

(Continued from Page 9)

MISSION'S COMMENTS ON MAIN PROBLEMS

Financial Troubles of Australia

Australia's creditors have no cause for anxiety because the country is borrowing well within her resources, say the "Big Four," in the report presented to the Prime Minister.

In discussing the main problems of Australia, the mission reports:—During the last six years Australia balanced her budget to within 0.73 per cent., and the average annual deficit per head of population was 4/6. These figures are satisfactory enough, but we cannot feel the same degree of satisfaction in regard to Australia's public indebtedness, though there is no doubt of her ample power to discharge her obligations. In a new country, still largely undeveloped, where the recognised scope of the activities of Governments is as wide as it is in Australia, it may be quite proper that large sums of capital for development should be raised by means of public loans; but it is essential that the development schemes, financed by means of them, should be self-supporting within a reasonable measure of time. To the extent to which they fail to provide at least their own working costs, interest on loan capital invested in them, they involve the State in loss, and to the extent of that loss inflation takes place, the deadweight burden of debt on the State is increased and the rest of the community are, in effect, paying to the persons served by them a subsidy which will be reflected in a general increase in the cost of living and production. The Australian community is suffering heavily from troubles of this kind.

CAUSES OF LOSSES.

Among the causes which have led to unprofitable expenditure we are led by much evidence that we have received to believe that an important element is the undertaking of schemes, such as railway schemes, under the pressure of sectional interests, without due regard to their financial and economic justification, that is to say, without due regard to the interests of the community as a whole.

In some cases where Governments have undertaken schemes of development with the best intentions and motives they have, we believe, undertaken them without adequate preliminary investigation and without sufficient use and co-ordination of the expert scientific and technical knowledge, which might have been made available to them from the resources of their own departments. Again, where schemes have been undertaken which should have involved the co-operation of more than one State, as for example, the scheme involving the use of the waters of the Murray River, they have been started without such co-operation and without a combined survey of the probable markets for the produce which it was contemplated would result from the use of the waters.

Generally, we are so much impressed with the financial and economic risks surrounding Government borrowing for purposes of development that we are moved to suggest that Governments should restrict the sphere of their activities in this direction, and in that of business undertakings and should leave the field more widely open than in the past to private enterprise.

A middle course between purely Governmental and purely private enterprise might be found in appropriate cases if the capital for development were found by companies formed for the purpose, to the extent of not less than one-half in the shape of ordinary shares issued for cash, and the remainder in the shape of preference shares or debentures, the interest on which might be guaranteed by the Government for a limited number of years. The risks of loss would then fall primarily on the holders of the ordinary shares, while all profits realized after payment of preference or debenture interest would accrue to them.

"MORTGAGED TOO DEEPLY"

Our conclusion in regard to Australia's finance is that her creditors have no cause whatever for present anxiety, because she is still borrowing well within her actual and potential resources, but we are of opinion that she has not in past years always borrowed wisely, and that she has pledged to too great an extent those future resources, and mortgaged too deeply that future prosperity upon which she can reasonably reckon, thus throwing the burden of her borrowings upon future generations who will have their own needs to meet.

The commission reviews the causes of diminished assisted migration, and the limitations of the £34,000,000 migration agreement, and proceeds:—

It might be well if it were possible to secure the concurrence of all the Governments concerned, the British Government, the Commonwealth Government, and the State Governments, in an amendment of the agreement to provide that the funds made available under it might be used not only for schemes involving the acceptance of specific numbers of migrants by the individual States, but also for work calculated to promote migration into Australia generally. We have been much struck by what we have seen and heard of the comparatively small degree to which intensive use is made of the land already in occupation in Australia. Schemes are being projected for extensive development by pushing railway and road construction at heavy capital cost into territory as yet unsettled, while it would seem that more intensive use of land already settled or partially settled might, at far less cost, be productive of a greater increase in population and in wealth production than the extensive schemes are likely to yield.

DANGEROUS LOAD ON INDUSTRY

But all measures designed for the increase of Australia's wealth production and power of absorbing new population tend to be defeated if there are strong forces within her which operate so to raise her costs of production that she cannot sell her products in the markets of the world, and is restricted within the limitations of her own home market. Here we approach the most vexed, and the most important of all Australian questions, that of the combined effects of the protective customs tariff and the Arbitration Acts. We have been strongly disposed to the view that this combined operation has raised costs to a level which has laid an excessive and possibly even a dangerous load upon the unsheltered primary industries, which, having to sell in the world's markets, cannot pass on the burden to other sections of the Australian community, and, consequently, upon those States, notably Western Australia, South Australia, and Tasmania, which are poor in manufactures, and are principally concerned with primary production.

This condition of affairs is crippling Australia's progress and her power of supporting increased population. There lies no task before the Australian people more urgent than that of in some way breaking down the vicious circle, and of bringing down costs of production, as is being done in the other industrial countries of the world, without lowering the standard of living of the workers as measured, not by money, but by real wages.

UNSCIENTIFIC PROTECTION

We believe that the policy of protection has, in some respects, been unscientifically carried out, that it has been extended to cover some interests at least which do not deserve it; that the total burden of the tariff has probably reached the economic limits, and that an increase in this burden might threaten the standard of living.

We are aware that much of the information necessary for a scientific revision of the tariff is not available anywhere, but we are confident that it is urgently necessary that a full scientific enquiry and investigation should forthwith be instituted by the Commonwealth Government into the wide question of the economic effect of the tariff and the incidence of its duties, with the particular object of furnishing reliable advice to the Government as to the removal of any extravagances and anomalies which it may be found to contain, as to the confinement of its benefits to industries which may reasonably be regarded as efficient, and as to the reduction of its total cost to the community.

In some cases investigation, followed by appropriate governmental and legislative action, may mean reduction of duties. It is for British manufacturers themselves, if they desire to take advantage of the opportunities of Australian trade, to bestir themselves energetically in the matter by establishing branches of their business in Australia and by using to the full the services of the admirable organization established for their benefit in Australia under the British Trade Commission.

By workmen's representatives, not less emphatically than by representatives of the employers, it has been consistently represented to us that the Arbitration Courts are not achieving their purpose and that a system designed to arrive by judicial decisions at fair and prompt settlement of industrial disputes such as could be freely accepted by both sides must be held to have failed.

The indictment of the system of the Arbitration Courts which we have heard is a heavy one; and we feel that it is well founded on many grounds, and particularly on the ground that the system has tended to consolidate employers and employees into two opposing camps, and has lessened the inducement to either side to resort to round table conferences for that frank and confidential discussion of difficulties in the light of mutual understanding and sympathy which is the best means of arriving at fair and workable industrial agreements.

A change in the method prevalent in Australia of dealing with industrial disputes appears to us to be essential, and we hold that there should be a minimum of judicial and governmental interference in them except in so far as matters affecting the health and safety of persons engaged in industry may be concerned.

If the settlement of industrial disputes must continue to be referred to Arbitration Courts, we think that the faults of the system will continue to be intensified unless an end can be put to overlapping and conflict between the spheres of Commonwealth and State jurisdiction, and the Courts themselves are laid under an unqualified statutory instruction to have regard to the economic effects of their awards both on the industry with which the awards may be immediately concerned and on other industries which may be indirectly affected by them.

FURTHER ADVICE

Co-ordination of Traffic Suggested

In addition, the commission appends supplementary memoranda on transport, taxation, banking, research, the pastoral industry, marketing and distribution, reciprocal trade with Great Britain, and the civil services. The most important suggestions concern transport. The report concludes:—"That co-ordination of transport authorities should be undertaken in all States, and that by some means co-ordination of traffic for the whole of Australia should be achieved."

In regard to the railways, it recommends:—

1. That no further construction of State railways should be undertaken except after a full investigation, and after consideration of the alternative method of road transport.
2. That the State railways should be placed outside the sphere of political influence, and made to pay their way as railway undertakings.
3. That the result of working branch lines, known to be uneconomical as railway propositions, should be separately shown in the accounts.
4. That an investigation should be made as to whether it is not expedient to proceed at once with unification of the railway gauges.
5. That it should be considered whether the £34,000,000 agreement should not be extended, both as to time and amount, in order to cover some portion of the capital required for such unification.

Sums made available for transport purposes from the Commonwealth should be placed at the disposal of the States for the purposes of transport in general is the recommendation for roads. No attempt to obtain Government revenue from light and harbour and other shipping dues is suggested, and special consideration for Tasmania.

Taxation and finance bring forth the suggestions that there should be uniformity throughout the Commonwealth in calculating for income tax purposes, and that the combined tax be paid as one tax in two instalments; and similar action in regard to inheritance duty. Averaging of allowing set-offs for losses should be recommended.

Land tax at an even rate on all land values and a more equitable scheme of income tax on shipping profits. The Commonwealth Bank should not be appointed other than as a reserve bank, and trading branches should be divorced from the reserve bank.

They also recommend the closer co-ordination of the Development and Migration Commission and the Council for the Scientific and Industrial Research, and the appointment of a separate economic service.

TENURE FOR PASTORALISTS

The commission is concerned at the tendency of the direct profits from wool to decline, and concludes that security of land tenure is necessary, favouring freehold tenure or long leasehold. Taxation should not differentiate in favour of leasehold against freehold. Size of areas should be determined by consideration of maximum wealth production of land and not the minimum area on which an individual can make a living.

Australia must look for future development in great measure, the members say, to remunerative exports; and an export market cannot be built up by looking primarily to the home market. Quality rather than quantity of products should be studied and both kept constant for the export market. Real export business brought down to world prices. The commission suggests methods to overcome the difficulties of fiscal systems in stimulating reciprocal trade with Great Britain.

The Civil Service, the mission thinks, would be strengthened by more adequate remuneration for higher posts, and the introduction of a "cadre" of men of higher educational qualifications than those possessed by present recruits. The conflict of authority between the Public Service Commissioners and the Arbitration Courts should be ended.

PREMIERS ACCEPT RECOMMENDATIONS

Take Action to Check Unemployment

CANBERRA, Wednesday.

The conference between the Economic Delegation, Federal Ministers, and State Premiers concluded this afternoon. The Prime Minister stated that the report and supplementary memoranda were discussed. The discussion was full and free, and a frank exchange of views took place on the points raised. All the Governments represented expressed their great appreciation of the work done by the delegation and the sacrifice of time and personal interests involved by its visit to Australia.

The following agreements were reached:—Development.—It was agreed that the amendment suggested by the delegation to the migration agreement would be desirable, and the Commonwealth Government agreed to discuss the matter with the British Government.

Unification of Railway Gauges.—1. The Railway Commissioners of the Commonwealth and the States to confer and to bring up to date the estimate of the cost of carrying out the proposals for unifying the railway gauges made by the Royal Commission on Uniform Railway Gauge of September 22, 1921.

2. The Railway Commissioners of the Commonwealth and Victoria to confer and submit separate reports upon the cost and advisability of providing a railway line of 4 ft. 8½ in. gauge between Melbourne and Albany.

Transport.—A committee to be appointed, consisting of three experts in finance, transport, and traffic respectively, to enquire into and report upon the question of the regulation and co-ordination of the system of transport of goods and passengers, both in the metropolitan and in country districts of Australia, and to make recommendations regarding the institution and functions of authorities to provide such regulation and co-ordination in the future.

CONTROL OF UNEMPLOYMENT

The conference also considered the report of the Development and Migration

"BIG FOUR'S" REPORT

"MUST BREAK VICIOUS CIRCLE OF TARIFFS AND AWARDS"

MORE SCIENTIFIC RESEARCH URGED

ESSENTIAL TO FIND NEW METHOD OF SETTling INDUSTRIAL DISPUTES

That Australia must break the "vicious circle" of tariffs and arbitration awards, is the chief conclusion of the "Big Four."

In their report to the Prime Minister, issued yesterday, they concede that Australia's financial position is sound; but add that we have spent too much unprofitably on development schemes.

More scientific research, a new method of settling industrial disputes, and restriction of Government enterprises are strongly advocated.

The British Economic Mission, comprising Sir Arthur Duckham (chairman), Sir Hugo Hirst, Sir Ernest Clark, and Mr. D. O. Malcolm, was appointed "to confer with the Commonwealth and State Governments, with the Development and Migration Commission, and the leaders of industry and commerce in Australia on the development of Australian resources, and on any other matters of mutual economic interest to Great Britain and the Commonwealth, which may tend to the promotion of trade between the two countries and the increase of settlement in Australia."

The members arrived in Australia on September 25 last. During the intervening three months they have visited every State, travelled 20,000 miles. They have seen areas of primary production, and industrial centres, and have held over 100 conferences with Governments and officials with representative public bodies, with labour organizations, and with associations of producers and traders of every kind, and, in addition, have met and conferred individually with the leading citizens of the Commonwealth. They give their report as "the judgment of four business men on the data placed before them after a brief, but comprehensive, survey of the conditions of the country."

SUMMARY OF RECOMMENDATIONS

The mission summarizes its report in the following conclusions and recommendations:—

1. The indispensable condition of the promotion of trade between Great Britain and Australia, and of the increase of settlement in Australia is the prosperity and absorptive power of Australia herself.
2. The present financial position of Australia is sound in the sense that her national income and sources of public revenue are amply sufficient to pay for her Government, and to provide for the service and repayment of her public debt. But—
3. Australia has, in past years, spent too much unprofitably on development schemes which have been undertaken either without sufficient regard to their profitable financial and economic results, or without adequate preliminary investigation of the schemes themselves. She has been mortgaging the future too deeply, and would do well to restrict her expenditure of borrowed money for development, notwithstanding the inconveniences that must follow from deflation, and to leave the field more widely open to private enterprise.

BAD FINANCE

4. Public accounts should be prepared in such a way as to make clear what is the exact financial position of each Government undertaking.
5. A proportion of loan moneys raised overseas accrues to the Commonwealth, and is spent accordingly. This is bad finance.
6. We believe that there will be substantial improvement in the future arising from—
 - (a) The validation of the financial agreement and the establishment of the Loan Council; and
 - (b) From the work of the Development and Migration Commission and of the Council for Scientific and Industrial Research.
7. Banks and other financial authorities, and particularly, in the case of loans placed in London, the Bank of England, should be consulted in advance as to the time at which and the terms on which loans should be raised; and the objects of each loan should be fully stated in the prospectus.

MIGRATION AGREEMENT

8. Present circumstances in Australia are not favourable to migration, and recent figures of assisted migration show a sensible decline, but good work is being done to promote it, especially in regard to the migration of children, young people, and women for domestic employment.
9. The scope of the schemes likely to be approved under the £34,000,000 agreement is comparatively narrow, and those States in particular which are mainly concerned with primary production are likely to be embarrassed in fulfilling their obligation to accept a specific quota of migrants in respect of each scheme.
10. We consider that the agreement might be amended, and the period of its operation extended, so that the funds available under it might be used for work calculated to promote migration into Australia generally, without conditions as to specific numbers of migrants into any State, e.g., for scientific research and for large scale experiments to test its results before they are adopted.
11. The more intensive use of land already in occupation in Australia is a matter of the greatest importance. This should be promoted by scientific research, and will increase the country's wealth more surely and rapidly, and more cheaply, than further extensive development is likely to do.

(Further details will be found on Page 15)

12. Most vexed and most important of all Australian questions is that of the cost of production, with its effect upon export industries, and of the combined effects of the Tariff and Arbitration Acts.
13. Their effects and that of the Navigation Acts have laid an unduly heavy burden on the unsheltered primary industries, which have to export at the world's price, and on the States principally concerned with such industries, viz., Western Australia, South Australia, and Tasmania.
14. There is ground for the common complaint of a vicious circle of increased prices due to the tariff, and of increased costs of labour due to arbitration awards, and it is urgently necessary to break the vicious circle without lowering the standard of living, i.e., real wages.
15. The power to alter the tariff by administrative action must be prudently used if it is not to hamper trade.

COST OF SACRIFICE

16. The merits of a policy of protection are not in question. It is the settled policy of Australia, and may have been adopted on non-economic as well as on economic grounds. Both grounds may be sound, but it is important that it should be possible to count the economic cost of the sacrifice.
17. It is a policy difficult to carry out in detail. There is risk of error in the way of giving excessive or too prolonged assistance to infant industries, and in the way of protecting inefficient industries, and the total burden of the tariff has probably reached the economic limits.
18. Efficiency should be a condition of protection, and protected industries should be liable to furnish the Government with the fullest information as to their prices, costs, and conditions generally.
19. A full scientific enquiry and investigation should forthwith be instituted by the Commonwealth Government into the whole question of the economic effect of the tariff and the incidence of its duties. Pending this enquiry, there should be no avoidable increase of duties.
20. Protection when granted should be effective. Reduction of duties may mean decrease in the amount of the British preference, but if reduction be to the economic advantage of Australia, Great Britain has really more to gain from that source than from preference accorded to her.

INDUSTRIAL DISPUTES

21. The system of settlement of industrial disputes by awards of the Courts set up under the Arbitration Acts has failed, has involved overlapping jurisdiction and conflicting decisions, and has tended to divide employer and employee into two opposing camps. There should be the minimum of judicial and governmental interference with the relations between employer and employee; and industrial disputes should be settled by way of discussion and frank interchange of views between the parties concerned.
22. The system of fixing wages by reference to a basic money wage, which rises and falls with a varying index figure of the cost of living, is open to the gravest criticism, as giving no interest to the workers in the reduction of the cost of living.
23. We hope for the best results from the Industrial Conference, which has been begun in Melbourne; and we look forward to suggestions from that body for the solution of the problem of fixing wages and settling the conditions of employment. The solution of the closely related problem of tariff revision should thereby be greatly facilitated.