduce the expenditure, either within the sphere of the Commonwealth or of the States, as to have a material effect in relation to any of the great problems that faced them. Dealing with the position of the Commonwealth, he said in that sphere there were certain obligations which nobody would suggest can be reduced. The first and largest of their obligations was to meet the expenditure consequent upon the war efforts. The next obligation was that for defence, which amounted to £5,000,000 a year. Another obligation was with regard to invalid and old age pensions and maternity allowances, which amounted to over £9,000,000 a year, and which, without the reversal of a policy which was generally accepted, could not be reduced. Another obligation was assistance to the States, which under the proposals which were recently submitted by the Commonwealth, would involve an expenditure of over £8,500,000 a year.

State Expenditure.

With regard to the States' expenditure, he spoke with considerable diffidence, because with their affairs he was not so intimately acquainted as with those of the Commonwealth. There were certain expenditures of the States which could not be avoided, nor would anybody desire that they should be. The first was the provision of money to meet the interest and the sinking funds upon their public debts. This involved £30,000,000. Upon education was being expended over £10,000,000; and provision for hospitals, charities, and similar objects required another £5,000,000. All these obligations had to be met. The total expenditure of the Commonwealth and the States amounted to £170,000,000. This figure included post-office, railways, other business undertakings, which account for about £70,000,000. Even under the most rigid system of economy, in view of the obligations to which he had referred, it was obvious that only a fractional part of this expenditure could be eliminated. They had, therefore, to recognise that revenues to an amount of little short of what was being at present raised had to be provided for the expenditure of the Commonwealth and the States.

Raising the Money.

Mr. Bruce then dealt with the relationship of the States and Commonwealth since Federation. The present requirements of the Commonwealth, mainly owing to its war obligations, were large, and it was necessary for the Commonwealth to raise a substantial part of its revenues from Customs and Excise—quite apart from the policy of protection which had been adopted in Australia. There was, however, a considerable misapprehension in the minds of the people of Australia as to what was commonly known as the revenue derived by the Commonwealth from the Customs. Taking the year 1925-26, this revenue amounted to £39,100,000. Of that £11,000,000 was derived from Excise duties, leaving a Customs revenue of £28,000,000. Of this amount the Customs Department estimated that £9,000,000 was raised in respect of revenue duties, and £19,000,000 from duties which were of a protective character. This fact should be in the minds of the people, because there was a popular impression that the great revenues raised by the Commonwealth under the headings of Customs and Excise were entirely due to the protectionist policy that had been adopted, and were that policy reversed the obligations on the people would be materially lightened. This impression was an entirely erroneous one. Even if there were no protection policy in Australia it would be necessary to raise by means of revenue duties, through the Customs, an amount substantially equivalent to that which was being raised to-day. On the question of expenditure out of revenue, the points which he desired to make might be summarised as follows:—Great revenues must be raised in Australia by the Commonwealth and the States to meet the interest and sinking fund obligations upon borrowed money, and to carry out the social services which it was the accepted policy of an overwhelming majority of the people should be provided by the respective Governments; that while it was possible that the amount of revenue to be raised might be reduced by more prudent and efficient financial control, the amount of such reduction would not be a material factor in solving any of their economic problems; and, finally, that whether there were a protectionist policy in Australia or not, revenues practically equivalent to those being raised by Customs and Excise would have to be provided from the same source.

The Economic Position of Australia.

Two great policies stood out. The first was the tariff, which was designed to build up their own industries, and protect them against unfair competition from other countries. The second was the legal fixation of the living wage, and the adoption of a definite high standard of living for the whole of the people. It was well that they should remember that the protective policy applied both to the primary and secondary industries. In its operation costs of production had increased and prices had risen. The position had, however, been met by an advance in wages, so that the purchasing power of the people was such as to maintain the desired standard of living. No serious problem arose as a result of these two linked policies so long as the exportable surpluses which had to be sold in the markets of the world in open competition with other countries were small, or were of a character such as wool, where competition was limited, and a market always available. In recent years, however, an increasing population and a large production had swelled the volume of the exportable surpluses, and they were confronted with the important problem of how to meet world's competition at world's prices. They must maintain their own standard of living, and at the same time compete against all comers in the open markets of the world. This problem, which was already acute, must become more intensified as the years go on. The population must increase, the production would most certainly be augmented, and they would have to increasingly rely upon overseas markets. They were also faced with the necessity of increasing our exports in order to meet their external obligations and preserve a favorable trade balance. Many solutions of the problem with which they were confronted had been advanced. Some people consider that they should depart from the Protectionist policy and allow free imports. Others said that they should raise the tariff barriers higher and stem the tide of imports. Many other courses of action had been advocated, but to deal with any of them was to be inevitably thrown into the field of controversy which he was studiously endeavoring to avoid. The free-trader, the protectionist who flirted with prohibition, the economist, the banker, the man of commerce, and the man of industry, the pastoralist, the agriculturist, and even the politician, however, were all agreed that something was wrong, and that they had a problem which it was vital they should solve.

Efficiency and Co-operation.

He ventured to suggest that, though there might be something in the solutions proposed by theorists the fundamentals of the problem which confronted them were improved efficiency and a greater measure of co-operation between all who were engaged in production. Ever since he had been privileged to be Prime Minister he had preached these things as the vital necessities of their national life. Once they recognised the need for greater efficiency and co-operation the solution of their financial, fiscal, economic, and social problems was in sight. Such a recognition, however, must be nation-wide. They must improve their methods of production and their methods of marketing. Employers must recognise the obligation that rested on their shoulders to employ the most efficient methods of management and finance; they must provide up-to-date machinery and plant; they must bring to the assistance of their workers adequate supplies of power, and all the aids that science can render. Every individual worker must recognise his obligation to give efficient service, and a fair return for the wages which he was paid. Such a recognition of its obligations by every section of the community, and the creation of a true spirit of co-operation, was the starting point towards the solution of their economic and social problems. The pressure of circumstances would inevitably impel them to take this road, or see their much-vaunted social system perish. Only with efficient production, distribution, and finance—and co-operation between employer and employed—could they maintain their high standard of living, and meet their competitors in the markets of the world. This was the task which rested to the hand of every individual citizen and the greatest to which any democracy could call its people. On its successful achievement depended not only the future of Australia, but the maintenance of those things they had so far achieved and regard so highly. (Applause.)

Sir William Mitchell moved a vote of thanks to the Prime Minister for his lecture. He expressed the hope that the interest taken in the subject of commerce and economics would encourage the Chamber of Commerce and the Chamber of Manufactures to assist in the establishment of a chair of economics and commerce at the University.

Mr. Russell Booth, in seconding, said the Adelaide University was the first in the Empire to introduce an economic and commerce course, and they desired to have a chair of economics and commerce established.

The motion was carried with great heartiness.

ADV. 4·7·27

THE FISHER LECTURE.

From F. HAGELTHORNE (vice-president of the Town and Country Union, Temple-court, Melbourne)—Profound disappointment will be felt throughout the community when the meaning of Mr. Bruce's utterance in Adelaide on Friday evening is realised. It might have been expected that the address of our political leader, in dealing with the economical and financial conditions of Australia, would have been worthy of South Australia's great seat of learning. Mr. Bruce had a great opportunity to enunciate a sound constructive policy at the last Federal election. He had an equally great opportunity on Friday evening. He has failed now, as he failed them. Mr. Bruce failed in his address to make any suggestions or give any advice that will help to solve the economic and financial problem with which Australia is faced. Government schemes of child endowment, housing, industrial insurance, &c., costing millions annually, cannot solve any country's economic and financial problems. They certainly cannot solve ours. The tariff orgies of the Government that Mr. Bruce stated were necessary to protect an intelligent and virile people from the competition of peoples whose standards of living are lower than ours is so fallacious a statement and so old a chestnut that it must have occasioned surprise to many of the distinguished scholars present. Few who listened to the well-delivered address on Friday evening can say that it was the utterance of an economist or of a constructive statesman. Neither a knowledge of, nor wisdom in, the principle of economics was in evidence. Summed up, we were told by the Prime Minister that we must—1. Continue our present policy of borrowing. 2. Continue our socialistic programme. 3. Continue our policy of high protection. No notice is to be taken of the evidences of the folly of such a policy that are becoming more marked as week succeeds week. Almost every State continues to budget deficits, and Treasurers are hard pressed to find additional sources of revenue from an already over-burdened people. Every State railway system continues to increase losses, although freights and fares have been considerably increased. Our costs of living are kept so high that one of leading statistical officers warns us that half of our adult bread-winners are on the bread-line. In spite of a longer succession of good seasons and high prices than we have ever had for our primary exports these exports fail to balance our imports. Unemployment and distress are more acute in Australia than for many years. About half the population of the great State of South Australia live in its capital, as with other States. Primary producers who provide nearly all our exportable goods are declining in numbers. These symptoms cannot be ignored by one who is in so responsible a position as the Prime Minister. Although Mr. Bruce has not displayed great qualities as an economist or capacity to deal effectively with problems of an economic or financial nature, it must be conceded that he has many qualities of leadership as well as a strong desire to work in the best interests of the Commonwealth. May we therefore, respectfully suggest that the economic and financial problems of Australia cannot be solved by a policy of drift or even by the appeals being made by Mr. Pratten to British and other manufacturers to start manufacturing in Australia. Our costs of living are now too high. Mr. Pratten's policy if carried out, will only accentuate that evil and direct still more of our small supply of labor into unprofitable occupations. The time is more than ripe to have a close examination of our economic and financial position by capable and patriotic men uninfluenced by any considerations of party politics. May we suggest that such a commission be appointed. A report of such a commission could not but be of great value to the public, as well as to Parliament. Such a report should appeal to members of all political parties. Such a report cannot fail to assist in securing that co-operation which Mr. Bruce is seeking in order to secure a greater measure of national efficiency. Such a report may well be the means of helping to secure the inauguration of a sound economic policy for the Australian people.