Continued

He said it was suffering from the economic and psychological effects of the period of extreme instability which had come to an end in Europe about 1925. One of the problems which had cropped up was that of liquidating the accumulated balances in London and New York, owing to the inflation of European currencies. The second consequence of that period of extreme instability was an exaggerated spread between the long and short period rates of interest. The margin to-day between the rate of interest paid by banks on deposits, and the rate of interest paid on long-term loans was much greater than before the war. That was a direct consequence of the psychological effect of inflation on the minds of investors in Europe. No one in Europe had forgotten the period of inflation, therefore they were liable to become very panicky when inflationist tendencies showed themselves. A fourth consequence of the inflationist movement in Europe was the tendency for investors there to put their money into American enterprises. Thus, the Wall-street boom was itself a consequence of the hunt for "equities," and was also in turn a cause of further disequilibrium, as while money was flowing to America, it was not available for development work in new countries. It also had the effect of causing a drain of gold to the United States, which in turn reacted upon the prices of raw materials, causing them to fall, in some cases very considerably. In their final results, inflation destroyed the investors' faith in Government bonds, and the Wall-street crash undermined their faith in ordinary shares.

Very Complicated Background

Th price problem to-day thus had a very complicated background. It was being affected by two entirely different sets of factors—partly by the Wall-street crash and partly by the effect of long term trends, that is, the gold problem. The fundamentals of the gold problem were the balance between its production, and the industrial and Eastern consumption and the reserve requirements of the central banks. The requirements of such banks were within their own control, for nowadays gold was only wanted for exchange purposes, high reserve ratios to issues of bank notes being out of date. Central reserve banks, if they could agree upon a principle of co-operation, might be able to exercise an effect upon price levels, but there were many difficulties to be overcome. There was reason to hope that in the future the Bank of International Settlements might be able to help in that direction. Although the problem of prices had not been solved, they had accomplished two things. They were beginning to realise the way in which the problem must be solved and the kind of machinery which would help to solve it. (Applause.)

Reg. 28-8-30

THREE NEW K.C.'S APPOINTED

All Have Had Distinguished Legal Careers

MESSRS. H. Thomson, G. C. Ligertwood, and H. Mayo were appointed King's Counsel by the Executive Council yesterday.

All have had distinguished careers. Mr. Thomson was the 1910 Rhodes Scholar, and went to Balliol College, Oxford, where he obtained his Bachelor of Arts degree with first class honours, and the Oxford Diploma in Economics and Political Science.

He received his early education at St. Peter's College and took his Bachelor of Law degree at the University of Adelaide in 1909. He was admitted to the South Australian Bar in 1913. A major at the war he was awarded the Military Cross. He is 42 years old.

Mr. Mayo, who is 45, is another old St. Peter's boy. He served his articles in Melbourne, returning here in 1908, and in the following year was admitted to the South Australian Bar.

Both he and Mr. Thomson are members of the Council of the Law Society.

Mr. Ligertwood, who is 41 years old, was associate to the late Sir Samuel Way and later to the present Chief Justice (Sir George Murray). He obtained his degree at the University of Adelaide, and has practised at the Bar here for 20 years.

Reg. 25-8-30

Professor C. S. Hicks, of the Chair of Physiology and Pharmacology of the Adelaide University, is returning as assistant surgeon on the Jervis Bay, which will reach the Outer Harbour tomorrow.

Adv. 28/8/30 also Reg

LOSS IN NATIONAL INCOME SHOULD BE SPREAD

EQUITABLE DISTRIBUTION ADVISED

Professor Melville and Living Wage

That the loss in national income must be spread more evenly over all sections of the community, was the effect of the evidence given by Professor L. G. Melville before the Board of Industry yesterday. He said the necessary adjustment would involve a reduction in nominal wages of about 15 per cent.

The professor was giving evidence in connection with the application by employers for a revision of the living wage of 14/3 a day for the metropolitan area.

In reply to a question by Mr. S. C. G. Wright, who represented the employers, as to whether the loss in national income should be shared all round or borne by a section of the people, Professor Melville said that at present the reduction in the national income had been concentrated on certain sections of the community, as landholders, the unemployed (including workers who were on short time), pastoralists, and on profits. It was impossible for the burden to remain permanently concentrated on those sections. Unless the business man secured what he regarded as a reasonable profit he could not continue to operate. That also applied to land. Under such conditions, businesses would have to close down eventually, and if they closed down it would make a further shortage in the national income and aggravate the present position. No section could be compelled to take less than economic prices.

Prof. Melville.

Not Economically Sound

If the burden had to be spread on all sections of the community it was better to do it as quickly as possible, because at the present time there was a great loss in productivity, owing to the amount of unemployment. While the present dislocation continued the national income would be reduced below what it needed to be, and the quicker the position was adjusted the quicker there would be greater productivity. They had people at present who had to be supported by the community, and those people were not taking an active part in producing. A reduction in costs implied a reduction in expenditure on the part of the Government, and that would help to balance the Budgets. Before one could anticipate a revival in industry there must be a reduction in costs and price levels. Until that revival came the Government could not expect increases in income tax, in railway revenue, and in other ways.

Reduction of costs could be assisted by increased efficiency, but that would not make up all the leeway. The other expedient was a more equitable distribution of the loss. That would bring in classes such as all people earning salaries and wages. Profits and primary industries had generally already lost more than their equitable share.

It was not economically sound, in view of other losses, to maintain wages as before the financial crisis. To bring wages into line with other falls there would have to be a reduction in real wages, of at least 5 per cent., and possibly 10 per cent. before the present crisis was ended, because the longer readjustment was delayed the greater would be the leeway to be made up. Further, recent data had revealed the position to be more serious than he had thought two months ago. That would involve a reduction of nominal wages of about 15 per cent. For practical purposes interest was not large enough to affect the position materially.

Questioned how a reduction in wages and salaries affected the buying of imports, Professor Melville said it was inevitable that imports would be reduced. One way of that coming about was by a reduction in the ability to spend money on imports, either through unemployment or a reduction in individual wages and salaries.

Two Problems

There were two problems at the present time. The price level was falling and the real income of the nation was falling. Regarding the fall in the price level, if real wages were to remain the same nominal wages should fall. If real wages should fall with the fall in the real income, which was the economic tendency, wages should fall quicker than the price of commodities. A reduction of 15 per cent. in nominal wages would be equivalent to about a 5 per cent. reduction in real wages. The increased tariff and the sales tax would tend to increase prices. The inevitable effect of the tariff and the sales tax would be to reduce the standard of living unless those things were followed by increased nominal wages. The fall of prices in England, following the rapid rise in prices there immediately after the war, was a deflatory process which was not carried out to the same extent in Australia. Australia was not forced to deflate so rapidly partly owing to an increase in tariffs enabling the maintaining of a higher level in prices, partly due to higher prices obtained for exports permitting a higher price level in Australia, and partly because by borrowing money abroad Australia avoided an adverse trade balance which would otherwise have forced deflation earlier. If the gold standard were maintained wholesale prices would tend to fall further. The fall in world prices and cost of production was more rapid than the fall of prices and production costs in Australia, which helped to make the economic position more difficult, and primary industries, such as those producing sugar and butter, were placed at a disadvantage.

The Commonwealth tariff policy had not developed proportionately the same number of secondary industries in South Australia as in the other States.

Part-time employment, or any rationing of work, obviously reduced the standard of living. It was no permanent way of facing the position in Australia, which could not be looked on as temporary, having regard to what had been occurring in other parts of the world.

Proceedings were adjourned to September 15.

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Adv. 28-8-30

NEW KING'S COUNSEL

APPOINTMENTS ANNOUNCED

Distinguished Careers

The Executive Council on Wednesday appointed Messrs. G. C. Ligertwood, H. Mayo, and H. Thomson to be three of his Majesty's Counsel, learned in law.

These appointments have been expected for some time as the result of the deaths of Messrs. R. G. Bennett and Rupert Ingleby, K.C.'s.

The men selected were recommended to the Government by the Chief Justice (Sir George Murray), and the appointments have met with the heartiest approval of members of the South Australian Bar generally.

All three have had distinguished careers from their student days. Mr. Ligertwood was a Stow prize man at the University of Adelaide, and qualified for the honor three years in succession. He served his articles with his uncle, Mr. J. R. Anderson, K.C., and subsequently was appointed associate to Sir Samuel Way, when Chief Justice. In 1915 he was appointed acting Master of the Supreme Court during the absence on active service of Major W. L. Stuart, and the following year left the Civil Service to practice at the Bar.

Mr. G. C. Ligertwood

Mr. H. Mayo

He joined the firm of Stock & Bennett prior to enlisting for active service in 1918. He later joined his present firm, Baker, McEwin, Ligertwood and Millhouse.

Former "Advertiser" Reporter

Mr. Thomson is an ex-member of the literary staff of "The Advertiser." His father, Mr. George Thomson, was also a member of the reporting staff, and his grandfather, Mr. W. H. Jeffery, was for many years managing printer of "The Advertiser." He was educated at St. Peter's College and after deciding to adopt the law as his profession, was articled to the firm of Varley and Evan, of which he is now a member. He had a brilliant University career, winning the Stow prize, and being selected Rhodes Scholar for 1909.

Mr. H. Thomson

After a distinguished career at Oxford, he was admitted to the South Australian Bar in 1913, and enlisted to active service in 1915. He gained his commission in the field, rising to the rank of captain, and winning the Military Cross. He did especially good work when appearing for certain members of the police force before the Bribery Commission three or four years ago.

Mr. Mayo is a member of the firm of Magarey, Finlayson & Astley. After receiving his education at St. Peter's College and the University of Adelaide, he served his articles in Melbourne, being admitted to the South Australian Bar in 1909.