

# 'TOAD UNDER THE HARROWS'

## Australia's Dependence On Overseas Countries

### MUST DODGE SPIKES

#### Banker's Views In Fisher Lecture

Pointing out Australia's dependence on overseas countries, Mr. A. C. Davidson, general manager of the Bank of New South Wales, in his Joseph Fisher lecture at the Brookman Hall, School of Mines, last night, said that we sold outside Australia nearly a third of the value of our production. As a people, we were too small a toad under the harrows of adversity which tormented the world to control the forces which drew the harrows. We could but watch their spikes, and dodge them as best we might.

Raising of the rate of exchange as one of the most important methods by which Australia might recover prosperity was advocated by Mr. Davidson. The address, which is delivered biennially under the control of the University of Adelaide, was heard by a big audience, which included many professors and leading business men. The importance today of banking, and Mr. Davidson's reputation as one of the foremost writers and speakers on economics, invested the lecture with unusual importance.

The title of his address was "Australia's Share in International Recovery," and he stressed the point that in all plans for regaining equilibrium we must be guided by the fact that Australia was not a self-sufficient economic entity, but a unit largely at the mercy of the play of overseas forces. We must reshape our policy gradually to restore a market for British and other imports. Though he did not disguise his belief that our position still was precarious, he said it was not entirely desperate, and we might be stimulated by the success which had attended our efforts to win back prosperity to go further along the path which the recent report of economists had indicated.

Discussing the tremendous fall of prices in terms of gold—in United States dollars the figures were 98.3 in September, 1929, and 53.5 in April, 1932—and its corollary of unemployment, Mr. Davidson said that in Australia recent years had seen a not unsuccessful resistance to what at one time seemed overwhelming odds against us. "We have hung on," he said. "We have even made some headway, particularly in South Australia. Men of every political party and every calling have played their parts in this truly national effort, but I trust you will pardon a banker for claiming first rank for the leaders of his own profession, the chairman of the Commonwealth Bank Board and the Governor of the Commonwealth Bank. We are not out of the wood, and, therefore, we owe them still our active support and counsel in the difficult and doubtful contest.

The collapse of prices had hit Australia with particular severity because of the combined effects of the cessation of our overseas borrowing, and the fall in the prices of our wool and wheat. Professor L. G. Melville had reckoned the fall in the gold prices of our exports since 1926-27 at 68 per cent. "Heroic measures were needed to prevent the collapse of our economic and social structure," said Mr. Davidson. "We have taken heroic measures, and held on while the world depression was deepening. World gold prices for our exports have fallen nearly a third since the Premier's Plan was drawn up. Yet, as a nation, we are entitled to draw from a retrospect of what we have achieved courage to continue the fight."

**Saved By Big Production**  
Reviewing the Premier's Plan and its attendant reductions of wages, interest, and rent, Mr. Davidson said those cuts alone could not have restored a margin of profit for our exporting industries, but they were supplemented by a reduction in the exchange value of the Australian pound, which meant that all Australian prices were restated in a unit of smaller and more stable purchasing power than the pound sterling. The fall in the exchange value of the Australian pound enabled production of wheat and wool to be maintained at record volume, and thereby prevented a catastrophe. Thus three adjustments—wage and

salary cuts, interest and rent reductions, and the fall in the exchange value of our pound—made a well-ordinated plan to restore industry and employment. They were favored and eked out by the luck of two excellent seasons in succession, taking the Commonwealth as a whole. But such luck could not continue indefinitely, and an average season would cut a fifth of the volume of our exports, a bad season two-fifths or more.

#### Heroic Feat Accomplished

Citing tables prepared by the Acting Commonwealth Statistician (Professor Giblin), Mr. Davidson said that Australia's average balance of payments from 1932 to 1929 showed a deficiency of £3,000,000. Had we gone on at that rate the deficiency for 1931-32 would have been 65 millions, for imports would have been 83 millions and exports 48 millions, while the stream of loans would have dried up. To maintain our position we should have needed an added 65 millions of exports.

To the extent that we failed in that impossibility we had to make an equivalent adjustment by reduced imports or reduced overseas payment. It seemed an incredibly difficult undertaking to achieve, against such odds, a favorable balance of payments, but that had been done. Figures for 1931-32 were:—

Imports	£ 36,000,000	Exports	£ 64,000,000
Interest	£ 21,000,000		
Surplus	£ 7,000,000		

Dividends to oversea shareholders and payments for services had to be deducted from the surplus, leaving an addition to London balances of £4,000,000 gold on income account. That improvement must not be minimised, but it had not been accomplished by hard work alone. Reduction of imports by 47 millions, largely at the expense of Britain, an increase of 16 millions in exports, Britain's depreciation of sterling (six millions), and her postponement of interest on sinking fund and war debt (four millions) had been big factors.

#### Fight Still Needed

"Taken by and large," Mr. Davidson added, "the change-over is an astonishing achievement, but foresight and experience join in warning us that it is as yet a precarious one. We shall need to fight to maintain the improvement, yet we may draw courage from the fact that we have learnt to use the weapons at our disposal."

"The trend of sterling, as well as of gold prices, has been again sharply downward, and we cannot count on the indefinite continuance of the run of good seasons and exports at record volume. There are signs that the downward trend of prices is coming to an end, but the recovery required to place Australian export production on a sound basis is so great that we cannot hope for immediate relief from this source. A mediocre season would work havoc among marginal wheat farmers and pastoralists. Nor is there wanting evidence of the decline of profits in all businesses. Figures for Australian companies show that in 1929 266 of them showed a profit of £16,775,264. In 1931 it was £7,023,501, and this year it will probably be less.

"Another effort is needed to stop the rot, to restore the hope for profit throughout Australia, and thereby sustain the creditable effort we are making. The Premier's Plan of 1931 so far succeeded that it paved the way. The new effort which will be shaped at subsequent conferences may be expected to broaden and straighten out that way."

#### Danger Of Deflation

Overseas events warned us against too heavy use of the method of reduction or forcing down of wages and interest. To bring and keep Australian costs below prices which were continually falling would require continual cuts in wages and in interest. Such a process would condemn business to the depressing prospect of further falls in prices. As costs fell, the desperate competition to main turnovers would mean more price reductions and more cost-of-living adjustments, leading by a vicious spiral into abysmal and indefinitely prolonged depression. There were grave risks of relying on deflation alone to restore equilibrium, and, therefore, the committee of businessmen and economists, with Sir Wallace Bruce as chairman, showed foresight in recommending that a limit should be put to the fall of wages and prices. They held that that should be done simultaneously with the rounding out of wage reductions in New South Wales and of interest reductions throughout industry, by setting in operation a force in itself to raise prices. That force, the raising of the rate of exchange, had been tested in Australia under conditions of confidence less favorable than those now ruling.

"If it were used in a measure and degree calculated to offset the price-dropping effect of wage and other reductions, it would give us in Australia what we so urgently need as a basis for renewed investment and the employment it would bring, namely, a cessation in the fall of prices," Mr.

Davidson said.

#### Action Imperative

We could not wait for the operation of blind forces to achieve the end we desired. A considerable measure of adjustment could be made with safety under the monetary conditions created by our struggle to pay our way. As we had an independent paper currency, we would do wisely to use the power it conferred of adjusting exchange to the level of costs. The Commonwealth, Britain, and the Argentine had made a better showing than other countries during the depression, largely because their price levels had been more stable than those of countries faithful to gold, and he suggested that that hint should be followed up as to a way out.

To seek a more profitable basis for Australian industry in reductions alone would end in chaos, but the extension of the Premier's Plan suggested by the special committee would encourage exports while seasons still were favorable.

#### Reciprocity

"If that policy," said Mr. Davidson, "were aimed merely at the stimulation of exports from Australia, it would carry the seeds of its own destruction by hostile tariffs and other market restrictions. The necessary counterpart of progressive development of Australian resources is, therefore, continued activity in international trade. We must find willing buyers overseas, and must adopt policies which, as a whole, chime in with the efforts of other countries. Taken by itself, a policy of maintaining and increasing Australian exports would accentuate the shrinking volume of international trade. The chaotic state of industry, finance and trade prove that this is no time for muddling through. It is a time for the application of first principles in the criticism of every step proposed."

Great emphasis should be placed, therefore, on this section of the special committee's report:—

To some small extent Australia may help to raise world prices. She is part of the world economy, and any action reviving her prosperity accelerates that of the rest of the world. In particular, she can assist herself and the rest of the world by negotiating treaties with other countries for mutual reductions in tariffs. In addition to the probability of improved terms of trade within the Empire as a result of the Ottawa Conference, it is common knowledge that the Governments of important European countries are at this moment ready to respond to overtures from Australia for reciprocal treaties. The removal of barriers to trade and international investment offers the most hopeful way out of the depression.

"If we are to continue to sell overseas an increasing proportion of the products of a prosperous Australia we must so reshape our fiscal policy as gradually to restore the market here for British and other imports," said Mr. Davidson. "In this there need be no menace for the efficient secondary industries we have built up in Australia. The world is entering on a period of planned reconstruction of industry and trade. Few countries have made a more auspicious entry into that era than our own, and, as I see it, the task of our representatives at Ottawa and at later conferences will be to pave the way for policies both in currency and in trade which will dovetail together the interests of the Dominions and Great Britain in the mutual service of a freer trade."

#### Remark Ruffles Lecturer

A remark by the mover of the vote of thanks, Mr. Russell Booth, chairman of the Board of Commercial Studies, that the Australian £1 was worth only 12/ on a gold basis, had a somewhat ruffling effect on Mr. Davidson.

Mr. Booth said the lecture had been stimulating. There were some points in it, however, on which all would not agree. There was, for instance, the question of the raising of the exchange rate, on which views differed very considerably. Being of North of England stock, Mr. Booth said he favored the Mid-Victorian view of laissez-faire—letting Governments interfere as little as possible, and letting things work themselves out.

Sir Herbert Philipps, in seconding the motion, said it was satisfactory to hear of the high standard that Australia was setting in international economic recovery.

The vote of thanks was carried with acclamation by the large audience.

"The Australian pound is worth 20/ in Australia," said Mr. Davidson, replying. "Remarks about it being worth 12/ on a gold basis are not helpful. There is a story that in the last British election campaign a candidate, waving a pound note, told the audience, 'It's only worth 15/.' A very sensible Labor man at the back of the hall interjected, 'I'll give you 16 bob for it!' That illustrates my point."

Mr. Davidson said he was very much of a free-trader. Too much had been seen of the serious losses and trouble caused by Governments adventuring into business.

The Governor (Sir Alexander Hore-Ruthven) attended the lecture. The chairman was the Vice-Chancellor of the University (Sir William Mitchell).

Sir—I was one of the business men who heard the Joseph Fisher Lecture given by the general manager of the Bank of New South Wales (Mr. A. C. Davidson). I was struck by the fact that business men of all leading firms were there; but I could not help noticing the absence of the Ministry. I did not see one member of our Government there. Our Treasurer and Premier (Mr. Hill) was not there.

GEO. W. RICHARDS

Norwood.

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## UNIQUE ABORIGINE FILM

### Life In Central Australia

A large band of Adelaide people, seated in a lecture hall in the University, were taken into the heart of Central Australia yesterday evening at the showing of a film made last August during the University and Museum expedition to Cockatoo Creek. Professor J. B. Cleland, introducing the film—the first of its kind ever to be shown publicly—described the aborigines as one of the most primitive people on the face of the earth, and the pictures conveyed the truth of the description in impressive manner.

Various totemic ceremonies—the kangaroo, cat, yam, and white plum—were depicted, one enlivened by a gramophone record of the weird but rhythmic chant accompanying the dancing. The principal performers were decorated with white eagle down or native cotton (kapok), partly stained with red ochre, and fixed to the face and body by a mixture of blood and charcoal. Simulation of kangaroo movements formed a part of the strange motions adopted.

The baking of a kangaroo in a native earth oven was described by Dr. H. M. Hale in his commentary of the film, other native foods shown being the yelka, or onion grass bulk, and the larvae of a large moth. Natives were shown kindling fire, by abrasion of hard wood upon soft wood, and in the making of boomerangs, wood shields and receptacles, the two latter being hewn out of soft wood by the young men and finished off by the elders. It was a common misconception, Dr. Hale said, that all boomerangs returned; most of them were made for business.

The picture showed a boomerang and spear throwing, and, as a game, grass ball throwing, and illustrated the spinning of the native "suit"—a small tassel of human hair, worn round the waist. The suit, said Dr. Hale, was carefully untied and hung up for the night before the native retired. On a cold morning it was warmed at a fire-side before being put on. Scientific work carried out by the expedition was described, including intelligence tests, the taking of hand-prints and plaster face casts, and blood and other physiological tests. The picture gave striking impressions of the interior—of the MacDonnell Ranges, the gibber-strewn desert, and mulga-sown expanses.

Professor Cleland made a plea for the preservation of at least a remnant of the natives—the real Australians—who were dying out as a result of their contact with civilisation.

Dr. T. D. Campbell, who took a leading part in the expedition, described the objectives of the experiments.

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#### DR. C. A. BURNS

"PYRROHEA is one of the biggest boogies of the present day," said Dr. C. A. Burns, a dental graduate of Adelaide, who returned by the Balranald today from a year spent under one of the world's most famous dentists—Dr. H. K. Box, at Toronto University.

"It is almost like a death blow to the general public, and the first thing they think about when they know they have pyrrhohea is having all their teeth removed. That is absurd, because in 80 per cent. of cases a cure can be effected by treatment.

"I think the dental course that Australians take is sound and proficient," he continued, "but America leads the world. One never sees just the word 'dentist' on the name plate of a practitioner; it gives the name of the particular branch of dentistry in which he specialises.

"It should not be many years before the leading Australian dentists specialise wholly. Extractions, straightenings, plates, filling, pyrrhohea—each is treated as a life's work by the specialists, and there is no overlapping at all."

Dr. Burns practised at Renmark before leaving for the Toronto University.