

UNIVERSAL
LIBRARY

OU_156033

UNIVERSAL
LIBRARY

**AUSTRALIA'S NATIONAL INTERESTS
AND NATIONAL POLICY**

AUSTRALIAN NATIONAL PREPARATORY PAPER

AUSTRALIA'S NATIONAL INTERESTS AND NATIONAL POLICY

BY

H. L. HARRIS

With a Preface by

THE HON. SIR THOMAS BAVIN, K.C., K.C.M.G.

AUSTRALIAN INSTITUTE OF INTERNATIONAL AFFAIRS

Prepared for the

BRITISH COMMONWEALTH RELATIONS CONFERENCE, 1938

MELBOURNE UNIVERSITY PRESS

IN ASSOCIATION WITH

OXFORD UNIVERSITY PRESS

MELBOURNE LONDON EDINBURGH CAPETOWN
BOMBAY TORONTO ETC.

1938

REGISTERED AT THE G.P.O., MELBOURNE, FOR TRANSMISSION
THROUGH THE POST AS A BOOK

WHOLLY SET UP AND PRINTED IN AUSTRALIA FOR THE BOARD OF
MANAGEMENT OF THE MELBOURNE UNIVERSITY PRESS, THE
UNIVERSITY OF MELBOURNE, CARLTON, N.3, VICTORIA, BY BROWN,
PRIOR, ANDERSON PTY. LTD., 430 LITTLE BOURKE ST., MELBOURNE, C.1

The Australian Institute of International Affairs is an unofficial and non-political body, which exists to encourage and facilitate the scientific study of international questions.

The Institute, as such, is precluded by its constitution from expressing an opinion on any aspect of British Commonwealth relations or of domestic or international affairs. The views expressed herein are those of an individual.

AUTHOR'S ACKNOWLEDGMENT

I desire to acknowledge my indebtedness to all who have helped me with criticism and advice during the preparation, in the very limited time which was at my disposal, of the following survey of Australia's national interests and national policy. I should like especially to thank The Hon. Sir Thomas Bavin, Professor R. C. Mills, Mr. D. A. S. Campbell, of Sydney; The Hon. F. W. Eggleston, Professor D. B. Copland, Dr. G. L. Wood and Mr. P. D. Phillips, of Melbourne; Mr. U. Ellis and Dr. Smithies, of Canberra, and my friends at the Bureau of Statistics, New South Wales. Needless to say, the responsibility for any errors is mine.

I wish to thank also Messrs. Angus and Robertson, of Sydney, for their generosity in placing at my disposal two of the blocks used herein and any other blocks I cared to use.

I am also deeply indebted to Mr. W. M. Gray, of Melbourne, for reading the proofs.

PREFACE

THE following essay was written during the closing months of 1937, as the Australian National Preparatory Paper for the Second British Commonwealth Relations Conference to be held in Sydney in September, 1938. Its aim, and the selection of material will be better understood if the nature and purpose of the Conference be briefly explained.

The Conference was designed as a meeting of representatives of the Royal Institute of International Affairs in the United Kingdom, and of its branches or affiliates in India and the Dominions, for the purpose of discussing the relations at present subsisting between the member States of the British Commonwealth, and of examining the possibilities of achieving the maximum degree of mutually advantageous co-operation between them. It has been realized, especially since the War, that the Dominions have their own individual problems and interests, and that the only useful basis for any practical consideration of closer relationships must be a mutual understanding and recognition of those interests. Hence it was considered—wisely as it seems to me—by the Committee which prepared the Agenda for the Conference, that the initial step in the preparation of material for those taking part, should be a paper setting out, as objectively and comprehensively as possible, the national interests and problems of each Dominion. This general study was to be accompanied and supplemented by shorter studies—referred to here as Supplementary Papers—dealing more fully with special aspects and problems of Dominion policy.

The following paper—written by Mr. Harris, within somewhat restricted limits both as to time and space—represents the general survey of the national interests of the

Dominion of Australia. It is to be supplemented by special studies as follow:

(a) AUSTRALIAN POPULATION—

1. ANDREWS, J.: The Population Carrying Capacity of Australia.
2. SMITHIES, A.: The Future of the Australian Population.
3. MADGWICK, R. B.: Migration.
4. BRIGDEN, J. B., and WILLIAMS, W. WYNNE: Tropical Settlement in Australia.

(b) AUSTRALIA'S ECONOMIC POLICY—

1. BURTON, H.: Development of Australian Industry.
2. KELLY, W. S.: The Australian Tariff.
3. HAWKER, C. A. S.: Australia's Foreign Trade Treaties.
4. COPLAND, D. B.: Monetary Policy in Australia.

(c) AUSTRALIA IN THE BRITISH COMMONWEALTH—

1. WOOD, G. L.: The Financial Nexus between Britain and Australia.
2. MILNE, E. O.: Imperial Communications and Transport.
3. EGGLESTON, F. W.: The Strategic Position of the British Empire.
4. SHELDON, W. S.: Cultural Co-operation in the British Commonwealth.

(d) AUSTRALIA'S POLICIES, POLITICAL AND STRATEGIC—

1. PORTUS, G. V.: Political Parties in Australia.
2. QUEENSLAND BRANCH: Australia and Foreign Policy.
3. IRVINE, P. F.: The Defence of Australia.
4. AARONS, F.: What the League of Nations Means to Australia.

(e) AUSTRALIA AND THE PACIFIC—

1. CANBERRA GROUP: Australia's Interests in the Pacific Basin.
2. MELBOURNE, A. C. V.: Australia's Relations to Other Pacific Countries.
3. ROBERTS, S. H.: Australian Dependencies.

The reader will understand, therefore, the scope and purpose of this essay. The writer's effort has been to furnish, for the information of overseas members of the Conference, a general view of Australia as it is—a body of factual material and an interpretation of current policy. It has not been his task to offer solutions of the problems set for the Conference itself, but to make his contribution to the mass of information

which may help to explain Australia's relation to those problems.

It is inevitable, of course, that such a survey as this should be coloured, to some extent, by the general outlook of the writer. Mr. Harris has endeavoured to make this survey as impartial and objective as possible, but it must not be taken that all the opinions expressed here have the concurrence of all members of the Australian Institute. Any effort to secure such concurrence would necessarily have reduced the paper either to a mere table of statistics, or to the kind of compromise statement which the Agenda Committee desired to avoid.

T. R. BAVIN.

SYDNEY,
February, 1938.

CONTENTS

CHAPTER	PAGE
PREFACE BY HON. SIR THOMAS BAVIN, K.C., K.C.M.G.	vii
I IS THERE AN AUSTRALIAN NATION?	1
II THE ENVIRONMENT	8
III THE POPULATION	13
IV MIGRATION	23
V THE STANDARD OF LIVING	36
VI THE ECONOMIC STRUCTURE	45
VII OVERSEAS TRADE	55
VIII TRADE POLICY	85
IX FINANCIAL POLICY	104
X EXTERNAL AFFAIRS	120
APPENDIX TABLES OF STATISTICS	138
INDEX	153

I

IS THERE AN AUSTRALIAN NATION?

THE colonization of Australia was carried out from a number of centres widely scattered along a very extensive coastline,¹ and for effective administration each of these centres had to be established as, or erected into a separate seat of government. Thus isolated communities were equipped with political institutions and local loyalties developed early and naturally. The future seemed to promise not 'a continent for a nation,' but a continent for six separate nations.

During the latter half of the nineteenth century, however, the centrifugal tendencies of the early years² were gradually checked and partially reversed. Means of communication improved and intercolonial trade became increasingly important. The advantages of local fiscal autonomy became less obvious as conflicting tariffs and border customs houses became more irritant. War scares in Europe, and French and German activities in the Pacific aroused the colonists to a sense of common danger and made the strength of union more desirable than the freedom of separation.³ Federation,

1. The Commission issued to the first Governor, Captain Arthur Phillip, invested him with authority over the whole of Australia (then called New Holland) east of the 135th meridian, and over Tasmania (then called Van Diemen's Land) and the adjacent islands. In 1825 the western boundary was moved farther west to the 129th meridian, and Tasmania was erected into a separate colony. In 1829, Western Australia was annexed and a settlement established at the mouth of the Swan River. In 1836 South Australia was carved out of New South Wales and colonized from England. Victoria and Queensland were marked off from the parent colony in 1851 and 1859 respectively. 'One by one new colonies have been founded at points so far distant, that they have been virtually islands in the midst of the sea of bushland each with its distinct interests, customs and institutions.'

2. Not the least of these was 'the political inertia of (each) colonial community intent on its daily affairs.' *R.A.H.S. Proc.*, Vol. XIV, pt. V, p. 326.

3. Cp. 'Never before has a group of self-governing, practically independent communities, without external pressure or foreign complications of any kind, deliberately chosen of their own free will to put aside their provincial jealousies and come together as one people, from a simple intellectual and sentimental conviction of the folly of disunion and the advantages of nationhood.' Quick and Garran: *Annotated Constitution of the Australian Commonwealth*.

a matter of amateur interest,⁴ since the 'fifties, became the objective of an agitation which in the 'eighties⁵ attained the dimensions of a popular movement.

On January 1, 1901, the Commonwealth was inaugurated. The six colonies had agreed to unite in one indissoluble federal commonwealth. But the establishment of a federal government did not make Australia a nation. Old jealousies and rivalries were not immediately forgotten, and during the first few years resolutions in favour of secession were brought before several of the State parliaments. These resolutions were not very seriously entertained, but they were reminders of the reluctance with which many had accepted federation, and of the doubts that still remained.

It is said that, in all federations, there is a tendency for local discontent to express itself as a demand for secession. In Australia, local discontent has, in recent years, expressed itself in that form in some of the States, but not in others. This may be due to the fact that federation imposes upon some of them disabilities from which the others escape; or it may be that Western Australia, South Australia and Tasmania, the so-called 'weaker States,' have prospered less or suffered more since federation, from causes with which federation has nothing to do. In Western Australia the people were so convinced that retarded development and financial stringency were to be explained by reference to federation that, at a referendum in 1933, they voted by a large majority in favour of secession, and a petition was forwarded to England. The people of the eastern States

4. In 1846, Sir Charles Fitzroy, Governor of New South Wales, suggested 'the appointment of 'some superior functionary' to regulate matters of interest to all the colonies, and in 1847 Earl Grey proposed that a General Assembly for all the colonies should be set up. Clauses for the establishment of such an assembly appeared in the Bill which became the Australian Colonies Government Act of 1850, but were deleted in the Lords. W. C. Wentworth, Edward Deas-Thomson and J. D. Lang in N.S.W., and Charles Gavan Duffy in Victoria, were among the early advocates of federal union.

5. In 1883 occurred Queensland's abortive annexation of New Guinea. In 1886 the Federal Council of Australasia was constituted. It had only limited legislative powers, no executive authority and no control over revenue and expenditure, but it was a stepping-stone to federation. In 1889, Major-General Bevan Edwards's report on defence appeared, and in October of the same year, Parkes made the 'Tenterfield Speech.'

cannot believe that the Commonwealth means less to the people of the West than it means to them, and the referendum of 1933 set them, and left them wondering.

Any attempt at explanation is likely to be a rationalization.⁶ Australia is still a country of competing loyalties. State, Commonwealth and Empire all command allegiance. It was therefore possible for Western Australians to argue with some conviction that enclosure within a common system of law and taxation is relatively unimportant, and that they could still combine with their fellow-Australians for all essential purposes so long as both they, and the rest of the Commonwealth, remained within the Empire. Assuming what is probably true, that secession was, for most of those who voted in the affirmative, a *pis aller* to force the grievances of Western Australia upon the attention of the Commonwealth, its significance cannot be ignored. Western Australia entered the federation as an original State, largely because of the insistence of the goldfields' population, and it seems as if enthusiasm for federation has waned with the relative importance of that section of the population.⁷

Some decline in enthusiasm for the political institutions, and more especially for the economic policy of the Commonwealth, has occurred in all the 'weaker States.' But this does not indicate any weakening of Australian consciousness. Over thirty years of peace and four years of war have immensely strengthened that sense of 'belonging together' which developed before federation was achieved. It would be extraordinary were it otherwise. The population of the

6. See especially 'The Case for Western Australia' and 'Reply to the Case for Western Australia.'

7. Vast distances hamper, if to a decreasing extent, continuous intercourse, and the people of the eastern States are inadequately informed of trends and developments in 'the West.' The secession referendum, and the petition to the British Government which followed it, may serve to remind Australians that as a Canadian publicist expressed it, 'something more is necessary to a national policy than enough power in one locality to put it over . . . there must be a decent regard for the opinions and interests of all partner provinces.' There is not so much wilful disregard as ignorance of opinion in Western Australia. One of the critics of this section suggests that 'the Western Australian protest is, at root, the cry of an exporting area against the supposed dominance of national policy by the "industrial" areas,' and reminds me of the New State Movement in New South Wales, as another manifestation of the same tendency. The point seems well taken. See note at end of this chapter.

continent is remarkably homogenous. The same language is spoken, and in the same way, with the same accent and inflections, throughout. Manners and customs are uniform.⁸

There is, therefore, an Australian people and an Australian ideology, and it is possible to speak of Australian beliefs, aspirations and ideals.

The Australian people believe that they have, in the island continent they claim to possess and occupy, a magnificent heritage. Naturally enough they desire to retain it, improve it, and transmit it, together with the social and political institutions they cherish, to their children. Their ideal Australia of the future is inhabited by people like themselves, mainly their own descendants, but richer, safer, wiser and better. They have no territorial ambitions and harbour no bellicose designs. 'Peace, security and progress' are among the watchwords of Australia no less than of the Empire generally. Policy, in the sense of the aims accepted and the methods adopted in the management of public affairs, is directed, internally, to making the nation a prosperous democracy; externally to keeping, or making it safe.

So much can be said with the assurance that it would be acceptable to the overwhelming majority of the Australian people. There is, and has been for some years, a small⁹ and fluctuating communist movement in Australia, and presumably the few who accept the communist ideal would alter 'democracy' to 'proletarian dictatorship,' or 'classless society.' But as an organized party, they have only a precarious existence, and since any affiliation or association with them is repudiated by Labour no less emphatically than by the United Australia and Country Parties, they are politically impotent. There was, too, at one stage of the depression, something akin to an incipient fascist movement, but it disappeared with the crisis from which it arose. Australia inherited the British

8. Cp. 'Australia is by far the most uniform of the continents. It is relatively uniform in topography, climate, vegetation, animals and people. . . .' El'sworth Huntington: *West of the Pacific*, pp. 313-318.

9. It seems almost hopeless to attempt a numerical estimate, but it seems probable that not more than 5,000 people would support an avowed communist movement.

tradition of political democracy.¹⁰ Effective political opinion in Australia regards itself as democratic, public policy assumes the retention of democratic institutions, and is directed, if sometimes only vaguely and apathetically, to the achievement of democratic ideals.

The political structure is such as will be readily understood by British peoples everywhere. In the States, parliamentary institutions are modelled very closely on those of Great Britain, although the second chamber is elective in each of the five States which still retains the bi-cameral system—either by limited popular constituencies, or, in New South Wales, by the members of both Houses. In the Commonwealth, although the constitution provides for a federal union, parliamentary executive is combined with a bi-cameral legislature, and what is virtually ‘Act of Settlement tenure’ for the judges.

The party system¹¹ operates in both State and Federal politics. The Labour Party claims to represent the interests of the workers, and its objective is the socialization of industry, production, distribution and exchange, and to secure to the people complete political, religious, industrial and cultural freedom. Its solid nucleus is formed by the trade unions, but the political labour leagues are active in organizing support throughout the constituencies. There is no conservative party. The United Australia Party claims to be broadly liberal in outlook, and to represent all sections of the community. It repudiates any special connection with any section or class. The Country Party represents, as the name suggests, the man on the land. In Victoria it holds office by grace of the Labour Party, but in New South Wales and in the Commonwealth it combines with the U.A.P. to form coalition governments. For that, if for no other reason, it is an over-simplification to regard the political grouping in

10. Hancock says (*Australia*, p. 274): ‘Australia was settled in the age of the Rights of Man and the Communist Manifesto.’ The present writer would add that Chartism was one of the formative influences of its early political life. For the influence of nineteenth century radicalism on Australian opinion, see H. L. Harris: ‘The Influence of Chartism in Australia.’ *R.A.H.S. Proc.*, Vol. XI, Pt. VI.

11. See Supplementary Paper D1, and Duncan (Ed.): *Trends in Australian Politics*.

Australia simply as Labour and Anti-Labour. Perhaps the Country Party, regarded as the 'third party' in Australian politics, is on the whole inclined to prefer the U.A.P. to the Labour Party, as a companion in office, but it does not seem unfair to say that it might support either of the other parties in return for concessions.

Naturally, each party is described by opponents in terms unacceptable to itself. Those who do not like Labour suspect it of sympathy with communism, and charge it with disloyalty to the Empire. Some regard it as being unduly influenced by the Irish-Catholic section of the population. Those who do not like the U.A.P. declare it the mouth-piece of vested interests or city interests, and that its financial resources are derived from 'big business.' Those who dislike the Country Party regard it as narrowly sectional in outlook, and reactionary in spirit.

Political differences are inevitable, and rival parties their natural result or concomitant. In the main, social cleavages of all kinds, political or otherwise, are determined by economic interests. But there are religious differences also which cut across political and class divisions. Sectarian feeling is not usually very potent amongst the great mass of the people, but a good deal is latent and can easily be stirred into flame. About 99 per cent. of those who declared their religion at the Census of 1933 (87·8 per cent. of the whole population) professed Christianity, and 90 of the 99 per cent. were embraced by the Anglican, Roman Catholic, Presbyterian and Methodist denominations.¹²

Apart from the small group of Communists, there is no organized or recognized movement which declares itself opposed to the British connection, although there are individuals who are, or who so emphasize their Australianism as to give the impression that they are opposed to it. So that, if the word imperialist be used to mean one who favours our association with the Empire, the community is scarcely divisible into imperialist and anti-imperialist.

In short, there are divisions political, economic, social,

religious, less clear-cut than in some countries, but existing none the less within Australia. Nevertheless the essential unity of its people remains. Nationality depends upon the awareness of belonging together, and it can reasonably be claimed that Australia is a nation, that its people are one people, who feel that they have one destiny.

•

Note.—After this chapter was in proof, I received a comment, part of which I append, from Professor F. R. Beasley, of the University of Western Australia:

‘The secession movement was not a novelty in 1931 and 1932: but from something trivial it became a widespread urge when its protagonists ingeniously and successfully argued that Western Australia would have escaped from most of the effects of the world-wide depression but for the baneful influence of federation. Its impetus came from the depression and from that alone; with the passing of the depression the secession movement returned to its former status, the King Charles’s head of a few noisy die-hards. So far as the average man is concerned—and that includes the vast majority of average men and women who voted enthusiastically for secession—the question is quite dead; but it will no doubt be resurrected when the trade cycle takes its next downward swing.’

Professor Beasley explains the vote on secession as resulting from—

- (1) The question was put by a Government which feared defeat and which hoped to secure a new lease of life by raising the secession issue.
- (2) The Labour Opposition refused to commit itself.
- (3) The Federal Government sent as advocates of federation three men who were regarded as having deserted their Party.

II

THE ENVIRONMENT

WHEN Mr. Foster Fraser visited Australia in 1909, he derived considerable amusement from the repeated references wherever he went to Australia's 'illimitable resources' and 'magnificent potentialities.' Since then, more exact comparative studies have been made, and it is generally realized that the natural resources of the country are relatively small in proportion to its size, and that about one-half of the continent is of little economic importance. The exuberant optimism of the past has been moderated, but abundant faith remains.

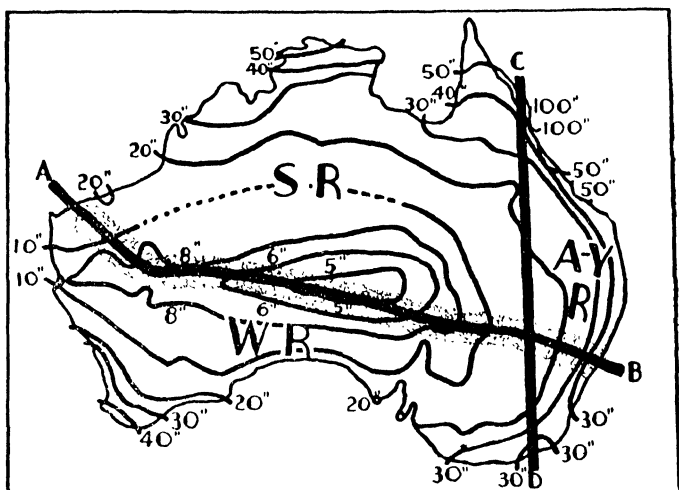
Although Australia is almost exactly the same size as continental United States¹ it is as certain as comparative economic geography can make it that this continent is much less richly endowed. One estimate makes its assets about one-sixth or one-seventh of those of the United States.² The latter has not only incomparably greater resources of coal, iron, and so far as is yet known, of oil, but it is much more favourably situated climatically. A more reasonable comparison from the point of view of topography and climate would be between Australia and North Africa. The record of Australian achievement, and the task of Australian development, would be viewed in better perspective, if that comparison were more commonly made.

When attempting to estimate the use to which Australians have put the vast continent which destiny entrusted to them, allowance should be made for the novelty and relative intractability of the environment. Natural conditions are in many respects, the very reverse of those in the lands from which the colonizing peoples came. 'In most new countries developed by farmers of Northern European stock,' says

1. Cp. 'The very bulk of Australia is in some ways a handicap to the race which is trying to develop it.' Professor S. M. Wadham, in Duncan and Janes (Eds.): *The Future of Immigration into Australia and New Zealand*, p. 138.

2. Professor Griffith Taylor: *Environment and Race*.

Professor Wadham, 'the climate and soils have been somewhat similar to those which are traditional to the people; consequently the races of plants imported from the homeland have usually been able to grow with some success. In Australia no British variety of wheat, oats or barley, gives really satisfactory results—except possibly in the upland regions of Victoria or in Tasmania. Among the fodder plants, those of Great Britain are unable to withstand the long dry summers



Australia—Isohyets.

S.R.: Summer Rain. W.R.: Winter Rain.

A.Y.R.: All-the-year Rain.

characteristic of so much of the grazing area of the southern part of the Commonwealth, whilst in the areas of summer rainfall they are often found to be liable to diseases from which they are free in their native habitat. This means that Australia was virtually faced with the necessity of developing a series of economic plants suitable to her own particular latitudes and environments. The native flora was not entirely useless, but it was certainly not very valuable, for the purposes of intensive husbandry. It contained no cereal plant and among its grasses there were few types which persist when

grazed intensely. Further, most of them are not particularly nutritious, falling rather in the "roughage" group than into that of more valuable fodders.³

The most significant of the primary controls is the rainfall. The annual rainfall scheme is as follows: An eccentric central area stretching from about White Cliffs in New South Wales to Shark's Bay in Western Australia, and from some distance north of the tropic to the Great Australian Bight, has on the average, less than 10 inches per annum.⁴ Around this central area are belts of increasingly wetter country up to an average of over 60 inches. Along the north-east coast of Queensland, however, the isohyets do not conform to this general pattern and seem to belong to another system. Here the topography is important and the annual averages range from 50 inches to 160 inches.

The northern regions are a monsoon area and most of the rain falls during the summer months. In the southern or cyclonic area, most of the rain falls during the winter. In Darwin, for example, practically the whole of the rain falls during the hot 'wet season' from November to March. In Perth, on the other hand, most of the rain falls between May and August, and the summer is usually dry. Along the whole of the east coast the rainfall is more evenly distributed throughout the year, but the same tendency towards more rain during winter in the south, and more during summer in the north, is discernible.

Conclusions as to rainfall reliability vary somewhat according to the methods used in measurement, but it is generally agreed that over the continent as a whole, reliability is greatest where the average rainfall is highest. The most reliable rains occur in the south-west of Western Australia, along part of the coast of New South Wales and along a narrow strip of the coast of the Northern Territory. Over a large part of central Australia evaporation averages 96

3. 'Land Utilization' in *An Economic Survey of Australia*. The Annals, November, 1931.

4. The official estimates for the area of the region with less than 10 in. average annual rainfall is 1,067,357 sq. miles. Say 35% of the continent. See *Commonwealth Year Book*, No. 29, 1936, p. 41.

inches per annum, so that the region that must be regarded as arid extends beyond the ten inch annual isohyet.

If by 'desert' we mean country so arid as to be extremely difficult to settle and develop, about 23 per cent. of Australia may be thus described. Similar areas in both the northern and southern hemispheres contain no more than sparse nomadic or semi-nomadic populations, and until man's control of his physical environment becomes immensely greater than at present, such areas will remain almost uninhabited.⁵ About 53 per cent. of the continent is 'fair' to 'good' pastoral country, so that only about one-quarter⁶ of the whole has the natural conditions suitable for close settlement.

The one-quarter of Australia suitable for close settlement lies almost wholly within the temperate zone. The future of tropical Australia, except for a narrow strip along the east coast,⁷ is bound up with mining and the pastoral industry. After at least half a century of determined effort, hopes of developing tropical agriculture outside this eastern coastal strip have been abandoned.

Mining on any large scale in the tropics is dependent upon discoveries not yet made, and in any case is not a secure basis for permanent occupation. Hopes may reasonably be entertained that the pastoral industry will develop, especially on the Atherton and Barkly Tablelands, but not that it will lead to close settlement.

A comparison of natural conditions in tropical Australia with those in other tropical lands, supports the conclusion that, except again for the narrow Pacific coastal strip, the Australian tropics will never support a population of any magnitude of our own, or any other race.

5. 'The great empty intermediate hinterland common to China, Siberia and Thibet is alone greater than the whole of the sparsely populated areas of Australia, both tropical and temperate.' Phillips and Wood: *The Peopling of Australia*, p. 244.

6. Professor Griffith Taylor estimates 21% to be suitable for close settlement in temperate regions.

7. 'Beyond this narrow fringe of coastal scrub-land there is only one locality in the whole of the Australian tropics, viz., the tip of Cape York, with a recorded dry (i.e., winter) season rainfall greater than 4 in., and a lesser percentage of dry months than 18%.' Wynne Williams, in *The Economic Record*, June, 1935, p. 27. The whole article should be read. See also Supplementary Paper A4.

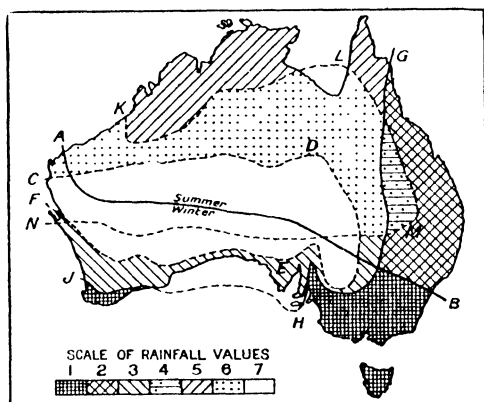
This conclusion is not one which popular opinion in this country readily accepts. That white Australians can live in the tropics is abundantly proved by the fact that over a quarter of a million of them do live there, and their health and fertility record is remarkably good. It is usually assumed, therefore, that many more white Australians will some day live there, and the general conviction, firmly held and dogmatically affirmed, is that if they cannot conquer the northern regions, neither can anybody else.⁸

8. Phillips and Wood: *The Peopling of Australia*; R. W. Cilento: *The Whole Settlement of Tropical Australia*. The salient points are indicated in H. L. Harris: *The Economic Resources of Australia*, pp. 32-35.

III

THE POPULATION

A POPULATION of 6,800,000 in a continent of 2,974,581 square miles has space and opportunity, two factors which must be taken into account, but may be easily over-emphasized by whoever would interpret the zeitgeist of Australia. The utilizable space is, as has been indicated, much less than the actual area, and the days when good land could be 'selected' by any man who had the necessary courage and initiative have passed away, at least in the older States. Opportunity is probably greater than, but not so markedly different from, that in older countries.



Australia—Rainfall Regions (after Taylor).

(Compare Population map on page 17)

This population is very unevenly distributed. One hundred and fifty years of white settlement have been sufficient to distribute it in reasonable conformity with the economic quality of the country as determined by the primary controls. This is best revealed by superimposing a population map on one showing rainfall areas. It is very imperfectly revealed by the densities of the States, which are nevertheless significant.

AUSTRALIA

Density of Population, 1935, and Potential Density on Basis of Rainfall

% with less than 20 in. rainfall		Density	Potential Density
58·9	New South Wales	8·59	12·7 per sq. mile
37·2	Victoria	20·97	18·4* „ „ „
40·9	Queensland	1·45	16·9 „ „ „
96·6	South Australia	1·54	1·8 „ „ „
85·7	Western Australia	0·46	5·3 „ „ „
11·3	Tasmania	8·89	27·5 „ „ „
64·2	Northern Territory	0·01	11·8 „ „ „
0	Federal Capital Territory	9·91	— „ „ „
68·3	Australia	2·27	9·9 „ „ „

* Victoria has passed the potential density calculated upon the distribution of people in Western United States according to annual rainfall. The estimate of potential density is that made by H. Barkley (see Phillips and Wood: *The Peopling of Australia*, p. 218).

At the Census of 1933 the 6,629,839 people of Australia were distributed among the States and Territories of the Commonwealth as follow:

AUSTRALIA—CENSUS, 1933

New South Wales	2,600,847	39·2%
Victoria	1,820,261	27·5%
Queensland	947,534	14·3%
South Australia	580,949	8·8%
Western Australia .	438,852	6·6%
Tasmania	227,599	3·4%
Federal Capital Territory	8,947	·13%
Northern Territory	4,840	·07%

Of the total population 250,306 or 3·77 per cent. were in tropical Australia and located as follow:

TROPICAL AUSTRALIA

Queensland	240,796
Northern Territory	5,328
Western Australia	4,182

Total	250,306
-------	---------

The numbers in the tropical area are still small and the proportion of the total population very low. The explana-

tion for this slow development lies principally in the fact that the temperate regions are more attractive. But as opportunities diminish there, and the struggle for existence becomes keener, the north will become relatively more attractive than it is at present. It is interesting to note that since the previous Census (1921) whereas the population of the Commonwealth as a whole increased by about 21 per cent., the population of tropical Australia increased by about 31 per cent.

The people of Australia are, it has been frequently and proudly stated, '98 per cent. British.' In fact, if 'British' means of British nationality, then in 1933 less than 1 per cent. was 'foreign.'

AUSTRALIA—NATIONALITY

British, born in Australia	5,726,566
British, born outside Australia	842,952
	6,569,518
Foreign	60,259
Not Stated	62
Total	6,629,839

If it means 'British by place of birth,' as presumably it does, then included in the 98 per cent. (or thereabout) were those born in Australia whose parents were foreigners. But however 'British' be interpreted it is certain that the foreign element in the population is relatively very small. Perhaps 10 per cent. come from foreign parents or grandparents.¹

So far as age and sex distribution are concerned, this population is rapidly approaching the situation in the old world. At each successive census, except that of 1921, a larger percentage of the population has fallen into the group over fifteen years of age. The effects of the decline in the birth rate during recent years is shown by the fact that between 1921 and 1933, although the total population increased by over 21 per cent., the group under 10 increased by only 381 or .003 per cent., and that under 15 by only 4.16 per cent.

AUSTRALIA

Age Distribution²

Census Year	% Under 15 Years	% 15 and Under 65	% 65 and over
1871	42·09	56·17	1·74
1881	38·91	58·65	2·44
1891	36·90	60·20	2·90
1901	35·12	60·88	4·00
1911	31·65	64·08	4·27
1921	31·71	63·86	4·43
1933	27·55	65·97	6·48

Nevertheless, when compared with, say, Great Britain, the population of Australia is still young.

GREAT BRITAIN—AUSTRALIA

Percentages in Age Groups

Age Group	Great Britain 1931	Australia 1933
0-14	24·2	27·6
15-24	17·4	18·1
25-34	16·0	15·4
35-44	13·5	13·9
45-54	12·2	11·2
55-64	9·3	7·4
65-84	7·2	6·2
85 and over	·2	·2
	100·0	100·0

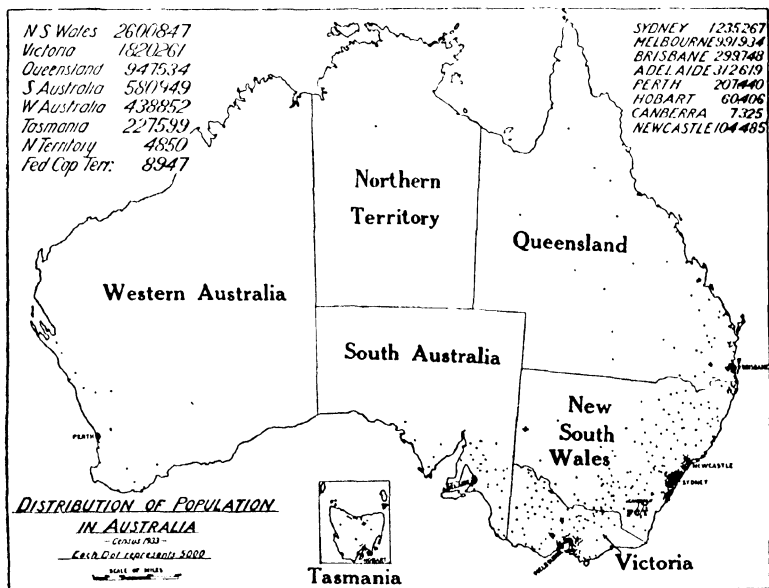
In 1800 the masculinity (males per 100 females) was 263·10, a degree not unexpected in a remote penal settlement, but not calculated to promote morality or social stability. By 1850, that is, just prior to the gold rush, the position had so improved that the masculinity index had declined to 143·19. The excess of males was not increased very greatly nor for very long by the influx of miners, for by 1860 the index was 140·15. In 1900 it was 110·43 and in 1935 it was 102·71.³

2. Table 7 for detail.

3. See Table 9.

Masculinity for the continent as a whole is about the same as that of the United States, slightly less than for the other Dominions, and considerably higher than for England and Wales or Western Europe generally. It has been said that the status of women here approximates that of the United States.

Masculinity is lowest in Victoria, the most closely settled, and in some respects the most developed of the States. It is highest in Northern Territory, Western Australia and Queensland—the pioneer areas.



(Commonwealth Year Book, 1936.)

The population is very highly urbanized. In Victoria, 54.49 per cent. of the population was at the time of the last Census (1933) in the metropolitan area; in South Australia 53.81 per cent.; in New South Wales 47.50 per cent.; in Western Australia 47.27 per cent.; in Queensland 31.65 per cent.; and in Tasmania 26.54 per cent. Over the continent as a whole only 36.16 per cent. of the population was located in rural areas, or migratory. 46.87 per cent. were in the metropolitan areas and 16.97 per cent. in urban provincial dis-

tricts. The tendency of the population to congregate in or around the six capital cities has been frequently remarked, and variously interpreted.⁴ Unless rural occupations were, on the average, highly productive, such concentration would be impossible.

Further light is thrown upon this matter, and upon the general characteristics of the Australian population, by a study of occupational grouping. At the 1933 Census, 70·3 per cent. of the male population (including pensioners) belonged to the group of breadwinners (as compared with 68·1 per cent. in 1921). Female breadwinners increased from 17·5 per cent. in 1921 to 24·1 per cent. in 1933. The distribution of breadwinners among occupations at the several censuses since 1871 is shown in the following table:

AUSTRALIA
Occupations of Total Breadwinners (Percentages)
(omitting 'independent means')

Group	Census Years						
	1871	1881	1891	1901	1911	1921	1933
Primary	44	38·2	30·7	32·5	30·4	25·8	24·3
Industry	26·5	29·4	30·7	26·1	28·4	31·2	32·1
Commerce	8·1	9·2	12·2	13·6	14·5	15·3	16·7
Professions	5·1	5·5	6·2	6·8	7·3	4·7	8·6
Transport	3·8	4·5	6·8	7·4	8·0	9·0	8·3
Personal Service ..	11·6	12·2	11·6	12·2	10·1	9·1	10·0

The figures are liable to error from several sources and conclusions should not be pressed too far, but they are probably near enough to the truth to give a broadly correct picture of the present occupational distribution of the population and of the trends since 1871. The marked decline in the proportion engaged in primary industry is significant, and

4. See, e.g., Davis, Barnes and Others: *An Introduction to Sociology*; Ellsworth Huntington: *Society and Its Physical Environment*, Chap. VI, p. 292 *et. seq.*

'Concentration of metropolitan populations, with many radial communications into surrounding territory, does make for a smaller aggregate of handling and other distribution costs than would be the case were population more thinly spread throughout the country.'—Institute of Pacific Relations: *The Peopling of Australia* (Further Studies), p. 165.

when considered in relation to the expansion of output, is indicative of the improvement in efficiency per worker that has occurred, not only in Australia, of course, but in all advanced countries. Much of the world's agricultural work is now done in the agricultural implement and other factories and workshops of the cities—a fact which helps to explain why much of the loss in the proportion of bread-winners engaged in primary industries is taken up by the increase of the proportion in the secondary industries.

In 1871 the combined percentages of the primary and industrial groups was 71 per cent. and in 1933 about 54 per cent. The gradual decline in the total proportion in these groups has permitted the increase in the proportions engaged in commerce and the professions. Personal service has absorbed a nearly constant percentage throughout, while the proportion of transport workers and in commerce have more than doubled.

Consideration of the rates of increase in different classes or sections of the population raises the question often asked in the form: Is the population growing at the wrong end? The assumption that a European population, in which the poorer classes are increasing more rapidly than the wealthier,⁵ is growing at the wrong end may be justified, but such an assumption is probably less warranted when applied to a country like Australia. Here the population is, in normal times (i.e., apart from depression years), being continually recruited, generally in the lower-paid sections, by immigrants, and immigrants for their social class are generally people of more than average energy and initiative. It is doubtful, too, whether the assumption that 'there is a more than average accumulation of natural talent in the classes of the intellectual workers' should be pressed very far in a country where business offers, or seems to offer, opportunities at least equal to those in the professions without the expenditure and sacrifice involved in the preparation for entry.

5. Mr. S. H. Wolstenholme, to whom I am indebted for critical comment on this section, drew my attention to Lorimer and Osborn's *Dynamics of Population*, where it is stated that this is not true of a number of large European cities.

In any case there seems to be no positive evidence that the poorer sections of the Australian population tend to have larger families than those better off. Such was Professor Agar's conclusion⁶ after examining the rather inadequate data of the earlier censuses, although he thought that there were signs of a trend in that direction.

The following table carries, one of Professor Agar's, a step further:

AUSTRALIA
Average Size of Family

Census Years, etc.	Employers	Workers on their own account	Wage and salary earners
1911	4·32	4·47	3·46
1921	3·55	3·79	3·02
$\frac{1911}{1921} \times 100$	82·00	84·00	87·00
1933	2·34	2·41	2·15
$\frac{1921}{1933} \times 100$	66·00	63·00	71·00

This table seems to suggest that 'workers on their own account' have larger families than employers, and 'employers' than 'wage and salary earners.' This interpretation is, however, scarcely justified. In the first place, the factor of age-grouping within these classes is ignored. Secondly, the 'wage and salary earners' offer, from the point of view of income, too heterogeneous a class to make any conclusions as to correlation of family and income, reliable. Many salary earners are in a higher income group than some employers. All that can be deduced from the table is that it offers nothing to suggest either that the community is now growing 'at the wrong end' or that the general trend is in that direction.

Whether the continent is capable of supporting at a living standard acceptable to Australian opinion, a population of from fifteen to twenty millions, as some geographers esti-

⁶6. Phillips and Wood: *The Peopling of Australia*, Chap. V.

nate, or two hundred millions, as some writers assert, it is generally assumed that with carefully planned development, the present population could be more than doubled without any sacrifice of present standards. The tendency in official circles seems to be at present to accept 'at least thirty millions' as the carrying capacity of the continent.⁷

Even the doubling of the present population is not likely to be realized if present tendencies persist. 'The reproductivity of the Australian people is at present so low that, given a continuance, ultimate decline in the population can be predicted with assurance.'⁸

Until a few years ago an expanding population was taken for granted,⁹ and it was confidently expected that a total of, at least, ten millions would be attained well before the end of the century. Mr. C. H. Wickens, then Commonwealth Statistician, estimated in 1925, that if the rate of increase, slightly over $2\frac{1}{4}$ per cent. per annum, which had obtained between 1861 and 1924 continued, the population would reach ten millions by 1951.¹⁰ The rate of increase between 1911 and 1921 had been 2.01 per cent. per annum. Since then, tendencies well marked in western Europe and the U.S.A., and discernible in many other parts of the world, have revealed themselves here. For the 1921-1933 inter-censal period, the average rate of increase was 1.83 per cent. per annum.¹¹ The net reproduction rate for the period 1932-34 was 0.956.¹² Since then the female birth rate has increased and at the moment the net reproduction rate is slightly above unity. It is anticipated, however, that the present recovery

7. See Supplementary Papers A1 and A2. Estimates of population carrying capacity vary from about 20 millions to about 200 millions. In a fairly recent study by H. A. Mullett and S. M. Wadham, the feeding capacity of the continent is estimated at between 40 and 50 millions. Institute of Pacific Relations: *The Peopling of Australia: Further Studies*, p. 208.

8. *Economic Record*, December, 1936. S. H. Wolstenholme: 'The Future of the Australian Population,' p. 195.

9. See Table 1.

10. C. H. Wickens: *Economic Record*, November, 1925. 'The Australian Population.'

11. *Commonwealth Year Book*, No. 27, 1934, p. 755. For crude birth rates see Table 2.

12. See *Economic Record*, December, 1936, S. H. Wolstenholme: 'The Future of the Australian Population,' p. 198.

will be short-lived and that the general downward trend in the natality curve will soon be resumed. It is certain that without an increase in the birthrate the population of Australia, apart from immigration, will never reach nine millions. An estimate of future population prepared by Mr. S. H. Wolstenholme, is based on a reasonably optimistic view of the probable future course of the net reproduction rate and on the assumption that immigration of the same volume and age distribution as that which marked the peak pre-depression years will be maintained. The result is a maximum population of 8,940,000 in 1981.¹³

13. It seems desirable to emphasize that this estimate is valid or reasonable only granting the assumptions. As Mr. F. W. Eggleston has reminded me, a decline in population may so affect the causes bringing about the decline that they will cease to operate. Should the net reproduction rate rise to and remain at a little above unity, we shall get all the additional population we may be able to absorb.

IV MIGRATION

DOES Australian experience suggest that sufficient migration will be forthcoming to offset the reduced net reproduction rates which the future seems to promise? The answer to that question may seem to depend upon the answers to two others: What success has attended her efforts to attract migrants in the past? and What efforts are likely to be put forward in the future?

A small population in sparse occupation of a vast territory, relatively close to the crowded millions of Asia, is not likely to be oblivious to the precarious nature of its tenure, and in fact, Australians have never been indifferent towards the question of migration. Long before the convict era had ended, efforts were being made to attract immigrants by offers of free grants of land. When crown land sales were instituted in 1825, part of the proceeds was applied to the assistance of immigrants,¹ and after the establishment of responsible government,² annual appropriations were made for the same purpose. Assistance was extended to immigrants from the United Kingdom from the eighteen twenties, with some interruptions, until towards the end of the century.³

It did occur to the settlers of the early years that their labour difficulties could be ended by importing Chinese, Indians, or Pacific Islanders, as Sir Joseph Banks had suggested before the colony was established, and Wakefield had repeated in 1829, but in fact there was little intercourse with the East. Asiatics showed no inclination to come unsought, and so long as there was a sufficient supply of convict labour there was no very strong urge to seek them. During the

1. See M. Willard: *History of Free Immigration to New South Wales*. (Unpublished manuscript in Mitchell Library.) Miss Willard estimates that New South Wales spent £951,000 or 87% of the land revenue on immigration.

2. 1855-57. Responsible government in New South Wales, Victoria, South Australia and Tasmania.

3. See Table 12. South Australia ceased to assist immigration in 1886, New South Wales in 1888, Tasmania in 1891. Victoria virtually ceased to do so in 1873.

'thirties and 'forties, however, the assignment system⁴ was gradually restricted and eventually abolished, and an agitation began for the application of public funds to the importation of Asiatics. The free labourers protested⁵ and neither the local Governors nor the Colonial Office gave any encouragement, so that the attempt failed. But there were no legal restrictions upon the entry of Asiatics or Pacific Islanders, and small numbers of Indians, Chinese, and natives of the Pacific were brought here. They did not prove a very cheap or very reliable source of labour supply, and before the initial difficulties had been properly overcome, the whole economic life of the country was transformed by the discovery of gold.

The lure of gold drew men from the ends of the earth, and for the first time Australia became a land of desire to the Oriental. Until then, there were probably not more than 3,000 Asiatics in the whole of Australia. The White Australia policy, it has been frequently said, was born on the goldfields. The miners, most of them, of course, newcomers from overseas⁶ protested loudly and at times violently against the presence of the Chinese at the diggings. The fact that they did so, and that their numbers and the strength of their feelings made it difficult for the fledgling colonial governments to protect the Chinese, is more important than why they did so. Passionate prejudice and crass racial antipathy may be political facts which have to be taken into account.

Between 1855 and 1861 Acts were passed in Victoria, South Australia and New South Wales to limit the immigration of Chinese. As soon as their purposes seemed accomplished they were repealed, and for some years there was no restrictive legislation of any kind. The discovery of gold

4. The first free settlers who arrived here in 1793 were given free grants of land and the services of sufficient convicts with rations for two years and clothes for one, to work the grants. Afterwards convicts were assigned to those who were prepared to feed and clothe them. In 1839, the system was restricted, and in 1841, abolished. There was a partial re-introduction in 1843, in order to keep female convicts out of the penitentiaries.

5. A great protest meeting was held on the Sydney racecourse in 1843 against the coolie labour proposal.

6. The Australian-born population first (approx.) equalled the immigrant population in 1860. In 1933, the Australian-born formed 86% of the whole.

on the Palmer River, Queensland, brought a fresh influx between 1875 and 1877, and in the latter year the Queensland legislature passed an Act which was for some time the only Chinese Restriction Act in force.

In 1880, a fresh alarm was caused partly because of labour troubles connected with the manning of Australian steamers, and partly because it was known that the United States were turning away the Chinese from their shores. An inter-colonial conference met to consider the question and in 1881 Acts were passed by New South Wales, Victoria and South Australia.⁷ Western Australia, still a crown colony, imposed restrictions in 1886, and Tasmania came into line with the other colonies in 1887.

These Acts were intended to limit rather than forbid the entry of Chinese. A protest to Britain by the Chinese Government, and a fresh influx evoked legislation in 1888 which was, in fact, though not in form, prohibitory.⁸ Moreover, feeling was growing in favour of the exclusion of all Asiatics, and had not the Colonial Office objected to the method proposed, legislation to exclude them would have been passed before Federation. Such legislation was virtually certain, as soon as the Commonwealth had been established.⁹

That Australia has not been entirely without experience of the problems that result from the admission of coloured labour is further evidenced by the fact, that from 1863 until after the establishment of the Commonwealth, the sugar industry of tropical Queensland was conducted with kanaka labour. The recruiting of these islanders was subject to numerous abuses, and in spite of the benevolent intentions of local legislators their death rate was always from four to

7. The Northern Territory, then administered by South Australia, was exempted from the Act of 1881, but in 1887 restrictions were applied there also.

8. For the history of this legislation, see M. Willard: *The History of the White Australia Policy*.

9. The Immigration Restriction Act 1901 prohibited the entry into Australia of (*inter alia*) any person who, when asked to do so, fails to write out on dictation, and in the presence of an officer, a passage of 50 words in length, in a European language. Owing to representations by the Japanese Government 'European' was altered to 'prescribed' by an amendment of 1905.

six times that of the whites. In its first year, the Commonwealth Parliament passed the Pacific Islanders Labourers Act, forbidding the entry of kanakas after March, 1904, and empowering the Government to deport all who remained after December, 1906.

The White Australia Policy is justified in the eyes of Australians, by economic and racial necessity. For recruits to our numbers, our choice is in truth between Europe and Asia. A standard of living, high enough to attract European workers, cannot be maintained if Asiatics are allowed to settle in large numbers. We are fortified in the wisdom of our choice by contemplating the social perplexities of those countries where a different course has been followed, and as Hancock points out, the White Australia Policy 'has been more readily reconcilable than any other alternative policy which it is possible to imagine, with goodwill among the members of the Empire, and friendly relations between the Empire and foreign Powers.'¹⁰

The challenge which has been read into the White Australia Policy and the provocative method first proposed for its application¹¹ have tended to obscure the fact that it is, after all, but the negative condition of a positive policy which aims to people the continent with a race predominantly British and wholly European. Since the establishment of the Commonwealth, this policy has expressed itself in attempts to stimulate the birth-rate, and to attract immigrants.

10. W. K. Hancock: *Australia*, p. 81. See also the same writer's *Survey of British Commonwealth Affairs*, Vol. I, p. 176: 'It might be argued that India's approval of the principle of immigration restriction, reiterated at four successive imperial conferences, was merely opportunist . . . why did (Indian politicians) spare Australia, and New Zealand, whose uncompromising resolve to keep themselves "white," etc.'

Literature on the White Australia policy is plentiful. Two good brief statements will be found in *Round Table*, March, 1921, and *Foreign Affairs*, October, 1925. Also Hancock, *Survey of British Commonwealth Affairs*, Vol. I, p. 182: 'Australian and Indian idealists were fighting the same enemy, which was capitalist acquisitiveness masking itself under the rights of man.'

11. After an Inter-Colonial Conference in 1896, the Colonies, except Queensland, introduced legislation to exclude 'native inhabitants of Asia, Africa, and the Pacific Islands.' The royal assent was withheld, and at the Colonial Conference of 1897, Mr. Chamberlain asked the Colonies to use 'a form of words which will avoid hurting the feelings of any of Her Majesty's subjects.'

Attempts to stimulate the birth-rate have been restricted mainly to exhortation. But perhaps concern at the fall in the birth-rate helped to induce the Commonwealth in 1912 to offer a 'maternity allowance.' This was at first £5, without stipulation as to income. At present the allowance is £7 10s., payable only where the combined income of husband and wife is below a specified level. Certain rather inadequate concessions are also made to income tax payers in respect to children under sixteen years of age. It is doubtful whether these measures have the slightest effect upon the birth-rate.

Positive efforts to attract immigrants recommenced between 1905 and 1912. A concurrent power to legislate with respect to immigration was conferred on the Commonwealth by the constitution, but until 1920 it co-operated with the States only to the extent of advertising the resources of Australia generally. The States maintained migration offices in London and intending migrants were assisted by cheap passages and liberal concessions on the railways. 'Assisted immigrants' were either 'selected' or 'nominated.' Selected immigrants included farmers, agricultural labourers, and domestic servants drawn mainly from the United Kingdom, although a limited number came from other parts of the Empire, Europe and the U.S.A. Selected immigrants were guaranteed employment on arrival. Nominated immigrants were those nominated by relatives or friends in Australia who undertook to find them employment, or be responsible for their maintenance.

In 1920, an agreement was made whereby the Commonwealth undertook to enlist the migrants who were to be assisted and to contribute to the cost of their transport, and the States specified the type and number of immigrants they were prepared to place on the land or in employment, on arrival.

Over-lapping to some extent the separate States' scheme and the Joint Commonwealth and States' scheme, was the Imperial Ex-Service Settlement scheme, so far as it extended to Australia. Under this scheme the Imperial Government

undertook to grant free passages to ex-service men and women and their dependants, acceptable to any Dominion and assured of employment upon arrival. This scheme operated from 1919 to 1925.

In 1921 the Imperial Conference on Migration was held, and the next year the Empire Settlement Act was passed. Under this Act the Secretary of State entered into a number of agreements¹² which were consolidated as the '£34,000,000 Agreement.' This may be briefly described as an agreement whereby the British and Commonwealth Governments undertook jointly to provide cheap loan money to an amount not to exceed £34,000,000 to the States for 'approved' settlement schemes over a period of ten years. Fortunately, the Prime Minister of the day, the Rt. Hon. S. M. Bruce, appointed a Development and Migration Commission to report upon the schemes proposed for the expenditure of loan moneys. The Commission found most of the proposals unsound and the result was that the total cost of the authorized works did not exceed £8,462,000. With the onset of the depression in 1929, the scheme virtually collapsed. All assisted immigration activities were formally suspended in December, 1930, and the agreement was cancelled as from May 1, 1932, by an instrument signed November 29, 1934. The Commonwealth and the States were released from all outstanding obligation in respect of the reception of immigrants, no further undertakings were to be approved, and incomplete undertakings were to be completed at a cost not exceeding £1,006,832.

12. The following table will be sufficient to show the main facts of the agreements with Australia:

Date	Governments between which Agreements were concluded	Limit of Advances
9/2/22	British, Commonwealth and Western Australia	£6,000,000
1/6/23	British and Commonwealth in relation to N.S.W.	£6,000,000
29/11/23	British and Commonwealth in relation to Vic.	£2,000,000
8/4/25	British and Commonwealth in relation to all States	£20,000,000
Total		£34,000,000

As works under the earlier agreements could be declared 'approved schemes' under the 1925 Agreement, and the aggregate of all agreements was £34,000,000, the principal agreement of 8/4/25 became known as the £34,000,000 Agreement. If full advantage had been taken of the agreement by all parties, Australia would have received 450,000 settlers in 10 years.

In addition to these government schemes, numerous voluntary organizations have been active since the war, enlisting migrants, and in some cases, caring for them after arrival.

The continent has always been open to British immigrants, the only issue in this connection being 'not whether migrants should be allowed to come in, but whether efforts should be made to bring them in.' Until the Great War, there were no limitations upon the entry of other Europeans. Then the arrival of a few hundred Maltese was represented as an attempt to replace absentee soldiers by cheap non-combatant labour. The upshot was an arrangement with the Government of Malta for the admission of not more than a specified annual quota. After the War, ex-enemy aliens were excluded for a period of five years (from December, 1920), and in 1923 agreements were made with a number of European Governments whereby passports for Australia should only be issued to migrants possessed of a certain sum as landing money, or of a permit issued by the Commonwealth on the application of friends or relatives already in Australia, prepared to be responsible for the migrants' support. During the depression, it became necessary to limit entrants to those in possession of landing permits or special authority issued by the Department of External Affairs.¹³

The net results of migration since the end of the gold era, are revealed by the following table:¹⁴

AUSTRALIA
Net Immigration—1860-1936

Period	Number of Years	Aggregate		Annual Average	
		Gain+	Loss—	Gain+	Loss—
1860-1891	32	+791,932		+24,750	
1892-1906	15	—23,836		*—1,590	
1907-1913	7	+291,825		+41,690	
1914-1919	6	—49,533		—8,260	
1920-1929	10	+349,109		+34,911	
1930-1936	7	—17,919		—2,560	

13. For a summary of the regulations now in force, see *Commonwealth Year Book*, No. 29, p. 454.

14. See Duncan and Janes (Eds.): *The Future of Immigration into Australia and New Zealand*—W. J. Willcocks: 'A Brief Survey of the Growth of Population in Australia,' p. 284.

A survey of our experience over these years suggests that net gain from immigration is largely a function of three variables, economic conditions in Australia, economic conditions abroad, especially in Europe, and the kind and amount of Government assistance rendered.

There is some evidence to support the argument that here, as in the United States, migration is correlated with economic conditions. The three periods of net gain from migration, shown in the table above (1860-1891; 1907-1913; 1920-1929) were, in the main, periods when the general economic trend was upwards, and two of the three periods of net loss from migration began with severe and lasting depressions.¹⁵ The third, the war period, may be discounted for the purposes of the argument, as abnormal.

'No country,' says Professor Brigden, 'has attempted more to promote production and the absorption of population than Australia; indeed it is doubtful if any country has ever attempted as much.' Over the sixty-four years from 1860 to 1924, and again over the shorter period of eight years of post-war migration ending June, 1929, the average net gain from migration was five and a half per thousand of the mean population per annum.¹⁶ The conclusion has been

15. Economic conditions in Australia since 1860 may be described in broad general terms as follows:

1. 1860-1891: In the east the gold era was over. In spite of some restlessness and discontent, the first decade was a period of steady progress. Then from about 1872-1885, development was extraordinarily rapid. A slight decline to 1890 was followed by a collapse. (Average net gain from migration, 24,750.)

2. 1892-1913 In 1893 occurred the most serious financial crisis in our history. Recovery thereafter was rather slow and the improvement which occurred towards the close of the century short-lived. 1904 and 1905 were bad years, but a remarkable recovery took place during 1906-1907. (Average net loss from migration, 1,590.)

3. 1907-1913: A brief but sufficiently serious recession occurred in 1908, but during 1909 conditions improved, and continued to improve until just before the war. There was reason to fear that a crisis was impending, just when the war broke out. (Average net gain from migration, 41,690.)

4. 1914-1919: Emigration was not encouraged from the United Kingdom.

5. 1920-1929. After the minor crisis of 1921, conditions gradually became boom-like in 1927, and after a slight decrease to 1929 there was another collapse into the depression of the 'thirties. (Average net gain from migration, 34,911.)

6. 1930-1936: The pit of the depression was reached in 1932, and since then recovery has been very marked. (Average net loss from migration, 2,560.)

16. See Phillips and Wood: *The Peopling of Australia*, I, p. 53, and Institute of Pacific Relations: *The Peopling of Australia (Further Studies)*, p. 223.

drawn that although we may exceed that figure in good years we shall fall below it in the bad, and that it represents our average net rate of absorbing migrants.

On such a basis our absorptive capacity for the next few years is at about the average rate of from 35,000 to 40,000 per annum. Can that estimate be accepted?

Those who stress the importance of external markets to Australia, seem inclined to doubt our ability to maintain even as high an average rate of absorption as in the past.¹⁷ Having surveyed the export markets for our principal primary products, Professor Wadham, for example, said recently, 'There is an absorptive capacity,' but he refused to attempt to estimate what it is. He felt sure, however, that to stimulate mass migration, was unwise. On the other hand, those who emphasize the disparity between the size and 'economic potentialities' of the continent, and the present population, would regard a mere 35,000 to 40,000 immigrants a year as a ridiculous under-estimate. In their opinion, 'the chief determinant of population absorption in a world tending towards national self-sufficiency, is to be found in the variety and extent of resources of raw material existent in any given area.'¹⁸ 'Economic nationalism and closed markets abroad do not daunt them, they find "the chief potentialities for future expansion . . . in the home market."¹⁹ One who belongs to this more optimistic school of thinkers estimates that if costs can be prevented from rising, or if they rise no more than they did between 1901 and 1911, we may reasonably expect to absorb about 70,000 in excess of the present natural increase, rising in ten years' time to about 130,000 in excess of the present natural increase.

17. Cp. 'Australia could provide for its natural increase of 15 a thousand almost indefinitely. In times of reasonable prosperity it could probably also take its normal quota of migrants of 5 a thousand for a considerable time. If the natural increase fell, the migration quota could be enlarged, but not to quite the same figure as the decline in the natural increase. If economic changes occur which would enable us to export manufactures or develop external trade, the position would be revolutionized. On the other hand, our population increase would be retarded if we lost our external markets for wheat, wool, fruit and butter.' F. W. Eggleston: *Population Problems in Australia*, p. 13.

18. Institute of Pacific Relations: *The Peopling of Australia* (Further Studies), p. 19.

19. Duncan and Janes (Eds.): *The Future of Immigration*, p. 204.

Absorptive capacity cannot be determined with any assurance, theoretically, but past experience suggests that if net migration tends to exceed about 40,000 per annum, Governments should study the economic situation, internal and external, very closely. They should consider anxiously whether assistance should be reduced or abolished, and indeed whether positive steps should be taken to deter all but those for whom positions can be guaranteed, or who have sufficient capital to maintain themselves, from coming to Australia. The rate of development may be, as the Premier of New South Wales affirms, 'substantially a function of the policy adopted,' but, as he added, 'in practice uniform growth would not occur in . . . all forms of employment.' Moreover, changes in external markets over which Australian Governments have no control, impose adjustments which would be rendered very difficult by an unregulated influx of immigrants. Between 1922 and 1931, of the 1,070,227 emigrants from the United Kingdom to the Overseas Empire, only 403,902 received some form of assistance, but in 1929 over 80 per cent. of the immigrants into Australia were assisted. Probably a reduction in the amount of assistance, or a complete withdrawal, would be sufficient to keep the numbers within absorbable limits. If immigration is to be encouraged it should also be regulated.

At the moment, opinion with respect to migration is a little hesitant.²⁰ The Commonwealth Government has announced that it is prepared to grant assisted passages to British migrants from the United Kingdom to the extent desired by the States. The State Governments have declared them-

20. The Premier of New South Wales, in a Memorandum on Australian Development, 1936, stated the position perhaps a little optimistically, but on the whole not unfairly:

'I believe that in Australia there is a growing appreciation of the need to develop and people our country; not merely that we might provide greater employment or better standard for our existing population, but that we might make Australia stronger from the point of view of defence, trade, commerce, and of the rightful place we should hold in the Empire.

'There are, of course, in Australia, as in England, conflicting views on this problem; there are at times sharp political differences, but the case only needs presenting to the public in a way that will overcome the fear that one hears expressed, here and there, that migration will accentuate the local unemployment difficulty, to be accepted universally.'

selves prepared to co-operate subject to reservation and qualifications. The attitude of the New South Wales Government is that any appreciable resumption of migration must come as the result of a concerted Empire policy and must be linked up with schemes for development. The other States clearly favour, at least as a beginning, the immigration of relatives of people already here, young domestic workers, and boys. In some quarters, emphasis is laid on the need of numbers for defence, but a large body of opinion is sceptical of the additional safety to be derived from any increase in numbers likely to be secured within any reasonable period, and fear that the attempt to stimulate migration unduly is certain to cause serious unemployment.²¹ It seems improbable that Australia will be stampeded into any schemes for large scale immigration by the defence argument. Perhaps the predominant feeling is that, if assisted migration is to be resumed it should be on a modest scale only; that land settlement schemes have been tried too often, at too great a cost, to be worth further attempts, and that any influx of fresh population should be so regulated as not to threaten existing standards of living.

It is not wholly true to say that 'in Australia the question is—and practically always has been—a land question,' although the story of immigration is inextricably intertwined with the story of land settlement. The latter, which begins with the foundation of the first colony, is too difficult and calls for too much detail to make a useful survey possible here. But immense thought has been expended and vast expendi-

21. The Labour Party's immigration policy is thus defined:

'... Immigration to be strictly regulated and linked with land settlement, and the expansion of secondary industries.

'... that the Immigration Act be amended to provide for the abolition of the dictation test.

'(Note.—An influx of immigrants in circumstances that would imperil Australian industrial conditions, by over-competition for the work available, would not be approved. The Labour Party's policy is designed to create further employment for the people already here, and opportunities for new-comers by the breaking up of large estates and the expansion of primary and secondary industries. To protect Australian workers, immigration schemes must be carefully controlled, and Unemployment Insurance provided.)'

Australian Labour Party, State of New South Wales, Constitution, 1937, p. 54.

ture incurred in the attempts to people the country with a numerous and contented yeomanry.

Since the gold rush of the 'fifties, two main phases may be distinguished. The first lasting roughly from 1860 to the early years of this century—if indeed it can yet be regarded as complete in Queensland and Western Australia—was that of 'Free Selection,' with or without survey. A wide variety of schemes were undertaken in the several colonies by which land was allotted to anyone prepared to pay a small deposit and reside on the land. Large sums were advanced to settlers to tide them over the early years, and they were assisted in other ways. The schemes were costly and the results disappointing. But the important lesson was learned that land settlement presents a complex problem into which climate, soil, markets and other factors enter. There is no easy solution.

When most of the public lands had been alienated the cry was raised for 'Closer Settlement.' Private ownership should not be allowed to prevent 'sound settlement' on 'living areas.' By taxation on large holdings owners might be encouraged to sell, or land could be compulsorily resumed. Both methods are still applied. A good deal has been learned about the difficulties and costs involved, and the policy is now applied very cautiously, and with a very clear recognition of at least the main factors to be considered.

There is still a hankering after a numerous rural population, but the notion that the land should be utilized in optimum economic areas rather than in minimum living areas is gaining ground, if only slowly. In fact, in the actual administration of the land laws, much more regard is paid for the former principle than is commonly supposed.

Disappointment has been expressed by some of the readers of the draft of this chapter because I have not stated clearly 'What ought to be done.' 'What ought to be done' can only mean in this connection what the author thinks ought to be done. I offer therefore the following:

1. The campaign for immigration begins at home. The best way to secure migrants is to make conditions in Australia so attractive that migrants will be attracted hither.

2. To do this positive steps will be necessary, including (a) the attraction of capital from overseas; (b) the establishment of social services at least as good as those elsewhere; (c) careful regulation of the economy. For (c) the Governments will need the full-time assistance of economic advisory councils if anything like continuous well-balanced development is to be attained.

3. Since we prefer migrants from some countries rather than others, we might advertise our resources and conditions in those countries, and perhaps offer assisted passages from those countries. Northern Europe could supply numbers who would fit admirably into the Australian community.

4. The general principle to be endorsed is infiltration. For mass migration no Australian Government should allow itself to become responsible. If non-governmental organizations abroad attempt to stimulate such movements, the responsibility should be theirs only.

V

THE STANDARD OF LIVING

IT is frequently asserted and commonly assumed that the standard of living in Australia is high. That assumption is inherited—our fathers told us. Most of them found the struggle for existence less severe than in the old Country. Many of them struggled through to modest comfort, some attained a competence, and a few became wealthy. Even those who remained poor found poverty more endurable in the brighter atmosphere and milder climate of Australia. If they did none of these, they usually helped to turn net gain from migration into net loss; they went away.

Overseas visitors frequently tell us the same thing. They find little evidence of a numerous wealthy leisured class, but few seem to live in the shadow of actual want, and there is abundant evidence of a wide spread of middle-class comfort.

Without putting the nations into 'statistical straight jackets' which distort what little they reveal, positive and convincing evidence of a quantitative kind with respect to living standards is difficult to adduce. In any case, here as elsewhere, there is not a single standard but a range of standards, and it is very difficult to decide which is the representative one. The average weekly wage for adult male wage earners, giving skilled and unskilled rates standard weights, is calculated by the Commonwealth Statistician to be £4 5s., and the average family upon which the wage has to be spent consists of one man, a fraction of a woman, and one child.

From this average wage of employees, there is of course considerable spread of income, especially upwards. Nevertheless, allowing for differences in population, there are relatively fewer large incomes than, e.g., in England. According to the 1933 Census, only 450 persons had a taxable income exceeding £5,000 and only 12,700 had taxable incomes exceeding £1,000 per annum.

The 1933 Census provided also fairly reliable information as to what was the distribution of income among breadwinners in a year of marked depression. Included among the 3,155,621 breadwinners furnishing returns were 481,044 unemployed persons, and 263,064 pensioners. The returns reveal that:

348,566 breadwinners	or 11·4%	received no income.
875,503	„ „ 27·6%	„ under £52 p.a.
573,611	„ „ 18·1%	„ from £52 to £103 p.a.
375,686	„ „ 11·9%	„ „ £104 to £155 „
307,199	„ „ 9·7%	„ „ £156 to £207 „
240,280	„ „ 7·6%	„ „ £208 to £259 „
331,737	„ „ 10·5%	„ „ £260 or over „
103,339	„ „ 3·2%	„ „ not stated.

Except for certain employees, in rural industries, the lower limit to incomes for those in full-time employment is set by the 'living' or 'basic' or 'minimum' wage, which in March, 1937, ranged from £3 9s. 6d. to £3 18s., in the several States and jurisdictions. Strictly speaking, the 'minimum' wage means the lowest wage legally payable to adults in a particular industry, and may be equal to, or higher than, the basic or living wage, although in common usage, this distinction is not always observed. The basic or living wage means the lowest wage which can be paid to an unskilled labourer on the basis of 'the normal needs of an average employee regarded as a human being in a civilized society.' Skilled men receive also a 'secondary' wage, or a skill bonus, that is, their wages are made up of the living wage, and an additional amount or margin for skill. Where some peculiar condition attaches to the work or the environment, basic wage earners may be awarded a small addition called 'a loading.' Practically all wage rates are fixed by industrial tribunals operating under Federal or State Arbitration Acts. Of the one million adult wage or salary earners, perhaps 6 or 7 per cent. would, if in full employment, receive a wage within a few shillings of the basic wage. For others the rates would be higher.

The marriage rate, import statistics, and other data suggest that just before the depression Australia was very

prosperous, and the average standard of living high. Movements in real income, in Australia and certain other countries since that time, are shown in the following table:

TRENDS IN REAL INCOME PER HEAD OF POPULATION,
UNITED KINGDOM, UNITED STATES, AND AUSTRALIA

Calendar Year	United Kingdom	U.S.A.	Financial Year	Australia ¹
1929	100	100	1928-29	100
1930	99	85	1929-30	92
1931	92	73	1930-31	82
1932	91	62	1931-32	82
1933	94	65	1932-33	87
1934	100	72	1933-34	96
1935	106	76	1934-35	95
1936	107	88	1935-36	100

The base year for the three countries shown is nearly the same, but the real incomes per head may or may not have been. The opinion was often expressed, but no conclusive evidence adduced, that the average real income per head in Australia, in or about the base year, was near the corresponding figure for the United States, and rather above that for Great Britain. The table is useful, as showing how each country stands in relation to its position in the base year, but how real incomes per head were related to each other in that year must remain largely a matter of opinion.²

As a consequence of the wage fixing system, skilled workers have probably not enjoyed marginal differences as large as those in some other countries, while basic rates have not fallen so low. The Arbitration Courts have the power to take

1. These figures are the result, I am informed, of very rough methods of estimation, and no very extensive argument should be based upon them. They are, however, the only figures available. Perhaps the numbers for 1930-31 and 1931-32 should be lower.

2. *The International Labour Review* (March, 1937, p. 427 *et seq.*) gives 'approximate indicators of the cost of living (in terms of foodstuffs) for the purpose of giving a very summary indication of the purchasing power of the wages given in the preceding statistics.' The wages shown (p. 406) vary from 1s. 5d. per hour for unskilled labourers to 2s. 5-55d. for bricklayers (Sydney). The hours shown are 44 per week. The cost of the basket, 92-3d., and the coefficient of conversion, 0-798 for £ sterling and 3-96 for U.S.A. dollar.

economic conditions into account in making awards, and since rates are subject to automatic adjustment and frequent revision the whole wage structure is now fairly flexible.

The principal aim of the whole complex system of industrial tribunals and awards is industrial peace on the basis of industrial justice.³ Experience in this country, both during the depression and since the recovery, suggests that a fair measure of success, in this respect, has been attained. Strikes still occur, but much of the old bitterness has gone from our industrial relations, and our record for time lost through industrial disputes will stand comparison with that of most advanced countries. Critics are not wanting, of course, both in Australia and elsewhere. Even a former President of the Commonwealth Court of Conciliation and Arbitration referred impatiently to the Serbonian bog of technicalities, and awards still to some extent compete and overlap,⁴ but the system now commands the confidence and support of the great majority of the people who feel that it represents a strong bulwark against unwarranted attacks upon their standard of living. There is no political party opposed to it, and no large section of the community would advocate its abolition. Its improvement presents a difficult political and constitutional problem.

The fact that the basic wage has to be determined by reference to an average—the normal needs of a family of prescribed size, e.g., man, wife and one or two children, means that for families above the prescribed size the wage is inadequate. Recognition of this fact led in New South Wales to the establishment of a system of family allowances. Where the family income does not exceed the living wage plus £13 per annum for each child under fourteen years of age, endowment not exceeding 5s. per week per endowable child is paid, generally to the mother. The principle of

3. Some of my critics deny this. They maintain that the 'real aim' is to 'throw sops to Cerberus' from behind a façade of justice. My reply is that 'the devil himself knoweth not the heart of man.' The aim as stated is that commonly avowed. Debates on the early arbitration Bills suggest that the aim was sincerely held.

4. See the interesting lecture by the Hon. R. G. Menzies in Portus (Ed.): *Studies in the Australian Constitution*, especially at p. 60 *et seq.*

family endowment is also incorporated in certain bank employee and Commonwealth Public Service awards.

It has long been recognized that when every care has been taken to ensure a minimum living standard for all workers, the majority are not able to make adequate provision for contingencies, or to provide for old age. At present, Queensland is the only State with an Unemployed Insurance Scheme, although both parties in the federal sphere are pledged to the principle, and English experts visited the country in 1937 and reported on the type of scheme desirable. Systematic provision for unemployment relief is made in all States. Old age pensions have been payable by the Commonwealth since 1908 and invalid pensions since 1910.

Literacy was at one time regarded as a crude test of standard of living. Illiteracy is almost unknown in Australia, and the provision of free schooling, for all who care to avail themselves of it, is not only an element in the 'free income' of a substantial proportion of the population, but helps to safeguard and improve the standard of living. The 1933 Census showed that 77 per cent. of all the children between the ages of six and fourteen attended the State schools, 19 per cent. attended non-State schools, and 3 per cent. were instructed at home. Public opinion has long supported very strongly the idea that education should be available to everybody who wants it, from the primary grades to the University. In all the States the secondary schools are either free, or freely accessible by means of numerous scholarships, and there are large numbers of exhibitions and scholarships available at the Universities. At the same time Australians have no reason to be entirely complacent at the educational facilities offered. The ideal is education of every grade, free to all, but in fact "it cannot yet be claimed that higher education is free to all sufficiently endowed to benefit by it. Lack of income still makes it impossible for some to remain at school who might do so to their own advantage and the benefit of the community.

In 1935-36 the total expenditure on education throughout the Commonwealth, from public funds, amounted to over

£10,000,000, or at the rate of about 30s. per head of population. Of this, £9,371,000 was spent on the Education Departments with their kindergartens, primary, and fairly wide range of secondary schools, and their teachers' colleges. There are six universities and there was in the financial year 1935-36 one college (that at Canberra) of university rank. Just as this is being written, advertisements are calling for applicants for the staffing of another university college, at Armidale, in northern New South Wales. The universities were subsidized in 1935-36 to the extent of £238,000 from public funds, but they all have some, in the case of most of them, considerable, income from private endowments also.

The keen and frequent criticism to which the whole educationalist system is subjected indicates that the people are anxious that the result of all the expenditure and effort shall be not only a better living for the educated, but a better life. School instruction is said to be dominated by examination requirements, and the professional schools are condemned as too narrowly professional. Music, the arts, and pure knowledge are not sufficiently cultivated or appreciated. On the other hand, admirers of German and American efficiency point out that in all the States technical education receives insufficient attention and support, and urge more and better provision for scientific training in agriculture.

No doubt there is some truth in these criticisms. A young community is apt to look for tangible results, and to be uncertain as to the value of pure scholarship. But there are signs that spiritual values are not altogether ignored, either in the schools or by the public generally. Australian artists have received very generous treatment by their fellow-countrymen, although too often only after their merits have been recognized abroad. The faculties of arts are not neglected. There is a chair of music in Melbourne and a State conservatorium of music in Sydney. The regular theatre has almost disappeared, but there are numerous and active repertory societies in the capital cities, and amateur dramatic societies in many country towns. The many learned and quasi-learned societies carry on with little if any support from

public funds. The standard of journalism is fairly generally said to be high, and the press is on the whole at least decent and restrained. These are signs that the popular concept of a standard of living is being transmuted into a concept of a standard at which life should be lived.⁵

‘Our workers,’ said an Australian politician, ‘enjoy a higher standard than those of almost any other country. This means that, in international trade, countries having lower standards of wages and conditions for their workers are able more effectively to compete with Australia. From this it follows that any action taken to increase the standards of living in other countries which are in competition with us must be of material benefit to the Commonwealth.’ On this, if on no higher ground, the Commonwealth might have been expected to co-operate to the fullest extent with the International Labour Organization. The fact that, of the fifty-four Conventions adopted by the International Labour Conference, up to December, 1936, Australia had ratified only ten calls for explanation.

The Commonwealth has hitherto taken the view, firstly that legislative provision for the subject matter of a Convention should precede ratification, and secondly that it cannot ‘merely by making promises to foreign countries, clothe itself with legislative authority’ to make laws dealing with matters left by the Constitution to the States. It has recognized its obligations under paragraph 5, of article XIX of the Constitution of the I.L.O. to bring Draft Conventions before the authorities within whose competence the matter lies by referring them, if at times a little tardily, to the Executive Councils of the States. In 1929 the Commonwealth intimated to the States that it would be prepared to ratify any convention to the provisions of which the States had given effect under their legislation, and in respect of which the States had given an assurance that they would not modify such legislation so as to make it inconsistent with the provisions of the Constitution, without previous consultation with the Commonwealth. It was also pointed out that it

5. See Supplementary Paper C4.

would be necessary for all six States, and not some of them only, to give legislative effect to the provisions of a Convention before the Commonwealth could proceed with ratification. Since the States have no power to enter into agreements binding upon successive parliaments in such matters, and since it is difficult to secure concerted action by six different legislatures, nothing substantial resulted.

Until quite recently a majority of those qualified to speak with authority upon constitutional questions would have argued that the Commonwealth cannot legislate upon a matter otherwise exclusively within the powers of the States simply because it had entered into an international agreement. Since the judgment in the *King v. Burgess, ex parte Henry*, this cannot be maintained with the same confidence. In that case⁶ the question was: Had the Commonwealth power to implement the Air Navigation Convention by legislation or regulation or both? More precisely, the issue was, could a Commonwealth Act made in pursuance of its power to legislate in respect to external affairs cover intra-State flying, since no general control of civil aviation had been specifically conferred on the Commonwealth? The answer was Yes. This decision is generally interpreted to mean that the power to legislate with respect to external affairs is of very wide amplitude, and that having entered into an international agreement, the Commonwealth has power to legislate, in order to implement the agreement, even with respect to matters otherwise subject to the jurisdiction of the States only. Two of the justices, indeed, referred in their judgments expressly to the International Labour Conventions. The other justices expressed themselves less decidedly, and since the decision on this particular point was not necessary to the judgment, the *obiter dicta* of the judges referred to cannot be taken to have settled the matter beyond dispute.

The legal position seems to be correctly stated by a writer in a recent issue of *The Australian Quarterly*:

‘The Commonwealth Parliament has full power to legislate in furtherance of an international convention which deals

6. (November 10, 1936) 55 C.L.R. 608.

with a subject not ordinarily within the powers of the Commonwealth and by such legislation to provide for the regulation of matters of internal concern, if the subject matter is clearly one of international concern, such as civil aviation. But if the subject matter is not of this description, the facts and the circumstances of the case must be examined in order to see whether it can properly be described as an "external affair." In any event, such legislation must be limited to the actual enforcement of the provisions of the convention, with which it must correspond.⁷

The basic cause of Australia's shortcomings with respect to the Conventions is undoubtedly public apathy. The Australian people would agree whole-heartedly that 'universal peace can be established only if it is based upon social justice,' and that 'labour unrest caused by unsatisfactory conditions of labour, imperils the peace of the world.' They believe in the aims and ideals of the League of Nations and the I.L.O. But if they displayed a more active interest, any legal doubt at least would soon be resolved.

7. *The Australian Quarterly*, December, 1937—W. Anstey Wynes: "The Commonwealth Parliament and Trade Conventions." The article by J. Staricoff in *International Labour Review*, November, 1935 ('Australia and the Constitution of the I.L.O.'), should be read, critically.

VI

THE ECONOMIC STRUCTURE

THE economic development of Australia is frequently discussed in terms which suggest that the establishment of the Commonwealth meant a break in economic tradition and a new start. This is certainly not true.

The broad outlines of the Australian economic structure were laid down in the decade after the gold rush. Those outlines have been developed, and the development may have been accelerated, but the structure as it exists to-day is, in the main, the result of evolution.

The establishment of the Commonwealth meant the initiation of a national effort to realize ideals which had been widely held, if not predominant, in the separate colonies, and much that has since been done by the Commonwealth for the whole of Australia would have been done by the six separate governments for the several colonies had federation never been accomplished. Before federation, New South Wales was predominantly free trade and Victoria uncompromisingly protectionist, with the other colonies more inclined towards protection than free trade. But in the nineteenth century many Australian industries enjoyed a measure of natural protection that was afterwards lost, and there is little doubt that the attempts to realize the same ideals would have resulted in similar policies in all the colonies.

The economic structure of the country may, because of the attention that has been drawn to the tariff, the arbitration courts, and the marketing schemes, give an impression of being highly artificial. This artificiality is more apparent than real. The tariff is subject to continuous critical scrutiny by a very competent and experienced tribunal, the Tariff Board, and every endeavour is made to prevent or reduce uneconomic developments. The arbitration courts can and do have regard for general economic conditions so that adjustments are made more equitably and with less friction

and suffering than under a system of *laissez faire*. Certain primary products are subject to marketing schemes involving controlled production or controlled export and tariff protection, but with the exception of sugar, a very special case, the commodities subject to control play a relatively minor part in the whole economy. The principal rural products, wool, wheat, and live-stock (including meat) are not subsidized or subject to regulation. The small bonus paid to wheat farmers during the worst of the depression was a relief measure in a desperate emergency, and does not place wheat within the class of subsidized products.

Basically, the national welfare is still bound up with the great export industries. The authors of *The Australian Tariff* (1929) argued that if the economic development of Australia had been allowed to follow its natural course, mining would have grown least because of wasting resources, pastoral production would have grown steadily with the increase of the home market and expansion abroad, and manufactures would have grown most rapidly. The natural order of development has been accelerated and parts of the economic structure rendered less stable by attempts to realize national aspirations through economic policy. These aspirations or ideals are those of White Australia, the high living standard, and greater self-sufficiency, or, at least, 'a balanced economy.'

Two of these ideals may be left for the moment, to make their own appeal, but why should Australia seek self-sufficiency or 'a balanced economy'? There is undoubtedly something in what a recent writer¹ has said. 'Industrial self-sufficiency has somehow come to be regarded in modern times as the hall-mark of nationhood. In Australia we have set our heart on this ideal, and as a young nation we are very touchy about our nationhood, even as a young man is touchy about his manhood.' But there is more in it than that. Australia is a land of varied resources, many of which would be left unexploited for many years if left to be utilized in

1. Mr. H. Burton in *An Economic Survey of Australia* (Annals of the American Academy of Political Science), November, 1931.

their 'natural order.' And we are not sure that that time would be allowed us. The need for population, and the necessities of defence require that there shall be 'greater diversity of industry and employment, making for greater versatility and the development of various aptitudes in the population.'

How much of the existing economic structure is the result of natural growth and how much is due to attempts to realize national aspirations through economic policy, must be left in doubt. Whatever the cause, Australia now ranks among the highly developed industrial countries of the world. According to the 1933 Census, 32·1 per cent. of breadwinners were employed in the industrial group (factories, construction work, etc.), while only 20·3 per cent. were engaged in the agricultural, pastoral and dairying industries. According to calculations, made by Mr. E. W. Holden,² Australia has, next to England, the smallest percentage of her people engaged in the production of primary goods. Of the net value of recorded production in 1935-36, 46·4 per cent. was credited to factories and 53·6 per cent. to all primary industries.

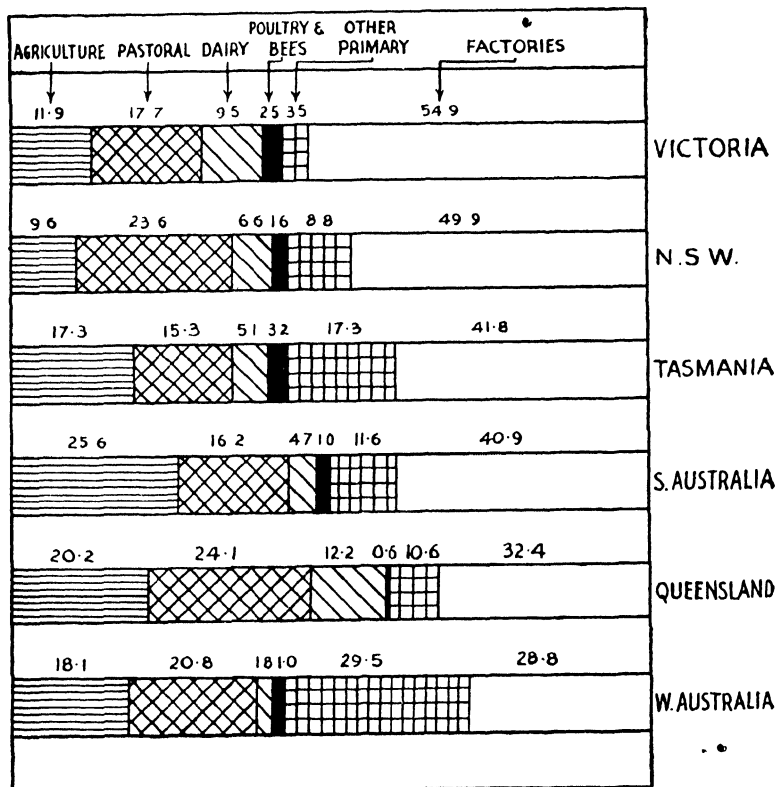
The development of secondary industry has taken place where it might have been expected, i.e., in the older, more closely settled States. New South Wales, with its abundant supplies of accessible black-coal, is the natural centre for the heavy industries. Victoria is as naturally the home of certain types of manufactures requiring abundant supplies of labour, and a considerable local market. Metal manufactures are located in New South Wales, and the textile industry in Victoria.

The most important secondary industries on the basis of value of output, numbers employed, and amount of salary and wages paid is that of industrial metals and machinery. Factories concerned with food-stuffs, non-alcoholic drinks and tobacco come next. Over 70 per cent. of the factories and over 75 per cent. of all factory employees are in New South Wales and Victoria. On the basis of the number of

2. Portus (Ed.): *What the Census Reveals*, p. 87.

employees per 10,000 of the population, Victoria is the most industrialized of the States. New South Wales comes next, while Western Australia is the least. As a broad generaliza-

PERCENTAGE OF NET VALUE OF RECORDED PRODUCTION
IN EACH STATE, 1935-36



Other Primary = Trapping (net), Forestry (net), Fisheries (local), and Mines and Quarries (local).

tion, Western Australia, Tasmania, South Australia and Queensland may be described as the primary producing States, and New South Wales and Victoria as the industrial States. Most of the secondary industries of the continent are indeed concentrated in Sydney and Melbourne and their

adjacent areas. Lest this should lead to a misconception, however, it is well to point out that nearly half of all Australia's sheep are in New South Wales and well over 60 per cent. in New South Wales and Victoria together, and these two States account for more than half the total wheat production. The fact is that this part of Australia is more closely settled and in a more advanced stage of development than the rest. It is generally agreed that the wider margin of undeveloped resources to be exploited in the future lies elsewhere—especially in Queensland and Tasmania.

PERCENTAGE OF NET VALUE OF RECORDED PRODUCTION
OF EACH GROUP IN EACH STATE

Group	N.S.W.	Vic.	Q'ld.	S.A.	W.A.	Tas.
Agricultural ..	9.6	11.9	20.2	25.6	18.1	17.3
Pastoral ..	23.6	17.7	24.1	16.2	20.8	15.3
Dairying ..	6.6	9.5	12.2	4.7	1.8	5.1
Poultry and Bee Farming ..	1.6	2.5	0.6	1.0	1.0	3.2
Other Primary ..	8.7	3.5	10.6	11.6	29.5	17.3
Factories ..	49.9	54.9	32.3	40.9	28.8	41.8
Total ..	100.0	100.0	100.0	100.0	100.0	100.0

The economic history of the last quarter of a century shows a tremendous increase of primary production with an ever-diminishing labour force. Some notion of the increase of production is conveyed by the following tables:

I

Year	Production of			Numbers of			
	Wheat	Wool	Butter	Sheep	Cattle	Horses	Pigs
	mill. bush.	mill. lb.	mill. lb.	mill.	mill.	mill.	mill.
1911 ..	95.1	798	212.1	96.8	11.8	2.28	1.1
1932-33	213.9	1062	420.4	112.9	12.8	1.77	1.2
1935-36	150.6	977	433.7	108.9	13.9	1.76	1.3

II

INDEX NUMBERS OF QUANTITY PRODUCTION (Primary Commodities)

(Base: Average 1923-24 to 1927-28 = 1000)

Year			Agricultural	Pastoral	Farmyard and Dairying	All Farming
1911	..	..	611	938	742	794
1932-33	..	..	1334	1212	1350	1276
1935-36	..	..	1096	1166	1415	1182

In 1911, 21·3 per cent. of breadwinners were employed in some form of 'farming'; in 1933, 20·3 per cent. The numbers employed in the later year were only about 80 per cent. of those in the former.

Any picture of the economic structure of Australia is incomplete which omits some detail concerning land settlement. In the older States especially, most of the land which is of much economic value is alienated or in process of alienation, a fact which must be taken into account in any schemes for increasing immigration, or for closer settlement. Over the continent as a whole, only 9·72 per cent. had been alienated or was in process of alienation at the end of 1935. Another 50·6 per cent. was under lease or licence. The remainder (about 40 per cent.) is mostly within the region where the rainfall is so low, or other natural conditions are so adverse, that no one can use the land.

Over far the greater part of the continent rainfall is the dominant control. In the poorer rainfall districts, very large areas must be grazed for every animal carried. The result is that in the 'outback' of Queensland, New South Wales, South Australia and Western Australia very large areas are utilized as sheep-runs, and in the Northern Territory, some of the cattle-runs are of enormous extent. These large holdings have spectacular attraction and give the notion, abroad, that Australia is a country of vast 'stations' or holdings. This is very far from the truth. Of the total 'holdings' over 80 per cent. were, in 1933-34, of less than 4,000 acres. Only 370 out of nearly 235,000 holdings were of 20,000 acres or more, and only 70 were of over 50,000 acres each. The

'most frequent' size for sheep flocks is from 2,000 to 5,000 head, and the most frequent area for sheep holdings from 1,000 to 5,000 acres.

Sheep are, in general, run in flocks over country devoted wholly, or very nearly so, to sheep grazing, but nevertheless about one-third of all the sheep in the country are on farms growing wheat, or, used for wheat growing and some other purpose as well. Single crop farming, on the other hand, is rather exceptional. In 1935-36, of 51,529 holdings growing wheat in the four States³ chiefly concerned, 39,017 also carried sheep, at least 29,842 carried dairy cattle, and over 22,000 carried pigs. What these figures mean in terms of single crop or other farming is not immediately apparent, but it is safe to say that not more than one in eight of those who grow wheat, grow wheat only, and of these, only a proportion would depend upon wheat as a sole source of income.

The attention directed recently to the Australian system of 'orderly marketing' has led to the suspicion that at least a part of the Australian economic structure is inherently unstable and insecure. In the sense that if our sugar, butter, dried fruits and certain other industries were left exposed to the full force of unregulated competition, they would be obliterated or drastically reduced, this is true. But that is true also of many of our secondary industries, and of some industries in all countries. Sugar is a special case. The maintenance of an artificial price for sugar was part of the price Australia was prepared to pay to secure the abolition of coloured labour in the Queensland cane fields, and to encourage the settlement of a white population in the tropical regions. But the expansion of dairy farming and dried fruit production was encouraged after the war in the belief, not then unreasonable, that the world market for butter and dried fruits would continue to expand, and that the marketing of exports would present no serious problems. The spread of economic nationalism, however, profoundly altered the whole position, and the adoption of orderly marketing in order to maintain a home price higher than the world price

3. New South Wales, Victoria, South Australia and Western Australia.

was, in part, a response to the new conditions. It was also, in part, an attempt to extend protection, so long afforded the secondary industries, to some of the primary industries. It was this system of orderly marketing which was attacked successfully in the very important constitutional case of *James v. Commonwealth*.⁴ Since that decision these schemes can have no statutory base, and are operated on a purely voluntary basis by the producers.

Even in the absence of restrictions upon production this 'orderly marketing' system is more nearly self-regulating than is commonly supposed. If local production increases more rapidly than local consumption the 'surplus' that must be exported forms an increasingly larger proportion of the total output, and the net return to producers approaches more and more nearly to the world parity level which the whole scheme is designed to avoid. Nor can this be obviated simply by increasing the local price, for each increase tends to reduce demand and throw more of the produce into the export trade. Unless, therefore, local consumption can be kept in step with production, the net return to producers can only be kept much above the world parity level by limiting production, as is done, for example, in Queensland with respect to sugar cane, and in New South Wales with respect to rice.⁵

4. 55 C.L.R. See *The Economic Record*, December, 1936—K. H. Bailey and L. F. Giblin: 'Marketing and the Constitution,' and Duncan (Ed.): *Marketing Australia's Primary Products*; N. Cowper: *Organized Marketing Under the Constitution*.

5. For these 'stabilization' schemes see *Marketing Organization*, in *Annals of the Amer. Acad. of Pol. Sc.*, November, 1931.

For butter, a voluntary scheme, known as the Paterson scheme, operated from January, 1926, to May 1934. Under this scheme, a levy was imposed on all butter produced in Australia sufficient to pay a bounty of from 3d. to 4½d. per lb. on the butter exported. The effect was to raise the local price by the amount of the levy per lb., while the return to producers was increased by approximately the difference between the rate of bounty paid and the rate of the levy charged. This scheme was, in effect, made statutory by the Commonwealth Dairy Produce Act, and complementary legislation in four of the States. Since the *James (Dried Fruits)* case decided that trade between the States cannot be regulated, this legislation was invalidated, and this scheme is once more operated on a voluntary basis.

The marketing of dried fruits was regulated by Commonwealth and State legislation. The Commonwealth Act prohibited all interstate trade in dried fruits except under licence, which would not be given unless the quotas imposed by State laws were observed. The quota was the percentage of his produce which a grower might market anywhere in Australia. This was determined by a Dried Fruits Control Board in each State.

Orderly marketing in the sense in which the phrase has hitherto been used must be distinguished, on the one hand, from the organized marketing by the Commonwealth, or under federal legislation, of exports without any attempt to control the home trade; and on the other hand, from State marketing schemes designed to regulate competition amongst producers and avoid its worst effects. The aim of the former is to secure that Australian exports shall be sold abroad under conditions likely to establish and maintain a good name for Australian products, and at such times as will secure for producers the best prices the market can offer. 'Marketing' of this kind is obviously in the best interests of all parties, is not peculiar to Australia, and raises no special problems of an economic nature. The State marketing schemes do, however, present some interesting and perhaps novel features and, on the whole, operate to stabilize prices and strengthen the economic structure.

The system of marketing control referred to originated in Queensland. The Wheat Pool Act of 1920 provided for the appointment of a Board, to be known as the State Wheat Board, of such number of representatives of growers and other persons as the Minister thought proper, one of whom was to be appointed chairman. The Board was empowered to 'sell or arrange for the sale of wheat, and do all acts, matters and things necessary or expedient in that behalf.' Subject to certain exemptions, all wheat grown in Queensland was to be delivered to the Board, or their authorized agents.

In 1922, the Primary Products Pools Act provided for the constitution of Boards representing growers of specified commodities and conferred certain powers with respect to the marketing of the commodities for which Boards were constituted.

Wheat became a specified commodity under this Act in 1925, and the Act itself was amended and in certain respects extended by the Primary Producers Organization and Marketing Acts 1926 and 1932. Now Boards exist for the marketing of arrowroot, Atherton maize, barley, broom millet, butter, canary seed, cheese, cotton, eggs, fruit, honey,

northern pigs, peanuts, plywood and veneer, as well as wheat. The essential principles of control are the same for all Boards—that of the sole right to sell, or determine who shall sell within the State, so much of the commodity it represented as was produced within the State.⁶ Because of certain constitutional limitations a State Parliament can confer no wider powers on the Boards.

From Queensland this type of legislation spread to New South Wales, where the Marketing of Primary Products Act was passed in 1927 as the direct outcome of a decision by the Conference of Producers and Consumers held in Bathurst in September, 1926. This Act embodied the fundamental principles of the Queensland legislation with the rather important difference that in New South Wales initiative in the constitution of a Board is entirely with the producers concerned. The Act also provided for the establishment of a State Marketing Bureau with specified functions of record and research, the dissemination of information, etc. The original Act was amended in 1928, 1930, 1931, 1933 and 1934 without departure from the fundamental principles of the original measure.

Under these Acts, Boards have been constituted in New South Wales for the marketing of rice, eggs, honey, wine-grapes and bananas.

In December, 1935, the lead given by Queensland and New South Wales was followed by Victoria. The Marketing of Primary Products Act of that State is substantially a copy of the New South Wales Act 1927-1934. Two Boards have so far been established in Victoria, for the marketing of eggs and onions. A Marketing Bill introduced into the Tasmanian Parliament in 1936 was defeated in the Upper House.⁷

6. *Peanut Marketing Board v. Rockhampton Harbour Board*—‘the marketing of primary products legislation cannot operate to control any portion of a commodity which the producer desires to use in interstate trade.’

7. See generally, on matters dealt with in this chapter, Supplementary Paper B1.

VII

OVERSEAS TRADE

AUSTRALIA'S principal exports are wool, wheat and flour, gold, butter, meat, hides and skins. The principal imports are piece goods of canvas, cotton, linen, silk and artificial silk; motor cars, chassis, bodies and parts; petrol and oil; drugs, chemicals, etc.; iron and steel in pipes, tubes, plates and sheets; electrical machinery and appliances; tea; paper for printing; motive power machinery; stationery and paper; bags and sacks; apparel; yarns; carpets and carpetry.¹

During recent years wool has accounted for from 35 per cent. to 40 per cent. of the value of all exports, and with wheat and flour, for more, sometimes considerably more than 50 per cent. The extraordinary preponderance in the value of exports of these two commodities and especially of wool is a fact of first importance, not only in interpreting our external economic relations but in interpreting cyclical fluctuations in our internal prosperity. No single commodity or group of commodities occupies so dominating a position among imports, but piece goods represent about 12 per cent. and the total value of the commodities specified above is about 50 per cent. of the total. (See table on next page.)

Until the eighteen-eighties, Australian external trade meant overwhelmingly trade with the United Kingdom. Then direct communication was regularly established with certain Continental countries and the trade with Britain, although it increased absolutely, declined relatively. The history of our overseas trade this century falls into two periods—before and after the outbreak of the Great War. Until the war, about 70 per cent. of our total trade was with

1. The order in which imports should be listed depends upon the classification adopted. A different classification from that above, but commonly used gives apparels, textiles, etc.; metals, machinery and manufactures; oils, fats and waxes; paper and stationery; foodstuffs and non-alcoholic beverages, etc.

AUSTRALIA

Value of Exports and Percentage to Total
(Values in Australian Currency)

Article	1911 to 1915-16		1926-27 to 1930-31		1931-32 to 1935-36	
	Total Amount £m.	% to Total %	Total Amount £m.	% to Total %	Total Amount £m.	% to Total %
Wool	24.7	34.5	51.3	40.1	43.4	36.9
Wheat and Flour ..	8.0	11.2	21.3	16.7	18.4	15.6
Butter	3.0	4.3	6.8	5.3	9.3	7.9
Meats	6.5	9.1	5.7	4.4	7.4	6.3
Hides and Skins ..	3.8	5.3	7.6	5.9	3.6	3.1
Fruits- Dried and Fresh	0.4	0.6	3.7	2.9	4.3	3.7
Stones and Minerals, etc	4.1	5.8	1.9	1.5	1.1	0.9
Metals, Metal Manufactures of Machinery ..	5.8	8.1	5.5	4.3	4.9	4.2
Gold	7.1	9.9	11.2	8.8	12.8	10.9
Other	8.0	11.2	12.8	10.1	12.4	10.5
Total	71.4	100.0	127.8	100.0	117.6	100.0

Source: *Report of the Royal Commission on Banking*, p. 347.

PRINCIPAL COMMODITIES IMPORTED INTO AUSTRALIA
(Million £ Sterling)

Article	1935-36	1936-37	Article	1935-36	1936-37
Piece Goods ..	9.7	9.9	Brought forward	37.7	38.8
Motor Cars ..	6.5	6.4	Motive Power Machinery ..	1.9	2.8
Petroleum and Lubricating Oil ..	6.0	5.8	Stationery and Paper ..	1.8	1.7
Drugs, Chemicals, etc	4.4	4.5	Bags and Sacks ..	1.7	1.7
Iron and Steel, Pipes and Tubes, Plate and Sheet, etc. ..	3.6	3.3	Apparel ..	1.7	1.7
Electrical Machinery and Appliances ..	3.4	3.9	Tobacco ..	1.6	1.7
Tea	2.1	2.4	Yarns ..	1.2	1.2
Paper for Printing	2.0	2.6	Carpets and Linoleum ..	1.6	1.7
Carried forward ..	37.7	38.8	All other ..	27.1	41.2
			Total ..	76.3	92.5

Source: Commonwealth Bureau of Statistics, *Overseas Trade Bulletin*, 1935-36.

the United Kingdom, the United States, Germany, France and Belgium. Since the war, the trade with the United Kingdom and Northern Europe has declined relatively, while trade with the United States, Japan and the Netherlands East Indies has relatively increased. In the following table the distribution of our total trade during the quinquennium 1909-1913 is set out in percentages, side by side with the distribution during the past two years:

AUSTRALIA

Total Trade—Percentage Distribution

Country	Quinquennium	Years	
	1909-1913	1935-36	1936-37
United Kingdom	52·1	46·0	45·8
Other British Countries	14·4	13·0	13·8
United States	6·7	11·0	12·7
Japan	1·4	9·8	5·4
Belgium	5·5	3·3	3·8
France	6·2	3·1	3·4
Germany	7·9	2·5	3·2
Netherlands East Indies	·9*	3·1	3·4
Other Countries	4·9	8·2	8·5
	100·0	100·0	100·0

* Java only.

During the year ended June 30, 1937, Australia carried on trade valued at £221·7 million (British currency values) with 136 different countries. About 46 per cent. of this was with the United Kingdom (£101·5 million), about 12½ per cent. (£28·0 million) with the U.S.A. and over 5 per cent. (£11·8 million) with Japan. The other leading places were taken by Belgium (£8·3 million). Canada (£7·9 million), Netherlands East Indies (£7·3 million), France (£7·2 million), Germany (£7·0 million) and New Zealand (£6·1 million).

The order in which the principal countries have contributed to our import trade up to the war period, and during the recent years, may be gathered from the following:

AUSTRALIAN IMPORTS—PERCENTAGE OF IMPORTS FROM EACH COUNTRY TO TOTAL IMPORTS²

Country	Yearly Average for Quinquennial Periods			
	1899-1903	1904-1908	1909-13	1914-15 to 1918-19
United Kingdom	58·76	60·41	59·77	47·11
Other British Countries ..	12·12	13·42	12·75	18·37
United States	13·59	11·55	11·37	21·82
Germany	6·41	7·02	6·44	0·37
France	1·28	1·02	0·81	0·25
Belgium	1·09	1·84	2·57	0·14
Japan	0·74	1·04	1·20	5·62
Other Foreign Countries ..	6·01	3·70	5·09	6·32
	100·0	100·0	100·0	100·0

Country	Average for Financial Years					
	1930-31	1931-32	1932-33	1933-34	1934-35	1935-36
United Kingdom	39·60	40·63	42·54	43·35	43·62	41·50
Other British Countries ..	14·44	15·89	15·85	16·32	15·32	16·13
United States	19·39	16·43	14·60	13·52	15·64	17·05
Germany	3·40	3·33	3·33	3·32	3·04	3·63
France	2·55	2·67	2·15	1·65	1·22	0·97
Belgium	0·53	0·66	0·71	0·63	0·68	0·70
Italy	1·12	1·06	1·22	1·01	0·79	0·54
Sweden	1·40	1·62	1·06	1·35	1·17	1·19
Japan	4·05	5·59	6·38	6·34	6·55	6·09
Other Foreign Countries ..	13·52	12·12	12·16	12·51	11·97	12·20
	100·0	100·0	100·0	100·0	100·0	100·0

2. *Commonwealth Year Books*, No. 14, p. 50, and No. 29, p. 254; *Overseas Trade Bulletin*, 1935-36.

The direction of our export trade is indicated by the following table:

AUSTRALIAN EXPORTS—PERCENTAGE OF THE EXPORTS TO
EACH COUNTRY OF THE TOTAL EXPORTS

Country	Yearly Average for Quinquennial Periods			
	1899-1903	1904-1908	1909-13	1914-15 to 1918-19
United Kingdom	49·56	46·88	45·14	53·46
Other British Countries ..	23·68	19·92	15·84	20·60
Japan	0·42	1·35	1·58	3·81
Belgium	3·53	6·12	8·19	0·21
France	5·83	8·85	10·86	2·52
Germany	5·39	8·00	9·21	0·11
United States	6·92	3·87	2·74	11·44
Other Countries	4·67	5·01	6·44	7·85

Country	Average for Financial Years					
	1930-31	1931-32	1932-33	1933-34	1934-35	1935-36
United Kingdom	44·28	49·97	47·66	47·78	52·11	49·32
Other British Countries	11·03	9·22	9·55	8·24	10·71	10·75
Japan	10·50	12·08	11·66	12·21	11·72	14·26
Belgium	4·64	3·71	4·13	6·56	5·89	5·86
France	7·46	4·80	6·15	5·72	4·59	4·95
United States	3·24	2·06	1·36	2·18	2·67	4·53
Other Countries	18·85	17·16	19·49	17·31	12·31	10·33

Source: *Commonwealth Year Books*, No. 14, p. 508, and No. 30, p. 506.

United Kingdom

During the period 1933-34 to 1935-36 Australia imported from the United Kingdom about £ stg. 30m. annually. The principal classes of imports, and their relation to total imports during the same period, are shown in the following table:

AUSTRALIA

Imports from United Kingdom and All Countries
(Values in £ sterling million)

Principal Imports (and All Imports)	From United Kingdom (a)			From All Countries (b)			% Aver. (a) of Aver. (b)
	1933-34	1934-35	1935-36	1933-34	1934-35	1935-36	
	£	£	£	£	£	£	
Apparels, Textiles, Yarns, etc.	8·75	10·15	9·48	15·99	17·74	17·29	56
Metals, Metal Manufac- tures and Machinery	8·25	11·01	13·55	13·05	19·30	25·21	57
Paper and Stationery ..	2·68	2·82	3·05	4·30	4·76	5·23	60
Drugs and Chemicals ..	1·44	1·56	1·90	3·38	3·53	4·37	43
Earthenware, Crockery, Glass, etc.	·52	·71	·88	1·02	1·38	1·69	52
Whisky	·43	·47	·55	·43	·48	·55	99
Optical, Surgical, and Scientific Instruments	·34	·36	·38	·99	1·07	1·22	33
Foodstuffs of Animal Origin	·22	·24	·25	·94	1·25	1·41	20
All Articles	25·1	30·8	33·8	60·7	74·1	85·2	40

Australian exports to the United Kingdom for the five years ending June, 1936, averaged about £A64m. The total value in 1936-37 was £A103m.

For some years past, from 30 to 40 per cent. of the wool, from over 50 to 60 per cent. of the wheat, from over 80 to about 90 per cent. of the butter and cheese exported, have gone to the United Kingdom. Taking the year 1934-35 as fairly representative of the position since the Ottawa Agreement, we find that 98 per cent. of the lamb, 95 per cent. of the mutton, 99 per cent. of the eggs, 83·5 per cent. of the currants, 64 per cent. of the sultanas, 94·7 per cent. of the pears, 83·5 per cent. of the canned prunes and 95 per cent. of the wine exported have gone to that market. For range and volume of commodities taken, no other market for Australian exports can be compared with that of the United Kingdom. Wool, wheat, butter and meat from Australia are admitted to the United Kingdom duty free, and of these, all but the last without quantitative restrictions.

Australia ranks third among all countries and second among Empire countries as a buyer of British goods. That a population of 6,800,000 should buy more than the millions of China or Japan is in itself significant, but it is doubtful whether the precise value of the Australian market to Britain has ever been sufficiently examined. Its value lies not only in the total of the annual purchases, but in the kind of goods purchased. Certain grades and qualities of British goods can only be sold in countries where purchasing power and living standards are relatively high. Australia is such a country, and any alteration in its tariff or trade policy is quickly felt in certain parts of the business world of the United Kingdom. Nothing but good should result if it were generally realized that there is a very direct connection between the prosperity of certain sections of British industry and conditions in Australia.

A high degree of mutual dependence has developed between the economic systems of the two countries, and neither could lose any substantial part of the market provided by the other without feeling the loss immediately, and being forced eventually to undertake a painful reconstruction of at least part of its economic structure. For the present, and for some time to come, the dependence of Australia is greater and more obvious, though that of Britain is no less real. Our wool is bought by the United Kingdom from the same inevitableness as leads us to buy our petrol largely from the United States. But we have developed the production of wheat, butter, dried fruits and certain other commodities in the expectation that exports would always find a market. Since the spread of economic nationalism has shut other markets against us, dependence upon the British market for the sale of some of these commodities is virtually complete. A closer study of this mutual dependence should bring fuller understanding, and closer sympathies. In the past, too, much attention has been directed to the activities of trade rivals, and too little to the needs and tastes of consumers and the problems that face the producers. If, in each country, the question were asked more frequently: What can we do to

enhance the prosperity of the other? the similarity of tastes, the common language, the currency ties, and all the other bonds of union between them, would ensure that benefits conferred would be returned, if only 'after many days.'

The relative decline in the proportion of our trade with the United Kingdom to our total trade is undoubted. It is sufficiently explained by Mrs. Windett. The United Kingdom has not expanded her imports of wool, wheat, hides and skins as rapidly as we have expanded our exports of these commodities. Nor has she been able to secure a predominant position in our markets for certain newer manufactures.³ But it does not follow that our trade with the United Kingdom is less important or regarded by us as being less important than it was. What has been lost in size, has been gained in kind. The feeling in Australia is: we can always market our wool, hides and skins, and perhaps our wheat and metals, but if the British market is not kept open for our butter, meat and dried fruits, the outlook for us is not bright. The only visible opportunities for expansion in our primary industries lie, or seem to lie, in dairying and mixed farming, and closer settlement on irrigated lands. Hence the importance attached to the export market in the commodities named.

Trade with Other British Countries

Australia's trade with British countries other than the United Kingdom forms an appreciable proportion of its total trade.

This part of our trade has constituted about 12 per cent. of the whole for many years. Imports normally exceed exports, the only important country of the group with which we have a favourable trade balance being New Zealand.

There has always been an idea that trade with 'other British countries,' if less admirable than that with the United Kingdom, is more deserving of encouragement than trade with foreign countries, and although it would be difficult to prove that Australia has ever made material sacrifices for the sake of other members of the imperial group, the fact should not be ignored or completely discounted.

3. See N. M. Windett: *Australia as Producer and Trader*, p. 35 *et seq.*

AUSTRALIAN IMPORTS FROM BRITISH COUNTRIES OTHER THAN UNITED KINGDOM

(Excluding Gold, Bullion, Specie and in matte)

Values (in £ sterling million)

Country of Origin	1929-30	1930-31	1931-32	1932-33	1933-34	1934-35	1935-36
Canada	3.50	1.38	1.39	2.31	2.92	4.09	5.38
Ceylon	2.13	1.06	.60	.62	.72	.80	.96
India	5.02	3.78	2.78	3.42	2.93	2.54	2.73
Malaya (Br.) ..	.81	.27	.27	.27	.32	.56	.49
New Zealand ..	1.51	.77	.79	.73	1.20	1.29	1.55
Pacific Islands ..	1.49	.70	.65	.85	.70	.84	1.04
Union of South Africa	.30	.08	.06	.10	.13	.18	.28
Other British Possessions	.87	.42	.35	.46	.55	.51	.72
a. Total British (except U.K.) ..	15.60	8.50	6.80	8.70	9.40	10.82	13.16
b. Total all Countries	129.2	58.80	42.85	55.38	60.00	70.58	81.55
Percentage a of b	12%	14.4%	15.9%	15.9%	16.3%	15.3%	16.13%

AUSTRALIAN EXPORTS TO BRITISH COUNTRIES OTHER THAN THE UNITED KINGDOM

(Excluding Gold, Bullion, Specie and in matte)

(Values in £A million)

Country	1929-30	1930-31	1931-32	1932-33	1933-34	1934-35	1935-36
Canada ..	.74	.96	1.03	1.21	1.27	1.44	1.32
Ceylon ..	.51	.37	.31	.33	.42	.65	.97
Fiji ..	.46	.36	.27	.35	.32	.76	.48
Hongkong ..	.34	.38	.74	.77	.51	.72	.62
India ..	3.23	2.23	.75	.83	.61	.79	.97
Malaya (Br.)	1.39	.82	.92	.96	1.02	1.32	1.26
Mauritius ..	.07	.05	.10	.09	.11	.10	.96
New Zealand	3.62	2.98	2.60	2.77	3.03	3.62	4.40
Papua ..	.17	.14	.12	.13	.13	.15	.17
Union of South Africa ..	1.05	.50	.37	.23	.28	.32	.45
Other British Possessions	1.22	1.19	1.67	1.73	1.72	1.60	2.56
a. Total British (except U.K.)	12.8	9.98	8.90	9.40	9.38	11.05	13.31
b. Total all Countries ..	56.2	90.46	96.51	98.40	113.87	103.17	123.85
Percentage a of b ..	23%	11.03%	9.22%	9.55%	8.24%	10.71%	10.75%

Apart from special agreement, these countries rank with foreign countries for tariff treatment. But special agreements have been made from time to time with South Africa, Canada and New Zealand, and most of the others come within Article XV of the Ottawa Agreement. By that Article the Commonwealth undertakes to accord to the non-self-governing Colonies and Protectorates, and to the British Mandated Territories of Tanganyika, the Cameroons and Togoland, preferences in the commodities specified in a schedule to the Agreement, and also, on the request of the British Government, any preferences for the time being accorded to the United Kingdom. This undertaking does not operate, however, in favour of any Colony or Protectorate which, not being precluded by international obligations from according preferences, either accords no preferences to Australia, or with certain exceptions, accords to some other part of the Empire preferences not accorded to Australia. An examination of our tariff schedules will show that a good deal has been done to honour this commitment.

India is not included within the countries covered by Article XV; there is no trade agreement between the two countries, and neither has special trade representation in the other. For tariff purposes each ranks in the other with non-Empire countries.

For some years about 3 per cent. of our exports have gone to India and something less than 1 per cent. of our imports have come therefrom. It has been frequently argued that the teeming millions of India offer an unlimited market for our products. The assumption was examined in considerable detail by the Australian Trade Delegation which visited India, Burma and Ceylon between October, 1935, and January, 1936. Their findings did not give much support to this contention. The population likely to buy Australian exports is extremely limited and not likely to increase very rapidly. Nevertheless, it was pointed out that there is a market, and if it is to be developed the market must be studied and new marketing methods adopted.

There is a good deal of evidence that where the White

Australia Policy is understood in India, it is approved. It is so much in harmony with the popular Indian policy of India for the Indians. But though it is widely known that Australia does not welcome Indian immigrants, the reasons are not well known, and the fact creates a prejudice which can only be destroyed in course of time. For the present, this prejudice is going to make the sale of goods definitely identified with Australia, a little more difficult than it might otherwise be. This is important, for if our exports to India are to increase in range, goods must be marketed so as to secure goodwill for trade names. At present our chief exports are zinc, wool, tallow, wheat and horses, in connection with which the above consideration has little, if any, application.

The important imports are bags, sacks, and wool packs. The opportunities for extending trade do not seem at present very bright from either side.

Australia is *Ceylon's* third best customer and ranks fourth among the countries exporting to Ceylon. Imports have grown steadily since 1931-32 and exports there have more than doubled in the same period. The chief imports are tea and rubber, and the leading exports flour and silver. Australia already supplies nearly the whole of Ceylon's imports of wheat, flour, butter and frozen beef. Other markets seem to be available if we can learn to develop them.

A small but flourishing trade is done with *British Malaya*. The general trend during the past few years is indicated by the following table:

	1931-32	1932-33	1933-34	1934-35	1935-36
Imports of British Malayan Origin (£ stg.)	276,654	271,639	328,720	563,246	489,484
Exports of Australian Produce to British Malaya (£ A) ..	919,827	962,060	1,015,315	1,315,832	1,263,526

The Ottawa Agreement secured a notable advantage in this market for our butter, brandy, wines, canned fruit and vegetables, condensed milk and confectionery. Exports of

butter were worth £A52,010 in 1932-33 and over £A90,000 in 1935-36; exports of spirituous and alcoholic liquors increased from £A8,668 in the former year to £A59,400 in the latter. Fruits exported thither, fresh and preserved, were worth £A30,504 in the Ottawa year and £A45,509 in 1935-36. Exports of milk and cream constituted an important item in 1931-32 (£A311,913) and increased to £A394,172, although the figure for 1935-36 (£A319,474) was smaller. Flour is usually the largest export item by a considerable margin, but a wide range of our produce is marketed in Singapore and thereabout.

As the table shows, imports are considerably less in value than the exports, even when allowance is made for the difference in currency. The only considerable import item is crude rubber, although sago, tapioca and spices are worthy of mention.

Until 1922 the *Union of South Africa* was the only British Dominion with which Australia had a reciprocal tariff agreement. That agreement was made in 1906 and lasted until 1926. In 1936 each agreed to accord most-favoured nation tariff treatment to the other.

The natural resources of the two countries are in many respects similar. Both are important wool producers and exporters of dairy produce and fruit, and both are in the Southern Hemisphere. They are, therefore, trade rivals rather than mutual traders and the interchange between them is not very great.

Australia imported goods in 1935-36 to the value of £284,846 sterling, of which diamonds accounted for £129,074 sterling, and crude asbestos for £63,935 sterling. The only other item worth specific mention was fish (£31,594 sterling). Australian exports to the Union in the same year were valued at £A449,056 (say £358,527 sterling). The most important single item is timber, and for some years large quantities of our hardwoods have been marketed there. In some years we also export large quantities of wheat and agricultural machinery, but in both, the trade fluctuates a good deal.

A study of the trade statistics suggests a figure of about

£6 million per annum as a measure of our normal post-war trade with *Canada*. During the depression, trade declined to less than half this total, but there has been a rapid recovery. The chief imports are motor car chassis and parts, newsprint, timber, tinned fish, piece goods and films, and a wide range of other commodities are also purchased. The chief exports are dried fruits and wool, but appreciable quantities of flour, sugar, tallow and wine are also exported.

Trade agreements between the two countries have been in existence since 1925. That now operating was concluded in 1931, and although supplemented or amended in detail by Orders-in-Council at the Canadian end, and by tariff resolutions and validating Acts at the Australian, it is in substance still effective. The agreement provides for an exchange of British preferences with a special schedule. The general principle is that where the schedule does not provide another rate, the British preferential scale operates.

The agreement has been of considerable value to both countries, but it has not realized all the hopes entertained for it when it was concluded in 1931. Exports of both butter and mutton especially were expected to increase considerably. The fact overlooked was that Canada is within the American economic system and that what she can buy often depends upon American policy. We sold only £12,446 worth of butter in 1931-32, and none at all for the next four years. In 1931, the American tariff was raised against imports of Canadian cream, which had hitherto moved across the border in large quantities each year. Unable to dispose of their cream in the United States, the Canadian farmers sent it to the butter factories. Amply supplied with their own butter, the Canadians ceased to want ours.

Mutton provides a parallel case. The depression in the United States, and the steps taken to succour American farmers, destroyed a lucrative trade in fresh meat from Canada. Hitherto, a large part of the Canadian pre-winter kill had gone to the United States, and as the winter progressed its place on the Canadian market was taken by ship-

ments from Australia and New Zealand. This shortage now ceased to develop, and Australian exports of mutton to Canada declined.

Dried fruits, on the other hand, have realized to some extent the hopes entertained in 1931. Canada now ranks next to the United States as a buyer of our sultanas and currants, and if the present tariff preference lasts, the outlook is promising. Australia has a virtual monopoly of the not very extensive Canadian market for soft-wheat flour, and we occasionally ship a good deal of sugar and wine. A trade representative is stationed in Canada, and a Canadian Trade Commissioner has his headquarters in Sydney. The feeling towards Canada is distinctly friendly. Canadians are regarded as being within the family—close relatives with whom we can quarrel when we like without expecting them to entertain permanent ill-feeling. But the history of our trade with Canada, and the special features of the Canadian economy should be more closely studied here than they seem to have been.

New Zealand was, at one time, within the jurisdiction of the Governor of New South Wales, and for many years the bulk of the imports into New Zealand came from (or by way of) Australia. In the 'sixties Australia supplied over 60 per cent. of the total, but thereafter the figure declined rapidly to between 10 and 12 per cent. and remained within those limits until 1925, when a further decline set in. Since 1929, there has been a recovery and this country is now credited with about 11 per cent. of the value of the imports.

Australian exports to New Zealand consist principally of iron and steel, machinery of various kinds, fruits, both fresh and dried, coal, and a quite extensive range of other commodities. The total value in 1935-36 was £A4,396,840. Imports from New Zealand consist of wool, smoked, dried and preserved fish, hides and skins, and a variety of primary commodities of specialized types. Timber to a considerable value moves both ways. The balance is greatly in favour of Australia. Aggregate values during the three years ending June, 1936, were:

Year	Imports from New Zealand	Exports to New Zealand
1933-34	1,392,469	2,962,335
1934-35	1,480,093	3,617,339
1935-36	1,773,250	4,396,840

Trade agreements between the two countries have existed since 1922, but that now in force was concluded in 1933. The general principle is that each country applies its British preferential tariff rates to the goods of the other, unless they are otherwise provided for by the treaty. Where they are otherwise provided for, the rates prescribed are in some cases at the intermediate level, and in others below the British preferential rate. Australian exports subject to the higher, i.e., intermediate tariff rate, are potatoes, fresh cherries, canned fruits, jam, soap, woollen textiles, certain metal manufactures, etc., which compete with the products of New Zealand's own primary or secondary industries. Australian wine and timber, on the other hand, enjoy rates below the British preferential level.

New Zealand is one of the few export markets for Australian manufactures. The tariff concessions, together with the natural advantages due to proximity, enable us to meet world competition in many items, although where our products are likely to compete with those produced locally, proximity induces a loading of the tariff against us. Certain types of metal, and especially steel goods, have moved from Australia to New Zealand in increasing quantities during recent years and the Australian iron and steel industry is now on competitive terms with Britain in that market.

It is scarcely necessary to say that in Australian statistics, New Zealand is not classified as among the *Pacific Islands*. Australia's trade with the islands thus grouped, amounted in 1935-36 to about £4m. sterling. The principal exports are flour and other foodstuffs of vegetable origin, tobacco, and a very wide range of commodities including oil of various kinds, wearing apparel and metal manufactures, about three-quarters of the whole being Australian produce.

Our imports from the Pacific Islands, British and foreign,

are principally gold (accounting for about half of the total) and rock phosphates (constituting another one-quarter). A large part of the remaining one-fourth is accounted for by copra, prepared coco-nuts, and crude rubber (all from Papua). By far the greater part of this trade is to and from British islands in the Pacific. The latter enjoy special tariff concessions by virtue of Article XV of the Ottawa Agreement and goods from Fiji and Norfolk Island are exempt from primage duty. Special preferences are accorded to Papua and New Guinea.¹

At one time, very extravagant hopes were entertained of the trade that might be developed with the Pacific. Besides copra, cocoa beans, coffee, tea, rubber, molasses and kapok were among the items expected to be imported in large quantities into Australia in the future. As yet we obtain our cocoa beans almost entirely from British West Africa, a little coffee is imported from Hawaii and other islands, by far the greater part of our rubber comes from British Malaya. Tea and kapok do not come from the Pacific, and the quantity of molasses is unimportant. An Australian Commission pointed out in 1918 that if New Guinea be omitted from the count 'there is far more land with far richer resources in Northern Queensland than in all the islands of the Pacific put together.' Nevertheless, the strategical importance of the islands is incalculable, their natural resources for the production of raw material likely to be increasingly important are considerable, and the problem of their effective exploitation is one which the Empire countries cannot afford to neglect but have scarcely attempted seriously to solve.

Statistics recording Australia's trade with the Pacific include Japan as a Pacific country. They, therefore, show a marked increase in the total trade, especially since the war. But if the Australia-Japan figures be excluded, it will be seen that our trade with the rest of the Pacific has undergone very little change.

1. The Customs Tariff (Papua and New Guinea Preference), 1934, permits the import into Australia of certain produce from these areas duty free, and of other produce at a special preferential rate. See *Commonwealth Year Book*, No. 29, 1936, p. 239.

Trade with Foreign (i.e., non-Empire) Countries

Roughly 40 per cent. of Australia's external trade is carried on with countries outside the Empire. Since about 60 per cent. of our wool and half or more of our wheat have usually to be sold to 'foreign,' i.e., non-Empire countries, it is inevitable that a large part of our imports should be obtained from them. The trade balance between Australia and these countries, as a whole, is always considerably in our favour, in spite of the fact that some commodities, like petrol, tobacco, coffee and timber, which cannot be obtained in sufficient quantities or suitable qualities from Empire countries, must be obtained from them.

These non-Empire countries form four rather different trading areas—Western European, East Indian, Far Eastern and American. The important countries of Western Europe are, from this point of view, France, Belgium, Germany, Sweden, Italy and Czechoslovakia. In the East Indian area are the Netherlands East Indies and Malaya. The Far East means predominantly Japan and China, although significant transactions take place with the Philippine Islands, Manchukuo, Kwantung and Siam. America means the United States, since the trade with all the rest of America (excluding Canada) does not now amount to half a million sterling a year.

Although Australia carries on some trade with every country in Europe, about 85 per cent. of the total is with the seven countries in the following table:

THE EUROPEAN AREA—AUSTRALIAN IMPORTS

British Currency Values

Country of Origin	1931-32	1932-33	1933-34	1934-35	1935-36	1936-37
	£	£	£	£	£	£
Belgium ..	282,131	391,294	368,219	477,684	568,083	783,393
France ..	1,145,829	1,195,470	956,335	862,147	790,108	865,919
Germany..	1,427,079	1,831,636	1,920,676	2,145,315	2,963,049	3,596,584
Italy ..	453,891	676,139	588,260	557,438	444,141	410,002
The Netherlands ..	361,405	461,674	389,669	504,573	564,236	679,192
Sweden ..	693,433	886,332	782,780	828,283	972,096	1,048,655
Czechoslovakia	197,402	260,944	260,249	353,796	394,521	467,107

EXPORTS OF AUSTRALIAN PRODUCE

Values in Australian Currency

Country of Origin	1931-32	1932-33	1933-34	1934-35	1935-36	1936-37
	£	£	£	£	£	£
Belgium ..	3,579,143	4,061,551	7,470,984	6,080,281	7,260,967	9,423,821
France ..	4,636,602	6,054,054	6,517,380	4,731,952	6,433,036	8,075,345
Germany ..	3,922,479	5,089,724	9,439,054	1,738,481	2,368,453	4,239,054
Italy ..	3,631,915	3,275,500	4,600,423	995,827	689,225	5,331,528
The Netherlands ..	509,712	306,193	455,328	927,723	1,200,638	1,983,225
Sweden ..	252,488	120,982	250,898	240,751	264,918	344,687
Czechoslovakia	21,172	38,635	94,489	103,988	614,419	1,127,018

France

A trade agreement with France was concluded towards the end of 1936, and the improvement in our export figures for 1936-37 may be partly the result. Under the agreement, Australia accorded most favoured-nation treatment; granted intermediate tariff rates on 96 tariff items and sub-items, and a reduction of primage duty on 72 tariff items; undertook to refer certain tariff items to the Tariff Board; and to market Australian wines in a manner which would proclaim their Australian origin. In return, France conceded minimum tariff rates on 20 items, including wool, hides and skins, wheat, barley, apples, meat, metals, etc.; agreed to abolish the exchange surtax of 15 per cent. *ad val.*, and to reduce the import tax from 2 per cent., 4 per cent. and 6 per cent. to a flat rate of 2 per cent. on all Australian commodities imported. Quotas were allotted for barley and apples, and an undertaking was given to allot Australia a percentage of the global quotas for certain other items.

France is more nearly self-sufficient than any other European country, and has a vast colonial Empire upon which to draw for certain foodstuffs and raw materials. Her agricultural production is in many respects similar to our own. The possibilities for an extension of our trade do not, therefore, seem very great. She normally buys more of our sheep-skins than any other country, and occasionally makes

considerable purchases of wheat. But the French market is valued especially because it absorbs barley and fresh fruit from Australia, and those are commodities which present serious marketing difficulties.

The balance of trade is heavily in our favour. The important imports are now argol (for the manufacture locally of cream of tartar), fancy textiles and perfumery. The trade in natural silk and silk piece goods, once very important, has almost entirely disappeared, part of the market having been captured by Japan, and the rest disappearing with the advent of rayon.

Belgium

A temporary trade agreement was made with Belgium in 1934 to protect the market for our wheat and barley, and in 1936 a definitive treaty was concluded whereby Australia gave concessions on duties over a wide range of commodities in order to prevent discrimination against our meat, wool and cereals, especially barley. An important feature of the agreement is the allocation to Belgium of about one-quarter of the Australian market for plain clear sheet glass, with exemption from primage duty.

The important exports are wool (sometimes four-fifths of the total of our exports to Belgium), wheat and barley, silver and silver-lead concentrates, hides and skins, but a considerable range of foodstuffs and raw materials are marketed there also. Imports from that country consist principally of piece goods, especially velvets, glass and glass-ware, metal manufactures and machinery.

Germany

Before the war, Australia carried on a considerable trade with Germany, and the fears were frequently expressed that large sections of British trade with Australia would disappear in the face of German competition. The war destroyed this trade, and just when it seemed about to achieve something like complete recovery, the depression came. For a time, there was an embargo on imports from Australia, and clear-

ing agreements between Germany and South Africa, Argentina and Uruguay, brought severe reductions in the direct purchase of Australian wool. Some was bought indirectly through Great Britain, but it is difficult to say how much. Even since, currency restrictions have impeded trade.

For the year ended June, 1937, imports were valued at £3·6m. and exports at £3·4m. (sterling values in both cases). The important items in the import trade were, and usually are, gloves and other articles of apparel, piece goods, machinery and metal manufactures. The exports are principally wool, but some fresh fruit and a range of miscellaneous items also appear in the list.

The German Foreign Office let it be known in January, 1937, that a treaty on the same lines as that between Belgium and Australia would be welcomed by Germany. Formal negotiations began on June 11, but had not been completed when this book was written. Concessions are sought for machine tools, chemicals, and a few other lines, and in return Germany is prepared to spend the proceeds on our wool, hides, skins, butter and certain commodities.¹

With Italy and Czechoslovakia, Australia exchanges wool, with occasional heavy shipments of wheat to Italy, in return for apparel, textiles, and certain other manufactures. From November 18, 1935, to July 15, 1936, Australia imposed certain prohibitions upon the trade with Italy in fulfilment of her obligations under the Covenant of the League of Nations. The result was a marked reduction in the trade figures for 1935-36. Last year, however, trade was nearly, if not quite, normal for the times. With Czechoslovakia, Australia has a trade agreement providing for most favoured-nation treatment and forbidding prohibitions or restrictions. Tariff concessions are also provided for by both sides.

The East Indian Area

The extent of our total trade with this region is sufficiently indicated by the following table:

1. Other European countries with which Australia is said to be negotiating for trade agreements include Poland and Norway, from both of which we always buy much more than we sell.

AUSTRALIA-EAST INDIAN AREA

British Currency Values

	1935-36		1936-37	
	Imports	Exports	Imports	Exports
Netherlands East Indies ..	4,928,025	1,022,945	6,177,815	1,123,935
British Malaya .. ● ..	489,484	1,008,803	853,998	1,379,605
Siam	6,403	80,606	2,609	94,444
Timor (Portuguese) ..	—	1,546	—	738
Total	5,423,912	2,113,900	7,034,412	2,508,722

The trade with British Malaya being part of our Empire trade has already been dealt with. For the rest it will be noticed that our East Indian trade means, predominantly, trade with the Netherlands East Indies. These islands are important producers of tropical agricultural products, self-sufficient only in the basic requirements of the native population, and greatly dependent upon overseas trade, not only to meet financial commitments, but for everything which means comfort and variety to the small European population and luxury to some of the Chinese and wealthier natives.

The leading imports are petrol, tea and oil. These account for about three-fourths of the value of all imports. The other quarter is largely accounted for by kapok and rubber. Easily the most important export items are flour and butter, accounting for about three-fourths of the total. A few years ago, Australia supplied about 90 per cent. of the butter imported into the Netherlands East Indies, but lately, owing to the competition of Dutch butter and local margarine, not much more than 70 per cent. The only other considerable items are bacon and ham, fruit, biscuits, coal and leather, although over forty items appear in the list.

In 1926-27 the total trade amounted to about £8m. sterling. In 1931-32 it declined to less than half that amount, and although it has recovered steadily since, it is not nearly back to pre-depression figures. During the past five years, imports have shown a tendency to decline. Fertilizers and milk and cream were, at one time, important export items,

but they have now almost disappeared. Exports of leather have been considerably reduced. Since 1935, Australia has been represented by a Trade Commissioner in Batavia, but the region gives little promise of becoming anything like a first-rate market for Australian produce for many years to come.

AUSTRALIA-NETHERLANDS EAST INDIES TRADE

	£m stg. Imports from N.E.I.	£m A. Exports to N.E.I.	As Proportion of Total Australian Trade	
			Imports %	Exports %
Av. 1909-13	0·8	0·4	1·2	0·6
1929-30	6·3	2·1	4·9	1·7
1931-32	2·6	1·3	6·1	1·2
1933-34	4·0	1·1	6·7	0·9
1935-36	4·9	1·3	5·8	0·9
1936-37	6·2	1·4	6·7	0·9

The Far Eastern Area

Australia's trade with Japan, Indo-China (through Hong-kong) and the Philippine Islands accounts for about 11 per cent. of her trade with all countries. By far the greater part of our trade with this area is done with Japan.

Japan

Long before the close of last century, fears were expressed that British trade with Australia would some day be ousted by Japan, but in fact, until after the Great War, trade between Australia and Japan developed but slowly.

AUSTRALIA-JAPAN TRADE

Percentages of Total

	Av. 1909-13	1922	1930-31	1934-35	1936-37
Imports from Japan	1·2	3·5	4·0	6·55	4·32*
Exports to Japan ..	1·6	6·2	10·5	11·72	6·02*

* Includes Gold Bullion, Specie, and in matte.

When the Great War ended, trade with Japan represented about 5 per cent. of our total trade, and about that level

was maintained until 1929. After a decline in 1930, a new development began, and now between 9 and 10 per cent. of our total trade is carried on with that country.

Before the war, our imports from Japan were much more like traditional Eastern goods than they were after the war. Apparel and textiles, fertilizers, bags and baskets, china and earthenware, fancy goods, furniture, oils and waxes were the chief items. By 1918, some of the items, especially piece goods of canvas, cotton, linen and silk had greatly increased, but others had almost disappeared. Glassware, cables and wire, electrical appliances, matches, paper and stationery had become important imports. The change that was taking place inside Japan was indicated also by the change in the composition of our exports to Japan. Exports of wool and wheat each increased more than threefold between 1911 and 1918-19; and zinc, lead and iron ore began to appear as important items. Japan had developed into a manufacturing country rivalling Great Britain, and was drawing heavily upon Australia for foodstuffs and raw materials.

Australia usually ranks second in the list of countries supplying goods to Japan, and eighth amongst the countries buying from Japan. Japan ranks next to the United Kingdom amongst the countries buying from Australia, and third among countries supplying our imports.

Although the rest of the world thinks of Japan as a great exporting country, to Australia, she is an important buyer of wool, wheat and metals, and is, as a customer, actually, and even more potentially, valuable. An industrious people, a large labour supply, cheap hydro-electric power, efficient and progressive factory management, low costs of production, and a large home market, fit Japan to be the Manchester and Birmingham of the Pacific. Her demand for foodstuffs and raw material is likely to increase, and Australia naturally expects to benefit from that increase. At the same time, Australia has nothing, not even wool, that Japan cannot secure elsewhere, if Australia should prove unwilling to engage in reciprocal trade. Japanese wool manufacturing machinery, for example, is of the Continental system type,

expressly designed for the use of merino wool, but as we found during the trade war, she can, and will, buy merino wool elsewhere, if we prove troublesome. Nevertheless, by position and natural resources, Australia is advantageously placed with respect to Japan and, by exercise of ordinary tact and consideration, should be able to maintain mutually advantageous relations with that country. c

Our trade with Japan during the past few years may be represented in a tabular fashion thus:

AUSTRALIA-JAPAN TRADE

British Currency Values			
Imports	1934-35	1935-36	1936-37
Piece Goods, Canvas, Duck, Cotton, Linen	987,733	984,873	543,192
Silk or containing Silk	1,850,914	1,666,357	1,090,422
Crockery	161,826	161,131	124,136
Toys, Fancy Goods, etc	111,427	120,676	180,382
Sulphur	71,649	132,404	83,160
Tea	36,721	23,687	13,785
Raw Silk	195,224	326,991	390,700
All Other	1,209,246	1,553,452	1,575,820
Total	4,624,740	4,969,571	4,001,597

Australian Currency Values			
Exports	1934-35	1935-36	1936-37
Wool	8,680,119	14,594,075	7,513,956
Wheat	2,273,902	1,923,596	679,266
Iron	328,073	273,729	320,995
Zinc	163,542	241,727	533,106
Lead	36,524	31,859	129,158
Hides and Skins	115,382	138,826	158,798
Tallow	174,107	81,213	32,424
Milk and Cream	42,700	37,249	1,183
Pearls and Pearl Shell	46,591	52,993	58,515
Other	—	—	267,144
Total	12,095,514	17,661,332	9,705,738

The balance of trade with Japan is indicated by the following table (in which the Australian currency values shown above for exports are converted):

AUSTRALIA-JAPAN

	Values in £ stg. million		
	Exports	Imports	Balance
1934-35	9·65	4·62	5·03
1935-36	14·10	4·97	9·13
1936-37	7·74	3·98	3·76*

* Affected by trade war of July to December, 1936.

Japan's imports of wheat are generally limited to her requirements for milling for export; home production is sufficient for the local demand. Shipments have always been somewhat spasmodic, and there is no special reason why Australia need expect to acquire a greater or steadier share of the Japanese market for this commodity.

Another item worth consideration in estimating future possibilities is beef. In 1936, Japan imported £613,200 stg. worth, of which only a relatively small quantity came from Australia. Our beef, it is said, compares more than favourably with that imported from China, and the prices so far paid should be reasonably remunerative. Apparently the nature of the shipping and the infrequency of the service handicap the trade at present.

The two countries are naturally complementary in climate, area and resources. Japan is a northern hemisphere country; Australia is southern. Japan has a large industrially-skilled population and relatively poor natural resources. She needs foodstuffs and raw materials.¹ Australia has a large and, relative to the population, rich territory, but she needs manufactures in which labour costs function powerfully. The basis of profitable interchange is nearly as wide as it could be, and as the standard of living in Japan approximates more nearly to that of the West, as it undoubtedly will in time,

¹Japanese Trade—1936

	Percentage of Values in Food, Drink, Tobacco	Economic Classes, Raw Materials, and Semi-manufactures	Finished Manufactures	Miscel- laneous
Exports	7·7	31·9	59·2	1·2
Imports	8·4	80·5	10·7	0·4

the basis should extend. In the absence of political ill-will, the mutual dependence of the peoples should increase. At present, the fact that their national economic policies are only too similar creates difficulties which may, and probably will, tend to disappear in course of time.

China

Australia's trade with China is not yet relatively important to either country. The values involved and proportions to the total trade of the two countries are:

AUSTRALIA-CHINA Commodity Trade

Year	Exports £A. 000	Imports £ stg. 000	Proportion of Total Trade			
			Australia		China	
			Exports %	Imports %	Exports %	Imports %
1931-32	4,946	315	5·1	0·7	0·1	4·2
1933-34	9·5	286	0·8	0·5	0·3	1·1
1934-35	2,472	364	2·4	0·5	0·4	4·3
1935-36	1,213	657	1·0	0·8	0·9	1·7

Australia's exports to China are almost wholly confined to a few staple items, of which wheat and flour exceed in value all other commodities. Since wheat yields in China are increasing, there seems little prospect of any considerable growth in this part of the trade. Australian hardwood sleepers are also sent to China, where their durability enables them to compete effectively with the softwoods from America. But Australia has not an unlimited supply of hardwood, and the sandalwood trade, once relatively important, is threatened for the same reason. Butter, milk and leather are also worthy of specific mention.

The establishment of up-to-date plants for the production of woollen and worsted yarns in China opens up the prospect of an export trade in wool in the future. Chinese wool is relatively coarse and poor in quality, and Australia is the obvious source of supply. Gains here may more than offset

the loss of trade in wheat and flour, which is generally regarded as inevitable sooner or later.

Australia imports from China a wide range of articles, of which linseed and other vegetable substances are most important. Some of the more important items in the *import trade* are:

£ stg. 000							
Year	Vegetable Substances and Fibres	Wood, Oil, etc.	Nuts, Edible	Apparel and Textiles	Tea	Ginger	Brushes
1931-32 ..	88·6	20·8	32·5	135·7	17·7	16·8	10·6
1933-34 ..	13·0	18·5	23·8	74·3	38·0	16·4	20·1
1934-35 ..	21·0	40·7	30·4	86·0	37·2	18·7	36·0
1935-36* ..	249·3	59·6	35·8	112·2	32·0	20·5	50·9

*The increase during 1935-36 in apparel and textiles was chiefly due to the trade dispute between Australia and Japan.

In 1935, a Trade Commissioner was established at Shanghai, but after the Japanese seizure of the city, he was withdrawn in November, 1937.

Philippine Islands

During the past five years, there has been a marked increase in the trade between Australia and the Philippine Islands:

AUSTRALIA-PHILIPPINE ISLANDS

	1932-33	1933-34	1934-35	1935-36	1936-37
	£	£	£	£	£
Imports to Australia (British Currency Values) ..	34,899	59,733	79,885	92,619	110,235
Exports from Australia (Aus- tralian Currency Values)	430,154	348,177	224,055	553,311	666,733

Exports, it will be noticed, greatly exceed imports, even when allowance has been made for the difference in currency. The imports are few, nearly the whole of the annual value being accounted for by hemp and timber. Sugar, the principal Philippine product, is virtually excluded from Australia. Exports also are limited in kind, though not so narrowly,

but they consist to a considerable extent of dairy produce, and some importance is attached to the market. The chief exports are shown in the following table:

AUSTRALIA-PHILIPPINE ISLANDS

Exports

(Values in £A000)

Commodity	1930-31	1931-32	1932-33	1933-34	1934-35	1935-36
Butter	61	52	45	32	39	54
Bacon and Hams	12	12	15	12	12	17
Frozen Beef ..	113	47	71	36	16	19
Other Meats ..	14	15	13	10	11	12
Condensed Milk	9	16	123	123	6	86
Flour	77	95	92	78	193	308
Coal	30	66	54	38	31	36

There is a popular notion that the Far Eastern area, and perhaps India, offer a market in which Australia might dispose of enormous quantities of butter, meat and other produce. The notion gets very little support from those who know conditions in the countries concerned, but it influences Australian opinion, nevertheless.

United States

Trade relations between Australia and the United States date back to the early years of the settlement here, when commerce in those waters was monopolized, so far as British shipping was concerned, by the East India Company. The volume of trade, though subject to marked fluctuations, has generally been considerable. The United States now ranks next to the United Kingdom among the countries of origin of Australian imports, and is usually sixth or seventh among the countries receiving our exports.

The resources of the two countries are somewhat similar, although America is, of course, much more richly endowed. The natural basis of trade between them is to be found in seasonal differences, on the one hand, and differences in stage of development on the other. The main causes of the fluctuations which mark the history of the trade are the business

cycle in each, and tariff policy—the latter being partly, if not largely determined by the former.

AUSTRALIA-UNITED STATES

Average Value of Trade

	Pre-War			Post-War				
	Quinquennial Periods			Quinquennial Periods			Years	
	1899-1903	1904-1908	1909-13	1914-15 to 1918-19	1925-26 to 1929-30	1930-31 to 1934-35	1935-36	1936-37
Imports from U.S.A. (Values in £ stg. m)	5·34	5·12	7·64	16·72	38·85	9·3	13·90	12·96
Exports to U.S.A. (Values from 1930-31 £ A. m) ..	3·27	2·48	2·07	9·81	10·31	2·3*	9·34	18·77

* Excluding Gold Bullion, Specie and in matte.

The war gave American (as well as Japanese) manufacturers an opportunity of extending their markets here, and the war-time prosperity of the United States brought an increased demand for our raw materials. During the first post-war quinquennium shown in the table, the peak was reached in 1926-27—in many respects a peak-year of prosperity in both countries. The decline in the 'thirties was a result of the depression.

The fact that difference in stages of economic development has grown increasingly less during the post-war era has had some effect upon the volume of trade, but it has had a greater effect upon its composition—especially upon the composition of our imports from the U.S.A. The general trend in the latter has been from consumption goods to capital goods, and from fully to semi-manufactured articles. Apparel, etc., which constituted about 6 per cent. of all imports in 1919-20, declined to about 2 per cent. in 1935-36, piece goods from about 6 per cent. to about 4 per cent., fruit in all forms from about ·4 per cent. to less than ·8 per cent. Motive power machinery, machine tools, metal working machinery and

certain other producers' goods, on the other hand, have increased in relative importance. Motor cars, which used to come here virtually complete, are now imported mainly as chassis and parts.

Exports have also undergone a change in composition. There are fewer items in the list. Copra and certain other island products were, at one time, collected in Sydney and re-exported. This entrepot trade has disappeared. Jams and jellies and certain other foodstuffs once exported in appreciable quantities have become negligible.

The leading imports now are motor cars, petrol and oil, engines, electrical machinery, tobacco, cinematograph films, timber, sausage casings, and tools of trade. The chief exports are wool, hides and skins, concentrates, sausage casings (in value almost equal to imports of the same item), tallow and pearl-shell.

Many of the imports compete directly with those from the United Kingdom. Others covered by the same class names, e.g., certain textiles, do not. For many years, American motor cars seemed likely to monopolize the market here, but recently the United Kingdom and Canada have acquired a greater share. The tariff preferences have been an important cause of the change. The following table for 1935-36 is significant:

IMPORTS OF MOTOR CARS—1935-36

	Bodies £ stg.	Unassembled Chassis £ stg.	Assembled Chassis £ stg.
United Kingdom ..	54,095	1,381,074	117,561
Canada	—	1,663,589	1,939
United States	94,431	2,222,079	96,292

The visible trade balance is nearly always markedly adverse to Australia. But the figures do not reveal the full extent in which American transactions benefit Australia. A good deal of our wool, for example, makes its way into the United States as fine textiles from the United Kingdom, and American purchases of Canadian foodstuffs sometimes clear the way for exports from this country to Canada.

VIII

TRADE POLICY

NATIONAL policy in Australia has, as major objectives, safety and prosperity. In this respect, Australia is like most other countries sufficiently united and organized to have and to implement a national policy. But the circumstances of our life, and our social tradition, give these objectives their special meanings.

The common assumptions being that the population is much below the optimum, and that vast natural resources still remain unexploited, safety and prosperity are sought through a larger population at a higher standard of living. Neither of these assumptions is entirely unchallenged, but effective policy in as far as it is expressed by the platforms of the chief political parties, is based upon them. The parties may differ, or seem to differ, in the emphasis they place upon rate of growth and standard of living respectively, but all envisage the future in terms of more, and more prosperous, people.

The keynotes of Australian economic policy are population and development. 'If we are to hold our heritage,' says the leader of the U.A.P. and present Prime Minister, 'we must people and develop it.' 'The Labour Party's policy,' states the official constitution of that organization, 'is designed to create further employment for the people already here and opportunities for newcomers, by the expansion of primary and secondary industries.' Any suspicion of difference of emphasis in these two statements is removed by the formula adopted by the Attorney-General (the Hon. R. G. Menzies): 'Our own all-round industrial development is the essential condition not only of our growth, but also of our existence.'

The use of such a formula marks a stage in the evolution of policy. There was a time when emphasis was placed upon the need for diversifying industry and employment, partly because the necessities of defence dictated a wide range of

industries, but partly also because there was, and still is, a tendency to over-value mere diversity—it makes for ‘greater versatility, and the development of various aptitudes in the population,’ thus promoting ‘a richer and fuller national life.’ It has, however, become apparent during the past decade that ‘over-pressure to diversify production in the national economy is a real menace to its expansion,’ and that if development is to be ‘all-round’ in the sense of sound and well-balanced, the economic costs of too early or too rapid diversification must be avoided.¹

Trade policy is but one aspect of general economic policy. Its main objective is to secure stable and profitable markets for exports. It is at least conceivable that general economic policy might be so directed that the whole of our produce, primary and secondary, would be consumed at home. In that case we should have attained what all regard as unattainable and most as undesirable—complete self-sufficiency—and the need for a trade policy would have disappeared. Although it cannot be maintained that the ultimate objective of Australian economic policy has been fully thought out, the objective so far recognized falls short of that. We normally export large quantities of wool, wheat, butter, hides and skins, meats, cane, sugar, lead, dried fruits, concentrates, fresh fruits, unrefined tallow, undressed timber, silver, zinc, wine, pearl-shell, coal, copper, tin, eggs, cheese, barley and sandalwood. ‘The capacity of the home market to take up any considerable part of the production of most of these commodities is very restricted, either because the output is much too large, or because the demand for them, in any case, is highly inelastic.’ Certain other commodities are ‘chronically or variable insufficient for local wants.’ Surpluses could be reduced and shortages made good, but the reconstruction involved would be enormous, arduous, and costly. Apart altogether from the necessity of meeting the service of our overseas debt, internal prosperity, the necessities of our internal structure require that we should foster the export industries. ‘In the present state of our knowledge and at the present stage of

1. See Institute of Pacific Relations: *The Peopling of Australia* (Further Studies), p. 159.

our economic organization, it would seem that for Australia a policy of development which does not aim to preserve and, if possible, to extend our export trade is likely to result in serious consequences, affecting incidentally the home market.²

We have normally to find external markets for about 90 per cent. of our wool, about 80 per cent. of our wheat, and appreciable proportions of our total output of meat, dairy produce, dried fruits and certain other primary products. Some of our manufactures and semi-manufactures are also marketed outside Australia, and the rapidity of their development is partly at least conditioned by our ability to hold our position in growing markets, or acquire new ones.

Of these primary exports, wool and wheat find buyers in many markets, but exports of meat, dairy produce, dried fruits and certain other products are marketed predominantly in the United Kingdom. About 45 per cent. of our wheat and wool are sold there and about 71 per cent. of all other exports.

If the need for outlets for our primary produce is the first fact in our external trade situation, and the predominance of the United Kingdom among external markets the second, a third is that the United Kingdom cannot go on indefinitely absorbing more and more of our exports. And yet if our economic structure is to expand on its primary producing side and additional population is to be settled on the land, markets must be found for just those commodities which are likely to become increasingly difficult to market there. The possibilities for expansion in the wool industry are for the immediate future limited. Wool production is already regulated rather by rainfall and drought and the competition with wheat for the use of the land than by any search for markets. In course of time, no doubt, output will be increased and additional population absorbed by intensifying production. Many important research problems must be solved first. Simply to reduce the size of the holdings, or the size of the flocks, would be to encourage less efficient production involving the slow but certain deterioration of the fleece, and

2. My indebtedness to Mauldon, Potter and Whitlam's *Markets and Marketing in Relation to Population Absorption* will be apparent to any who have read this. Institute of Pacific Relations: *The Peopling of Australia* (Further Studies).

possibly of the areas. Our experience with wheat during the past six or seven years has not been such as to encourage unlimited expansion in the production of that cereal.³ There is little or no hope for increased settlement so long as we have to rely wholly or mainly upon wool or wheat.⁴ The most hopeful line of advance seems to be in the direction of intensifying production on the better lands in the better rainfall areas. In this way our output of beef, mutton, pigs, poultry and eggs, milk products and fruits of all kinds can be increased, and additional settlers comfortably placed. Our exports of these products normally constitute about 20 per cent. of our total exports, but in course of time they are likely to bulk more largely if markets can be found. The probability of a declining population in the United Kingdom means, after allowance has been made for an improvement in the standard of living, that markets for them must be sought elsewhere. A similar conclusion is reached when we consider the future of our exports of manufactures and semi-manufactures. Their largest external market is at present New Zealand, but New Zealand is steadily following the same course as ourselves and will not always be willing to take our iron and steel, earthenware, glassware, etc. Empire markets are of enormous importance, both for their size and for what they absorb, but eventually our policy cannot be determined solely by reference to them. Empire trade is very important, but Empire trade is not enough. 'We are guilty of no want of appreciation of the Empire spirit, and what it has done for us, or of the supreme value of the British market, when we say that Australia, as a young country on the threshold of her development, must look to the whole world for her markets.'⁵

3. 'The world agricultural machine for the production of wheat is still intact, and as soon as the major wheat exporting countries of the world all experience a favourable season in the one year, and the wheat importing countries also have a good season, the economic wheat debacle of 1929 will be repeated.'—Wadham, in Duncan and Janes (Eds.): *The Future of Immigration*, etc., p. 149.

4. *The Australian Tariff*, pp. 7 *et seq.* The Committee found the outlook for wheat not very bright, even at 6/- per bushel. 'We think, on the whole, that wool (and sheep skins) would not have contributed very much to fill the place of protected production.'

5. Com. Parl. Debates, December 10, 1937 (Hon. R. G. Menzies).

Australian economic policy has involved the use of a number of instruments. Regulated and restricted immigration is one of them, the Navigation Act and bounties others. Easily the most important is the Australian tariff,⁶ and a study of its history reveals the development that has occurred in the attitude of Australians to the outside world, and to the problems facing them in their attempts to realize the national aims.

When the Commonwealth was established, the six colonies had been in enjoyment of fiscal independence for a sufficient time to develop each its own tariff policy. In New South Wales opinion was predominantly free trade and the tariff was essentially a revenue tariff. In Victoria, on the other hand, the tariff was definitely protective, and many of the duties were high. The other colonies ranged themselves between these two extremes.

Federation brought with it interstate free trade and the necessity for a uniform tariff. In order that the infant industries of Victoria should not be destroyed, the first Commonwealth tariff had to be partly protective. But since the Commonwealth expected to derive the major part of its income from duties of customs and excise, and had to pay back to the States three-fourths of the net income from those sources, the tariff had to produce four times what the Commonwealth had to spend. The first tariff, that of 1902, was therefore a compromise—an attempt to secure about £8m. from customs duties while affording a limited amount of protection to certain industries.

This tariff pleased neither free traders nor protectionists. But with the rise of the Labour Party, it became certain that protection rather than revenue would be the governing consideration. The tariff of 1907-8 marked the victory of the protectionists. At the same time preference to British goods was written into our law. Protection is now part of the accepted policy of all parties, and preference has been retained ever since.

No general revision of the tariff was undertaken there-

6. See Supplementary Paper B2.

after, until 1920-21, although during the war the rates were increased by tariff resolution in order to provide additional revenue. The protection afforded by distance was increased for a part of this period by the disappearance of German goods and by reduced supplies of British goods. Local industries expanded and new ones were born, including iron and steel, paint and cement manufacturing, motor body building, etc. After the armistice, there was a welcome influx of private capital as many English interests erected factories here. When competition threatened to revive, the revision of 1920-21 provided for an all-round increase. It introduced also the three-decker scale—three lists of duties—British, Intermediate and General, in ascending order.

By this time the fear had developed that the consumer and the primary producer were being sacrificed to the manufacturers. In 1917, the 'Liberals' had proposed to establish a board of disinterested experts to study production and trade and to advise Parliament on tariff adjustments. The promise was, in effect, repeated in 1919, and in 1921 the Tariff Board was established. Its functions are advisory only. It cannot, perhaps, be maintained that as a result of its activities Australia has achieved a scientific tariff, but the Federal Parliament and Federal Ministers have never been able to excuse their own shortcomings on the ground that they have lacked advice, information or admonition.

The first results of the Tariff Board's activities were seen in the tariff of 1925. This retained the general form of its predecessor. British preferences were continued, and in some cases increased, while some of the general duties were lowered. On the whole, however, the barrier of protection was raised.

In 1929, when the pit of the depression was already yawning, the Scullin Government imposed a new schedule of record-high duties. By this time the Tariff Report by an Informal Committee (of two Professors of Economics, two Statisticians, and a member of the Melbourne Stock Exchange) had appeared, with its warning that 'the total burden of the tariff has probably reached the economic limits,

and an increase in this burden might threaten the standard of living.'

But the cessation of borrowing and the decline in the export income threatened a dangerously adverse trade balance and, in 1930, special import duties were imposed and certain imports were prohibited or rationed.⁷ Increasingly heavy prime duties were also imposed until the crisis was passed, when all the special measures were gradually relaxed.

In 1932, the Ottawa Conference was held. In addition to a co-operative currency policy accepted by all parties to the Conference, separate agreements were reached by the United Kingdom with each Dominion, India, Newfoundland, and Southern Rhodesia. Those agreements are generally believed to mark the beginning of a new era in intra-imperial commercial relationships. The United Kingdom guaranteed to Australia the free entry for three years of eggs, poultry, butter, cheese and other milk products, fruit, fresh, dried and canned, and to subject the same commodities coming from foreign countries to specified duties. Australian wheat, copper, lead and zinc were to be admitted free also, so long as these commodities were offered at prices not exceeding the world price. Preferential margins were guaranteed in respect of wine and sugar. On certain commodities imported from foreign countries the general *ad valorem* rate of 10 per cent. was not to be reduced without Australia's consent. Imports of frozen mutton and lamb, and of frozen and chilled beef from all sources were to be regulated in such a way that by June, 1934, not more than 65 per cent. of frozen mutton, lamb and beef should be imported from foreign countries, i.e., the Dominions were guaranteed an expanding share of the market.

Australia undertook to repeal as soon as practicable the proclamation of May, 1932, prohibiting the import of certain

7. The prohibition on importation of 78 classes of goods, imposed in April, 1930, was repealed in respect of 43 classes on February 24, 1932, and in respect of 11 items on May 18, 1932. The revocation of the remaining special duties was made on August 31, 1932. See evidence of Dr. Roland Wilson before the Royal Commission on Banking, p. 1,409.

goods, to remove the surcharges imposed during the same month on others, and to reduce or remove primage duty as soon as the finances permitted. In order to assist British producers to meet foreign competition in the Australian market, the Australian Government agreed to apply a 'preference formula' (where the British preferential tariff does not exceed 19 per cent., a margin of 15 per cent.; where the tariff is between 20 and 29 per cent., $17\frac{1}{2}$ per cent.; where that tariff is 30 per cent. and over, 20 per cent.). In order to assist those producers to meet Australian competition in the Australian market, the Commonwealth agreed to accept and apply certain principles which, in view of the importance that came to be attached to them, are set out in summary form, *seriatim*.

Section IX.—That protection would be afforded only to industries reasonably assured of sound opportunities for success.

Section X.—That protective duties should be based on the principle of affording United Kingdom producers full opportunities of reasonable competition, with the reservation that special consideration may be given to industries not fully established.

Section XI.—That existing protective duties should be reviewed by the Tariff Board and revised to conform with the foregoing principle.

Section XII.—That no new protective duties should be imposed, and no existing duty should be increased to an amount in excess of the recommendation of the Tariff Board.

Section XIII.—That United Kingdom producers should have full rights of audience before the Tariff Board.

Before considering what success, if any, is to be attributed to the operation of this agreement, it is worth noting that interested parties in both countries have considered that the other country got the best of the bargain. Each part of the Australian half of the United Kingdom-Australia agreement has been the subject of acrimonious dispute here and it has been alleged generally that control over the Australian tariff

has been taken out of the hands of Parliament⁸ and placed in those of the Tariff Board; that whereas the agreement left the United Kingdom perfectly free to safeguard her own primary producers, it tied Australia in such a way as to render her unable to protect her secondary industries. When the Commonwealth Parliament refused to accept a recommendation of the Tariff Board respecting the duties on British cement the British Government is alleged to have 'intervened.'⁹ To implement the agreement, tariff reductions of a drastic nature were made so rapidly, it has been claimed, as to inflict grievous hardships upon Australian manufacturers. Finally, Australian secondary industry has suffered while the primary industries have not benefited.

These objections have come mainly from the manufacturing interests. Primary producers have felt that the agreement secured a stable market for certain export commodities which were shut out of other markets, and they have watched subsequent trade negotiations between Great Britain and other countries, especially Denmark and the Argentine Republic, with the closest attention.

The Commonwealth Statistician points out¹⁰ that during 1934-35, duty on goods subject to the British preferential tariff amounted to £A3,343,596, whereas had those goods been subject to the general rate, the duty would have amounted to £A9,079,971, i.e., £A5,736,375 more. But what do the figures prove? As the Statistician rightly points out, 'It would be improper to speak of this sum as the "value" of preference to the United Kingdom as some of the goods would come from the United Kingdom without preferences.'

They suggest, however, that there has been a substantial, if not exactly measurable advantage derived by British exporters to Australia from the preferential policy, adopted

8. Cp. 'Certain principles were insinuated in the Ottawa Agreement which violated Australia's fiscal freedom and threatened its industrial development. . . . The futility and frictional effect of Articles IX to XIII of the Ottawa Agreement are being demonstrated almost daily before the Tariff Board.'—*Cwth. Parl. Debates*, Dec. 7, 1937, p. 320.

9. The Cement Duties Controversy is sufficiently treated in Round Table, September, 1936.

10. See *Commonwealth Year Book*, No. 29, p. 235 *et seq.*

and extended by the agreement. The same authority states that 'during the calendar year 1934 merchandise of Australian origin imported into the United Kingdom amounted to £49,929,000. Of this, approximately £27,286,000 represented goods which received preferential tariff treatment over similar goods from foreign countries.' If these goods had been subject to the duties imposed on foreign goods it is estimated that they would have paid approximately £5,592,000 more in duty. The main items receiving preference and the amount of the rebates were: Butter, £7,247,000 (rebate, £1,578,000); wheat, £5,850,000 (£505,000); wine, £490,000 (£549,000); sugar, £2,817,000 (£1,320,000); raisins, £933,000 (£256,000); and apples, £1,628,000 (£343,000). Here again the first implication of the figures can be explained away, but the impression will remain of a substantial, if not accurately measurable, advantage. It is possible to show by statistics that exports to the United Kingdom expanded between 1931-32 and 1935-36 less than exports to all countries, while imports from the United Kingdom increased more than imports generally, but this again proves nothing conclusive with respect to Ottawa. The effect of the trade cycle and the precise composition of exports and imports to and from the United Kingdom, and all countries respectively, would have to be considered very closely before any valid conclusions could be drawn.

Unanswerable statistical evidence as to the effect of the Ottawa Agreement upon the trade between Australia and the United Kingdom simply cannot be adduced. It is impossible so to analyse the figures as to determine how much of the undoubted increase that has taken place in the trade between the two countries has been due to the general recovery, how much it is to be attributed to the exchange stability and the fact of our membership of the sterling bloc, and how much is due to the preferences of Ottawa. But if, on the other hand, the figures quoted by the partisans of Ottawa do not prove what they are supposed to prove, on the other hand those whose fears have led them to concentrate upon the theoretical possibilities of injury to our secondary indus-

tries have overlooked the fact that during the past few years Australian manufacturing has registered an almost unprecedented growth, and that a great deal of fresh capital has expanded that side of our economic structure.

It is obvious that Ottawa could not have done a great deal for Australian wool or wheat or metals, since our chief competitors are within the Empire, and important markets for all three lie outside the United Kingdom. The importance attaching to the agreement lies in the fact that unless our exports of butter, eggs, meat and fruits (fresh, dried and canned) can be marketed, our irrigation areas must stagnate, and the realization of our hopes for the more effective utilization of our better lands by a larger rural population must be indefinitely delayed.

From the point of view of our total overseas trade, it may seem absurd to allow our policy to be determined so largely by reference to a group of export commodities which amount on the average to about 20 per cent. of our whole exports. From the point of view of internal development, however, it is essential that the production of just these commodities—dairy produce, fat lambs, beef, eggs, and fruit of all kinds—should be encouraged. There is little or no hope for increased settlement so long as we have to rely upon wool or wheat only.

Has Ottawa safeguarded the industries concerned?

The figures shown in Table 15 of the Appendix show that a very slightly larger proportion of the total exports of butter and cheese, eggs, meat and fruit (taken together) went to the United Kingdom in 1935-36 than in the Ottawa year. The figures in Table 16 show that a considerably larger proportion of the metals went there. These facts suggest that our position in the United Kingdom with respect to these commodities has been safeguarded—whether by Ottawa or not.

Advantages (and disadvantages) have not all been on the one side. In over 60 per cent. of Australian imports of the types in which Britain is interested she supplies over 75 per cent. of all imports, and in many of the items she enjoys a

virtual monopoly of the Australian market.¹¹ This is not to be attributed wholly to the preferential system. Our tastes and trading habits, British quality, and other factors, would ensure a large part of this market to Britain. But part of it is—precisely how much must remain undetermined.

The Ottawa Agreement was chiefly implemented in the Commonwealth by a new tariff schedule introduced in October, 1932, and embodied in the Customs Tariff Act 1933. In order that the currency depreciation forced upon Australia during the depression might not give to customs duties a higher protective power than parliament intended, the Customs Tariff (Exchange Adjustment) Act was also passed.

An attempt to measure precisely the effect of tariff changes between 1906 and 1933 has been made by Mr. J. G. Crawford, Economist to the Rural Bank of New South Wales. His index¹² of the rate of change in the General Tariff gives 344 (Base 1906 = 100) for 1931-32, i.e., immediately prior to the Ottawa Agreement. After the tariff changes consequent upon that agreement the index moved to 356. The British Preferential Tariff index for the former year is 255 (Base 1906 = 100), and for the latter, 239. This means that although the British Preferential Rate had on the average been reduced about 6 per cent., the General Tariff had been raised and the preferential margin accorded was about 16 per cent. on the average. When allowance is made for Special Primage Duty this margin is considerably increased.

Since 1933 important changes have been made in tariff details. New Tariff Proposals were put into operation in November, 1935, March, April and May, 1936. The principal aim of the May proposals was to implement the Government's 'trade diversion policy,' to be considered later. An increase in the duty on motor chassis was designed to give effect to the policy, announced at the same time as the trade

11. Full use has been made in this section of an unpublished essay by Mr. R. J. Downing, a Melbourne University Research Fellow, placed at my disposal through the good offices of Professor D. B. Copland.

12. See Table 13.

diversion policy, of encouraging the manufacture of complete motor vehicles in Australia.

Further alterations were made necessary by the trade agreements of 1936 with France, Belgium, Czechoslovakia and Japan. These became effective on January 1, 1937, and resulted in the transfer of various items from the general to the intermediate rate, either as a direct consequence of the agreements, or because of the operation of the Most Favoured Nation Clause.

The fact that the Ottawa Agreement was implemented by raising the 'general' tariff rather than by reducing the 'preferential' has given rise to a good deal of criticism. Some of this is superficial and ill-informed. Many tariff items were before the agreement free British, and free foreign. In other cases, if 'industries reasonably assured of sound opportunities of success' were to be effectively protected against British competition, and the preferential margin granted, an increase in the General tariff was inevitable. Altogether, duties have been increased in some 400 items.¹³ British 'preferential' rates have been reduced on 1,198 items and General rates on 679 items.

Something must now be said of the efforts made in Australia to honour Sections IX to XIII of the agreement.

By Section IX only industries reasonably assured of sound opportunities of success were to be accorded protection. This had been the standard for recommending protection adopted by the Tariff Board long before Ottawa, but once it had been enshrined in an article of an international agreement it led to a good deal of bickering. It is certainly not easy to apply with precision, nor with the consistency which interested partisans expect once they fancy that an interpretation has been adopted which suits their own interests. When a new industry applies for protection the formula works well enough. But where an industry 'not assured of sound opportunities for success' has been established under cover of a high duty, the Tariff Board has to balance the costs of destroying the industry against the costs of retaining it. More-

13. 32 British, 394 foreign.

over, such industries may have a hope of success with the whole of the home market guaranteed to them, and must remain poor and struggling with anything less. An attempt to secure them a proportion of the market is to arrest their development and threaten their slow destruction.

Article X guaranteed British producers 'full opportunity of reasonable competition on the basis of relative costs of economic and efficient production.' This Article might be interpreted as a direction to the Tariff Board first to assess costs, and then divide the market. But to reduce the market available to the Australian manufacturer would be in many cases to increase his costs of production per unit. This would then necessitate an increase in the duty in order to compensate for the increased costs. What the Tariff Board seems to have done is to reduce duties from unnecessarily high levels, to levels sufficient to secure to the Australian manufacturer the market he could supply, without granting margins sufficient to encourage inefficient methods and excessive profits.

Article XI was little more than a guarantee that the revision of the tariff by the Tariff Board, promised by the Government at the elections before the Ottawa Conference, would be carried out.¹⁴ In general, the Government has adhered firmly to the principle of referring proposed tariff changes to the Tariff Board, and where it has failed to do so very adverse criticism has been heard from all parts of the country.

The desirability of ensuring, if it is possible to do so, that any future trade agreement with the United Kingdom shall be 'devoid of general principles which are liable to diverse interpretations according to the views of interested parties' is well illustrated by the Cement Duties controversy.

The Tariff Board had, after two enquiries, recommended that the duty on cement produced in the United Kingdom be abolished. This recommendation was made, not primarily in the interests of British cement manufacturers, but in order

14. A discussion of the way in which the revision had been carried out up to that date will be found in the Annual Report of the Tariff Board, September, 1935.

to force down the price of cement on the local market. Local manufacturers were, the Board held, making excessive profits. A good case could be made against the acceptance of the Board's recommendation for the reason that, in the less populous States, cement manufacturers' profits were not unduly high, and any severe reduction in price would put them out of existence. It was argued, however, that because of Articles X to XII, Parliament was bound to accept the Tariff Board's recommendation. Eventually the Government had to accept a compromise, but while the matter was still under discussion, the British Government was said to have 'intervened.' Since then, a good deal has been said about 'the futility and frictional effect' of this part of the agreement.

When the Ottawa Agreement was signed, the only other Australian trade agreements were with Canada and New Zealand. Soon afterwards, the Minister of Customs of the time, became Minister in Charge of Trade Treaties, and strenuous efforts were made by negotiation to secure fresh overseas markets for Australian products. Negotiations were soon under way with New Zealand for a revision of the existing agreement, and with France, Italy, Belgium, Germany and Czechoslovakia. Almost continuous negotiations were conducted with the British Government about the regulation of the market for Australian meat; and Britain's negotiations with Denmark about dairy produce, and with the Argentine Republic about meat, were watched very closely.

The results of four years of diligent thought and effort may seem to be meagre. The agreements with Canada and New Zealand have been amended in detail, and new agreements concluded with France, Belgium, Czechoslovakia and Japan.^{14a} The last is tentative only, and was reached after a trade dispute of a very serious and unfortunate kind. Since a goodwill mission by Sir John Latham had received the warmest welcome in Japan in 1934, and had been returned by a visit from Mr. Debuchi in 1935, this storm seemed to the public to blow up suddenly out of a clear sky.

14a. In 1936 a tariff agreement was made with South Africa.

In May, 1936, while certain modifications of the tariff were under consideration, Sir Henry Gullett (then Minister directing negotiations for trade treaties) announced in the House of Representatives that the Government had decided on what was afterwards called the 'trade diversion' policy.

The objectives of this policy were:

1. An improvement in our defence position as a result of further development of the iron and steel and engineering industries, and complete motor car construction in Australia.
2. An improvement in our financial position, since the improved trade balance expected would facilitate the payment of the overseas interest bill.
3. To improve our bargaining position in the United Kingdom.

To achieve these aims certain imports from other than Empire countries¹⁵ were to be subjected to a licensing system. Licences were to be granted freely for imports from countries with which we had a favourable balance of trade, and from countries in regard to which the Government was satisfied with the position. It was expected that some £845,000 worth of trade would be diverted to Australian manufacturers, about £1,310,000 worth to British industries, and about £135,000 to 'good customer' foreign countries.

The Government may have been influenced by representations made on behalf of the British cotton industry. It probably had an eye on the revision of the United Kingdom-Argentine Treaty then under discussion. It felt fortified in adopting the policy because so many other countries were doing what we proposed to do. Moreover, some countries (especially the United States) consistently sold a good deal more to us than they bought from us.

The policy may be described summarily as one of diverting Australian trade to 'good customer' countries at the expense of those which showed 'insufficient trading reciprocity.' The

15. In the case of motor car chassis from other than United Kingdom.

'good customer' that was to receive most benefit was the United Kingdom.

Whether the policy was 'aimed at' them or not, the countries most affected were the United States and Japan. The licensing system affected very directly motor chassis from the former, and cotton and rayon piece goods from the latter. Not unnaturally, both struck back. The former by tariff surcharges and import licences; the latter by increased duties against Australian exports. Japanese retaliation was the more vigorous because they had a right to regard themselves as among the 'good customer' countries, since they always bought more from us than they sold to us. Next to the United Kingdom they were the largest of our wool buyers. The fact that it was proposed to reduce the quantities of their products admitted to the Australian market, not in the direct interests of Australian industry, but in the interests of their trade rivals, added to their annoyance.

That the Government had the Japanese trade in mind in initiating the policy was admitted by the Prime Minister in a broadcast talk on August 17, 1936. He said:

'We decided to move to check the great and growing snowball of Japanese imports.' The facts that troubled the Government were that whereas in 1913 Japan supplied a little more than 2 per cent. of Australian imports of apparel, textiles and manufactured fibres, and Great Britain about 61 per cent., in 1934-35 Japan's portion had risen to more than 18 per cent. and Great Britain's had been reduced to about 57 per cent. In 1932 Japan supplied 44 million square yards of cotton and rayon piece goods; in 1935, 153 millions. Japan was rapidly driving a certain range of British goods from the Australian market.

The Japanese wool buyers in Australia boycotted the wool sales, and the Japanese Government applied ordinances practically forbidding the import of Australian products. We retaliated with a special surtax and certain prohibitions. The deadlock lasted from June to December, 1936. Then a tentative agreement was concluded whereby Japan agreed that over a period of eighteen months dating from January 1,

1937, she would buy from Australia not less than 800,000 bales of wool and abolish the surtax and prohibitions imposed on Australian goods. In return Australia removed all special prohibitions against Japan, reduced the intermediate tariff on Japanese textiles, and agreed to permit the importation of 76,875,000 square yards of cotton piece goods and the same quantity of artificial silk piece goods, at the rate of 51,250,000 square yards of each per year. British preferential rates were unaltered. This was a not unfair compromise. The agreement expires on June 30, 1938.

There is little doubt that direct action against Japanese imports was taken only after friendly overtures directed to secure their reduction by action at the Japanese end had been rejected or ignored. Once the dispute had begun, the Australian Government took the attitude, not very reasonably, that the fiscal autonomy of the country was at stake and that Japan was trying to dictate our tariff policy. The policy it seems, was determined a little too exclusively by reference to the statistics of the *Overseas Trade Bulletin* and, except for motor chassis, the licensing system has been abandoned. It was announced that for the future, trade policy will be decided with the advice and assistance of the Departments of Commerce, Customs, and External Affairs, so that political as well as purely statistical considerations will have weight.¹⁶

16. Lest more should be inferred from this than the facts warrant, the following sentences from an article by Mr. C. A. S. Hawker, M.H.R. (in the *Austral-Asiatic Bulletin*, April, 1937), are appended: 'It is, however, reasonably clear that in each country imperfect knowledge of the special problems of the other had given rise to assumptions which were so wide of the facts that it would have been almost impossible to reconcile them by more discussions until some test had cleared up the wrong premises.

'Each Government was acutely aware of its own country's difficulties and dimly conscious of those of the other. . . . There will be differences of opinion whether curtailment of the peak volume of exports, as distinct from a halt, was really necessary; but it is almost certain that either suggestion would have caused similar surprise, and met with the same complete rebuff. Actually the Japanese trade difficulties elsewhere had created such a public feeling of the urgency of winning exports that they could brook no curb in markets where the size of their purchases appeared to give them the commanding word. So the deadlock occurred, with the Australian Government not fully aware of the lengths to which their temper might carry the Japanese in stinting their own comfort in order to economize wool if a dispute arose, and with the Japanese quite unaware of the transcendent importance to Australia of other markets or of the extent to which commodities such as wool and minerals can find alternative buyers at the cost of relatively small sacrifice. Once these facts were made plain by hard experience, the arrangement of a fair compromise became a reasonably certain event.'

The proposal for a trade agreement between the United Kingdom and the United States received a hearty welcome in Australia. Primary producers were a little fearful lest any tampering with the terms of the Ottawa Agreement in American interests might imperil their export markets for butter and meat, but the great majority of those who thought about the matter at all would have agreed with the Prime Minister that such an agreement would go far to improve international relations generally and should be heartily welcomed.

Australian relations with the United States have been disturbed not only by the trade diversion policy but by the Pacific Shipping question. An American steamship line carries passengers between Australia and New Zealand while non-American vessels are not allowed to trade between Hawaii and the mainland of the United States. The New Zealand Parliament passed an Act to exclude the American ships from their ports, and a parallel measure was introduced into the Federal Parliament. The New Zealand Act has not been applied, and the Australian Act was eventually dropped, but the harm was done. America is not sufficiently known in Australia for Australian policy to be wisely directed. America helps Australia by buying fine textiles from Britain, and, at times, foodstuffs from Canada. In the one case we supply the raw material, in the other we fill the vacancy. We may yet be able to improve our sales of wool and meat, and find a market for fresh fruits (in small quantities) and wines in America. But apart from trade it is undoubtedly in the best interests of Australia to have a powerful and sympathetic friend in the great democracy on the other side of the Pacific.

IX

FINANCIAL POLICY¹

‘THE rate of development,’ wrote the Premier of New South Wales recently, ‘is substantially a function of the policy adopted.’ In those words he expressed not only his own conviction but the implicit assumption of a great majority of Australians, that the nation controls its own economic destiny and that the government, as the most potent instrument of the State, can and should direct the organized strength of the nation to desirable ends. The tendency ‘to lean upon the Government,’ which many writers have condemned, the inchoate socialism which so many observers have remarked in Australia, has that positivism as its basis. There is very little faith in *laissez-faire* and the general feeling is that when anything is wrong, or not as right as it should be, ‘something ought to be done about it’ by the State.

The notion that the Government can, by wise saving and wise spending, by redistributing available income through taxation and the social services, by adding to it at the right time and in the right place through public borrowing, and by effective use of the monetary mechanism, further the national development, is very generally accepted, and until the onset of the depression economic policy as a whole, and not monetary policy merely, was dominated by the idea of development.

The depression ended this domination for the time. Instead of growth and rising standards came net loss from migration and a serious fall in the general standard. Instead of incurring fresh commitments abroad Australian Governments had to consider how they would meet those already incurred. That phase, too, has passed. Hope grows brighter and faith is resurgent if a little less confident. The demand is for ‘a forward policy’ which shall stabilize the gains recently made

1. See Supplementary Papers B3 and C1.

and stimulate development anew. Financial policy is a part of this general economic policy. Its aim is so to utilize the financial resources of the country as to enable the economic system to expand as rapidly as is consistent with stability. How that is to be done is a matter upon which opinion is divided.

The broader issues of financial policy do not attract much attention. Public opinion has in recent years become increasingly aware of the outside world, and of the necessity for thinking of national policy in terms of international interests, but serious consideration of such matters as stabilization and the return of the gold standard have been deferred. The currency has always been tied more or less closely to that of Great Britain, and it may be that the habit of independent thinking about financial matters has not yet become sufficiently general for anything like a policy with respect to these broader issues to be possible, or at least identifiable.

It is significant that, in dealing with economic policy in his opening speech at the Imperial Conference last year the Australian Prime Minister spoke of trade, imperial co-operation, and the need for wider markets. He said nothing of financial or monetary policy. We have a managed currency but it is sufficiently well-managed to leave most of us unaware of any imperfections in the management. Public confidence in the stability of the currency could not be greater if it were backed by an enormous gold reserve or on a full gold standard. The Government and the Central Bank have co-operated during recent years to prevent any very unhealthy tendencies towards increasing interest rates to develop very far, and this has been done without very much criticism or adverse comment. At least public confidence has not been shaken.

Thought about financial policy is possibly because of this, generally directed to budgets and borrowing rather than to monetary manipulation. Yet the country is not without its currency enthusiasts. Impatient at 'the paradox of poverty in the midst of plenty,' some ardent souls interpret financial policy wholly in terms of the monetary schemes of Major

Douglas, Silvio Gesell and other reformers. During the depression, these schemes attracted considerable numbers, but as conditions improved the numbers seem to have declined very considerably. In general, public opinion supports the Governments in interpreting policy as involving something more than monetary policy in the narrow sense.

There is, or was, some doubt as to whether the monetary mechanism was actually adequate for the achievement of the national aim. Persistent and fairly widespread criticism of the private trading banks, especially, led the Commonwealth Government in 1935 to appoint a Royal Commission 'to inquire into the monetary and banking system at present in operation in Australia, and to report whether any, and if so what alterations are desirable in the interests of the people of Australia as a whole, and the manner in which any such alterations should be effected.'

Before presenting the findings of this Commission as the best available evidence on the question of the adequacy of the banking system, that system should be briefly described.

The banking system at present consists of the Commonwealth Bank of Australia, the 'private' or 'commercial' or 'trading' banks, the savings banks, the rural banks, and certain finance and investment companies discharging banking functions, but conducting other operations as the main purpose for their existence.

The Commonwealth Bank of Australia is the publicly owned Central Bank of the Commonwealth. Its establishment with no other capital than a loan of £10,000 from the Treasury, and its subsequent growth, are one of the romances of modern banking. Until 1924 it was a national bank competing in trading bank activities with the ordinary trading banks, and it kept the Commonwealth Government Account, but it had no real claims to consideration as a Central Bank. Indeed, that status has only been gradually attained since. In 1924 an amendment of the Commonwealth Bank Act strengthened the financial position of the Bank by enabling it to capitalize £4,000,000 of accumulated profits. The Act provided that after a date to be proclaimed, the Bank Board

should fix and publish a discount rate, and after a date to be fixed by proclamation the private banks were to be required to make their clearings through the Commonwealth Bank. Neither of these proclamations has been issued. In 1928 the Commonwealth Savings Bank was erected into a separate institution though left under the control of the same Board of Directors. More recent amendments, to be noted later on, enabled the Bank to discharge all the essential functions of a Central Bank. It is now, in effect, responsible for the stability of the currency, and the control of the note issue, and holds part of the reserves of the trading banks.

The Bank now consists of three departments—General Banking, Note Issue, and Rural Credits. The governing body is the Board of Directors, consisting of the Governor of the Bank, the Secretary to the Commonwealth Treasury, and six other Directors appointed by the Commonwealth Government. The Governor is the chief executive officer. The financial position of the Bank is best understood by reference to Table 19.

The 'private' or 'commercial' or 'trading' banks consist of nine 'chief' banks, the branches of three foreign banks, and one, the Ballarat Banking Company Ltd., which operates only in Ballarat and its neighbourhood. Six of the nine chief banks have their head offices in Australia, and the other three in England. They are, in order of their establishment: The Bank of New South Wales (1817), the Commercial Banking Company of Sydney (1834), the Bank of Australasia (1835), the Union Bank of Australia (1837), the English, Scottish and Australian Bank (1852), the National Bank of Australasia Ltd. (1858), the Bank of Adelaide (1865), the Commercial Bank of Australia Ltd. (1868) and the Queensland National Bank (1872). The three foreign banks with branches here are: The Bank of New Zealand (two branches), the Comptoir National D'escompte de Paris (two branches) and the Yokohama Specie Bank (one branch).

Each of the nine chief banks has numerous branches, and the trading bank system is essentially branch banking rather

than unit banking. That is, it conforms much more closely to the English than to the American model.

The Commonwealth Savings Bank of Australia operates in all the States and territories of the Commonwealth and is easily the largest institution of the kind in Australia. There are savings banks incorporated under State laws in Victoria, South Australia and Tasmania, but those which at one time existed in the other three States have been amalgamated in or absorbed by the Commonwealth Savings Bank. There are no private savings banks.

Rural bank functions are discharged either by special institutions, or branches, or departments of the savings banks in all the States. In New South Wales the Rural Bank was originally a department of the Government Savings Bank, but when the main institution was absorbed by the Commonwealth Savings Bank in 1931 the Rural Bank and Advances for Homes Departments were reconstructed as a separate entity under the name of the Rural Bank of New South Wales. A special department, the Government Agency Department, was set up within it, to co-ordinate certain miscellaneous Government lending activities. In Victoria, rural bank functions are discharged by the State Savings Bank, and in South Australia by the State Bank of South Australia. In Queensland, Western Australia and Tasmania they are discharged by what are in effect State Government departments.

Other institutions which may reasonably be regarded as forming part of the financial system if not of the banking system include the pastoral finance companies, the life assurance societies and companies, the trustee companies, building societies, motor finance and cash order companies.

Before considering how this system works, it is desirable to say something of the way in which it developed. Before the war, the country was on a gold standard, and since Australia is a gold-producing country, exchange stability was maintained by variations in the quantity of gold retained. Apart from such disturbing factors as capital imports and interest payments, imports of merchandise tended to equal exports of merchandise plus an amount nearly equal to the

annual gold production. Then came the war and the disturbances of the post-war epoch. Between 1915 and 1925 the export of gold without consent of the Treasury was forbidden, and from 1925 to 1929 the country was on the new gold, or gold bullion, standard. Then the gold standard was abandoned and all gold reserves centralized under the control of the Commonwealth Bank. In 1932, that Bank was authorized to hold gold, or sterling, or both, as a reserve against the note issue. Since that time the country has been on a sterling standard.

The supply of money in Australia is regulated by the banking mechanism as follows: The cash reserves of the trading banks consist of coin and notes, deposits with the Commonwealth Bank, Treasury bills,² and London funds. Apart from central bank or Treasury action, these reserves depend upon the demand of the public for cash, and the international balance of payments. Obviously, subject to the same exceptions, the important determinant is 'London funds.'

Australian exports are paid for, for the most part, through London, and therefore constitute the source from which London funds are replenished. Imports, on the other hand, are paid for largely by drafts on London, and involve a drain upon those funds. These transactions also, of course, affect the balances of the banks' customers in Australia. Exports increase their deposits (or reduce their overdrafts), imports reduce their deposits (or increase their overdrafts). Other things being equal, an excess of exports over imports means a net increase in London funds, and a similar increase of deposits in Australia; while an excess of imports over exports means a net decrease of those funds and a corresponding decrease of deposits in Australia.

The private trading banks, backed by the Commonwealth

2. Treasury Bills first formed an important element in cash reserves in 1931. During the depression, Government deficits were financed by issues authorized by the Loan Council. The total outstanding in December, 1930, was £8m. Thereafter the issue increased to £35m. at December, 1931, and to £42m. in March, 1932. The total issue is now about £80m., held as to rather more than half by the Commonwealth Bank and the rest by the trading banks.

Bank as the Central Bank, and supplemented by the other financial institutions referred to above, provide the country with what is, or can easily be made, a fairly satisfactory system. Such at least is the general impression left by a reading of the Royal Commission's Report. That Report did not affirm or suggest that the system was beyond criticism. It found serious weaknesses and gaps, especially in regard to Central Bank control, and it made important recommendations, but it made no suggestion that any fundamental reconstruction was necessary. The only additional institution recommended is a mortgage bank or banks.

Assuming that the mechanism is or can be made reasonably adequate for the purpose of implementing monetary policy, the question arises as to what that monetary policy should be, and whether the system, though equipped to carry it out, will in fact be likely to do so.

The economic policy of the country and of every Government has been stated in general terms. It is to further the 'all-round development of the country.' One of the means at the disposal of the community is monetary policy. A logical division of function seems to be for the Government to formulate the general economic policy, as it has done, and to leave the Central Bank Board to decide how the monetary system shall be regulated to that end. The Commission's recommendation is that the Bank Board aim at 'the reduction of fluctuations in general economic activity in Australia, thereby maintaining such stability of internal conditions as is consistent with the change which is necessary if economic progress is to take place.' 'The Federal Parliament is ultimately responsible for monetary policy,' says the Royal Commission, and in the sense that it formulates the objective for economic policy that is undoubtedly true. How far that 'ultimate responsibility' will justify interference with the Bank Board is, however, a question which must for the present and for some time to come remain unsettled.

Before attempting to decide how opinion is likely to move on this matter it is worth considering what the present state of public opinion is with respect to banking generally. As

the Commission pointed out, 'It may be in the interest of any trading bank, influenced by considerations of profit and liquidity, to expand or contract credit at a time when the general interest required different action.' This has long been recognized and has led the Labour Party at least to adopt a definite policy opposed to the retention of the system as it now is. The Australian Labour Party platform provides for 'the nationalization of banking and credit service.'³ Recent experience is not likely to strengthen the appeal of this part of the Labour programme. The suspension of the Government Savings Bank of New South Wales in 1930 was due entirely to causes unconnected with the management of the bank, and the ruin of a flourishing institution of which the people had long been justly proud, was generally attributed in the popular mind to the 'meddling of politicians.'

There is a good deal of evidence to support the contention that the Australian public places considerable faith in the independent expert tribunal. Nowhere in the world are the Courts of Justice more profoundly respected. 'It is significant,' wrote Prof. D. B. Copland recently, 'that in the recent Federal elections the control of wages was scarcely mentioned by any responsible candidate, and the authority of the Arbitration Court was nowhere seriously challenged. In the control of protective policy, through the Tariff Board we have perhaps made surer progress, though it is not accepted with so little active dissent. In the financial relations of Commonwealth and States the Commonwealth Grants Commission is building up an accepted authority over at least an important part of the field, so that special grants are not even mentioned as a political issue. In the States, many boards and commissions are working effectively with an authority derived from Parliament, but with an increasing freedom from direct political interference.'

We may, therefore, venture upon something like prophecy. It is extremely likely that in the absence of some quite unex-

3. Cf. E. G. Theodore: 'Nationalization of Credit,' *Economic Record*, December, 1933, p. 176.

pected and untoward circumstances the control of monetary policy will be left in the hands of the Central Bank, that the Board of that Bank will gradually build up an organization which will enable it to control both the direction and the volume of the flow of credit more effectively than it has yet done. For our own satisfaction in peering into the future, we may foresee still further ahead the gradual integration and unification of the whole system into a true 'public utility,' privately owned in part, but closely disciplined and with regulated profits.

Control of monetary policy and of the monetary mechanism are not, however, sufficient to ensure that financial policy will be unified, its parts harmonized, and the whole directed to the achievement of the general economic policy of the country. The loan policy of the governments, the budgeting position, taxation, interest payments, sinking fund provisions and operations, and the redistribution of income among individuals through the social services, and among the States through Commonwealth Grants to the States, have all to be considered. Anything like an adequate discussion of all these matters would take us far beyond the limits of this chapter, but certain matters relevant to our central purpose must be considered.

The collection and expenditure of public moneys are controlled by the Government of the Commonwealth, the Governments of the States, and local governing bodies.

The Commonwealth Government derives its revenues mainly from customs, excise and primage duties, income tax, land tax, estate duty, sales tax, and entertainments tax. Its expenditure is chiefly in connection with war and repatriation services, old age and invalid pensions, maternity allowances, defence, lighthouses, navigation (in part), quarantine, bounties, and the maintenance of certain judicial and arbitration tribunals.

The revenues of the States are derived mainly from taxes, such as the income tax, stamp and probate duties, motor registration, betting, entertainment, wages, etc.; fees for licences; and contributions by the Commonwealth under the

Financial Agreement of 1927. The expenditure is mainly on such services as education, public health, hospitals, police, prisons, State law courts, industrial tribunals, navigation (in part), agriculture and lands administration, water conservation and irrigation, local government (administration and grants), family endowment, widows' pensions, unemployment relief, care of the destitute, administration of mining, fisheries and factory laws, the construction of public works, and unemployment relief.

Local governing bodies levy rates on the lands within their areas to provide certain local services such as the construction, maintenance and lighting of streets and roads, the control and maintenance of public parks and recreation areas, the supervision of building operations, and in some cases the provision of water and sanitary services.

The relative importance of, and the funds controlled by the Commonwealth and the States respectively can be best understood by reference to Table 20. It will be seen that during the last two financial years the consolidated revenue of the Commonwealth has amounted to about £82m. per annum (about £12 per head of the population) and of the six States to about £115m. per annum (about £17 per head of population).

In spite of the fact that the public finances of some of the States still show deficits the budgetary position of the country as a whole must be regarded as reasonably sound. The following table will serve to show how marked has been the improvement since the pit of the depression:

¹ NET AUSTRALIAN (COMMONWEALTH AND STATES)
BUDGET RESULTS

		£			£
1929-30	deficit	9,269,000	1933-34	deficit	5,485,000
1930-31	„	25,390,000	1934-35	„	2,554,000
1931-32	„	19,490,000	1935-36	surplus	1,123,000
1932-33	„	4,536,000	1936-37	„	965,000

In the sense that each controls its own revenue and expenditure, Commonwealth and State Governments are mutually

independent. But since the Commonwealth has the exclusive power of levying customs and excise duties, and concurrent powers in all other fields of taxation, it is financially much more powerful than the States. This was anticipated before the Federation was established and provision was made for financial assistance by the Commonwealth to the States. Until 1910 this assistance was in part compulsory; the Constitution required the Commonwealth to return to the States not less than three-fourths of the net revenue from customs and excise. Thereafter until 1927 the Commonwealth paid to each State an annual sum equal to 25/- per head of its population.

In 1927 the Commonwealth and the States entered into the Financial Agreement whereby, instead of these 'per capita payments,' the Commonwealth agreed to take over the States' debts as outstanding at June 30, 1927, and to make an annual contribution towards the interest charge. It was mutually agreed that sinking funds should be provided and that future borrowing by Australian Governments should be controlled by a Loan Council. This Agreement was operated at first on a voluntary basis. Then an amendment to the Constitution was secured whereby such an agreement might be made binding upon successive Governments during its currency (see Commonwealth of Australia Constitution Act, Section 105A).

The main import of the Financial Agreement may be briefly stated as follows:

A Loan Council was established, constituted by one representative of the Commonwealth with two votes and a casting vote, and one representative of each State with one vote only.

The amount of loan money raised during any financial year, and the distribution of that amount amongst the Commonwealth and States should be authorized and determined by the Loan Council.

Except with the unanimous consent of the Loan Council, all external loans must be raised through Commonwealth agencies and backed by Commonwealth securities.

Annual contributions should be made by the Common-

wealth and the States to a sinking fund, calculated to wipe out State debts at June 30, 1927, in 58 years (for New South Wales, 59 years). Debts incurred thereafter should be liquidated within 53 years.

The Loan Council is regarded by all who have given it close consideration, to be an unique and profoundly important piece of constitutional machinery. It virtually guarantees that the obligations of all the Governments with respect to the service of their public debts will be carried out, for should any State be unwilling, compulsion may be exerted.⁴ The loan programme of each Government is subjected to close and critical scrutiny by all the other Governments, and the total amount to be raised is considered in relation to the state of the market, and present and future needs. Its establishment is a recognition of the fact that anything affecting the credit of a part of Australia affects the credit of the whole. A weakness which may in time become serious is that the Loan Council has no control over loans raised by local Government bodies, though under a gentlemen's agreement each Government has undertaken to submit proposals for such loans for the Council's approval.

Public borrowing began in Australia in 1842, when a sum of £45,900 was raised locally for immigration purposes. When responsible government was granted in 1855 the total debt, all external, amounted to £1,847,000 (approx.). In the same year the first external loan was floated, and a sum of £683,000 raised in London. Thereafter the debts piled up at a rate which caused serious misgivings amongst 'the apostles of sound finance,' and intermittent concern amongst the great mass of the people. By 1900, the total public debt of the Commonwealth and States amounted to £197,035,000, equivalent to £52/13/- per head of population. Australia was receiving its share of the flood of British capital which, increasingly as the nineteenth century wore on, was diverted from European to colonial investments.

4. When in 1932 the New South Wales Government proposed to suspend payment of overseas interest, the Commonwealth intervened, paid the bondholders and then collected the amount from the recalcitrant Government.

The significance of a public debt depends upon a number of factors, including the population, resources, revenue and prospects of the debtor country, where the money has been raised, and how it has been spent. A young country is justified in borrowing for development, so long as the expenditure is, or very soon will become, productive, and care is taken to prevent the debt from becoming indefinitely cumulative.

The total debt of the Commonwealth and States at 30/6/37 was £A1,410m. Of this, £A735·5m., or about 53 per cent., was external, and £A674·5m., or about 47 per cent., internal. Of the external debt £A679·3m. was raised in London and £A56·2m. in New York. The interest burden on the whole debt, external and internal, Commonwealth and States, in 1936-37 was £7/7/3 per head of the population (in Australian currency).

To what uses has all this borrowed money been applied? In Australia, central governments have for various reasons undertaken functions which in other countries are left to local governments or private enterprise. £374m. was borrowed for direct war expenditure and repatriation, but the bulk of the remainder has gone to the financing of railways and tramways, water supply and sewerage, land settlement, harbour and river improvements, roads and bridges, post offices, telegraphs and telephones, public buildings, loans to local bodies, and irrigation.

The payment of interest on the internal debt results in a redistribution of, rather than a deduction from, the national income, and can scarcely be regarded as a national burden. External interest payments are a burden which the country may be able to bear with ease according as the capital has or has not been wisely expended. Earnings available for the payment of interest from works constructed out of loans tend to fluctuate with the general economic condition of the country. During the depression, for example, they declined, and the proportion of the external interest bill that had to be met out of general revenue increased. As recovery developed they expanded to the advantage of the national budgets. Ever since 1932 there has been a progressive

transfer of loan expenditure out of the category of dead-weight debt, which is a charge upon consolidated revenue, into the category of productive loan expenditure earning all interest charges. Setting aside the war debt, on which external interest is, of course, all burden, at least half the remaining interest on Commonwealth loans is provided by the national assets in which the loans have been invested. About two-thirds of the external interest bill on the State debts is at present covered by the earnings of the various enterprises on which loan moneys have been expended.⁵

The net losses per head (after debiting interest, sinking fund and exchange, and crediting earnings) on the public debts of the States is shown in the following table:

Year ended 30th June	N.S.W.			Vic.			Q'land.			S. Aus.			W. Aus.			Tas.			All States		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1931	3	12	12	2	9	2	4	1	7	7	0	9	3	13	9	3	19	2	3	13	6
1932	4	18	2	1	19	7	4	1	2	5	3	6	3	11	6	3	18	7	3	17	7
1933	3	4	6	1	15	0	3	19	10	4	17	4	4	10	5	4	1	8	3	3	9
1934	2	19	2	1	18	11	3	13	2	5	2	11	4	15	4	4	1	8	3	2	7
1935	2	4	0	1	15	7	3	6	0	4	13	8	4	11	7	4	2	9	2	13	8
1936	2	2	1	1	12	8	3	15	3	4	5	11	4	6	8	4	7	2	2	12	5

Source: Commonwealth Grants Commission, Fourth Report, 1937, p. 17.

No figures, however precise, can afford any adequate measure of the benefits and burdens resulting from borrowing and the expenditure of loan funds. A considerable amount of borrowed money has been spent on harbours, rivers, roads and bridges, which return no direct revenue to the Governments, but increase the income-earning capacity of the people, and reduce the amount of expenditure necessary in the future. At the same time they increase the population carrying capacity of the country, and so lighten the interest burden by spreading it. The public buildings which have been erected from loans save the treasuries more than they cost in interest and upkeep. In some years the railways pay their way, and in some years they do not, but at all times they render in the 'outback' invaluable services which are paid for by spread-

5. See Tables 24 and 25.

ing the cost, either over others who use the railways or over the community generally.

Because overseas borrowing has been beneficial in the past, and because the net debt burden is not now intolerable, does it follow that Australia should return to the London market? This is a matter upon which opinion is divided. There is little doubt that the Governments, or some of them, would gladly have recourse to this method of solving their financial difficulties. They might then be able to reduce taxation and increase expenditure upon public works. But that part of the public which expresses itself upon the matter is on the whole definitely opposed. Some feel that the country is already sufficiently well equipped with railways, roads, irrigation plants and other public works which Governments can safely undertake, and that there should be a substantial increase in the population before additional equipment is provided. Others feel that the pressure of the debt service weighs unduly upon the whole economic system during any economic recession and is apt to produce distortions. They remember, too, how importers were made to suffer under the emergency provisions of 1931 and 1932.

The argument that the financial resources of the Empire should be so distributed as to ensure their most effective use would receive a good deal of support, but a strong body of opinion favours 'equity investment' by British capitalists rather than overseas borrowing by the Australian Governments, and for the time being Government policy is directed to the encouragement of such investment. Since 1931, over £24m. have been or is now being invested in secondary industries, and a good deal of this money is either fresh money from abroad, or money earned in Australia which would in other circumstances have gone abroad. This type of investment is not a burden on the public finances, and carries with it ordinary trading risks. It tends also to improve the balance of payments because either imports are reduced as overseas firms establish branch factories, or exports are increased as when new gold mines are brought into operation.

Largely because of the Financial Agreement, payments were regularly made to the Sinking Funds during the depression in spite of the almost intolerable strain upon the budgets. This fact assisted very materially in ensuring the success of the conversion operations carried out on the London market since October, 1932. Over one-quarter of the external debt has been converted and a saving of about $1\frac{1}{2}$ per cent. in interest equivalent to about £4m. stg. effected.⁶

6. See Table 23.

X

EXTERNAL AFFAIRS¹

WE are all too apt to think of policy as something which is or can be neatly crystallized in a formula.

It is sometimes defined as a system of measures by which the affairs of a nation are administered. It undoubtedly is, or should be, a system, and it expresses itself in measures, but it is not to be identified with them. It is something from which the measures result.

Since internal policy cannot be restricted in its effects to the national boundaries every nation has an external policy. It enters into relations with other nations, if only because it is bound to consider the reactions of other nations to the methods it adopts in endeavouring to realize the national aims. External policy is therefore an inevitable projection of internal policy.

In a completely rational world the nature of the relations of each nation with every other would be dictated by motives of pure reason. It would be the product of calm calculation of interests and probabilities. In the world as it is, sentiment, tradition and rationalization are as much to be taken into account as the hope of material gain, 'obvious interests' and cold calculation. For this reason it is impossible to explain the external policy of any nation, or to predict the attitude it is likely to adopt in any given set of circumstances, without taking into account the imponderables which constitute what may be called the emotional background of the national life.

Ultimately, no doubt, Australia's external policy will be very powerfully influenced, if not completely determined, by location, and certain other factors to be considered presently. But to set out these 'natural controls' which might logically be expected to determine external policy, as though

1. See also Supplementary Papers C3, D2, D3, D4 and E1, E2 and E3.

they did in fact now determine it, would be to exaggerate logic and discount emotion. However much time and environment may weaken them in the future, certain sentiments and traditions are for the present important elements in Australian life.

It may become apparent in the future that at this particular juncture Australian interests and sentiments are in conflict, that the national mind, pulled different ways, is unable to steady itself sufficiently to make clear and positive decisions. The dilatoriness and hesitancy which seem to characterize Australia just now may be the result of a sound instinct to avoid or defer decisions until facts work themselves out, and the imperatives of our situation are a little clearer. For these reasons, because a careful balance must be struck between sentiment and interest, and because policy is not at present expressing itself with definiteness and consistency, the task we are entering upon in this chapter is an extremely difficult one.

'Destiny has placed you,' said a Japanese visitor recently, 'in an ideal position of security and wealth. The growing importance of the Southern Pacific in trade is an undeniable indication of its increasing significance in culture and politics. By your orientation of national policy you can help us, the old nations in the Northern Hemisphere, in our relations with the Pacific.' If that means that we are a Pacific power, and that our major interests are in the Pacific, it may be true, but its precise significance not yet very apparent. In fact, we are Europeans in the Pacific and our sympathies are those natural to a liberal democracy of the European and especially British type. We have thought so long that the destiny of mankind was settled in Europe, that we have not yet become accustomed to thinking that it may perhaps be more significantly affected by events elsewhere.

By sentiment and tradition we are yet tied to Britain. Complete emancipation may come, but it is not here yet. Where Britain is concerned the Australian mood is not one of impartiality or detachment. For that reason any lengthy

discussion of Australia's right to remain neutral² in a war in which Britain was engaged would be academic and unrealistic. No one should count, perhaps, upon Australia's inevitable or automatic participation in a British war were the option of neutrality offered her, but only in an extraordinary occurrence of circumstances is it likely that the option would be offered or accepted.

A few 'advanced thinkers' in Australia are impatient at this. They feel, and will no doubt say very passionately, that we ought not to be tied to Britain; that it is suicidal and absurd for us to involve ourselves in European quarrels. They will urge very emphatically that our equal status within a free Commonwealth requires that we shall exercise the power of choice; that our remoteness from Britain, her European commitments, her obvious inability to defend or even assist every part of a far-flung Empire, and regard for our own safety, demand that we should proclaim and act upon our rights to remain neutral.³

This section of the community represents dominant opinion to this extent, that if Britain were engaged in a war in which her national existence and the fall of the Empire were not felt to be at stake, Australia might take no overt action. But it is almost certain that any major war in which Britain was involved would be represented correctly or incorrectly, but convincingly, to the majority of Australians, as one involving the fate of the whole Empire.

The explanation of this lies in our history. The nation is not only '98 per cent. British,' and continually recruited

2. This is, of course, nothing but the writer's opinion. *The Labour Daily*, 6/6/37, declared: 'Australian Labour has declared for the policy of absolute isolation and strict neutrality because it believes that whether war is to be conducted under the aegis of the League of Nations or in opposition to the League powers, fundamentally it has the same origin in the acquisitive instinct of the capitalist powers.' But the Constitution of the Australian Labour Party (1937 Edition), p. 54, states: 23 (c) 'No raising of forces for service outside the Commonwealth, or participation or promise of participation in any future overseas war, except by decision of the people.'

3. This paragraph, in draft, was criticized as follows: 'But, despite the extreme language used, the issue is really between automatic participation and "isolation without neutrality." This is important and the introduction of the neutrality issue is misleading. The last portion of the paragraph overlooks or discards the real alternative altogether.' I prefer to retain the paragraph.

by fresh migration from Britain. It draws and has always drawn a large part of its stock of ideas, and the standards of its culture from Britain. There is a strong mutuality of feeling with Britain, and a continual movement of people between them. Every Australian with means to travel thinks first of a 'trip to England,' and some Australians who have never seen England still talk about the journey as 'a voyage Home.'

We have moreover derived, and still derive, certain substantial advantages, commercial and financial, public and private, from our connection with Britain. Both have received some attention in earlier chapters, but with respect to the financial advantages there is something more to be said.

'The wealth drawn from the pastoral industry, and later from gold (both benefited Britain and) made Australia self-supporting at an early stage, but the assistance of British capital in developing an area which must have stagnated without great expenditure was most important. Australia from a very early period got her capital at a much lower rate than other new countries, and the Acts which later made colonial stocks available as investments for trustees perpetuated a low rate. British agencies in communications, shipping lines, cable companies operating in some cases with the assistance of subsidies from British and Australian Governments, reduced Australia's isolation. The adoption of British currency and the establishment of branches of the Royal Mint in Melbourne and Sydney were also of great advantage.'⁴ There is, then, a strong sense of benefits received and hope of advantages to be derived from our close association with Britain.

In addition to all this is the fact that for more than a hundred of the one hundred and fifty years of our existence we were a colonial dependency, keenly aware that our safety lay in the invincible might of the British navy. We are no longer a mere colony, or in the old sense, a dependency, and the British navy is not in the position of unrivalled supremacy

4. *C.H.B.E.*, Vol. VII. Pt. I, Australia, p. 526, F. W. Eggleston: 'Australia and the Empire.'

it once was. But we have not yet realized all the implications of these facts, nor of our own maturity and responsibility. We have as a nation all the touchiness of young manhood, but what the right and the necessity of decision mean to us has not yet penetrated the national consciousness. In time the circumstances of our life will tell, and responsibility will bring fuller understanding, but as yet we are groping towards a clearly defined national external policy which will be wholly Australian. As yet we can hardly be said to have found one.⁵ When such a policy has been found it may well prove to be 'a conscious synthesis of external autonomy and imperial co-operation.'⁶

In spite of the strong traditional and sentimental attachment to Britain it does not follow that Australians would support British policy in all conceivable circumstances. A mistrust of imperialism may seem ridiculous in a people who enthusiastically accepted a mandate, differing very little from annexation, over the ex-German colonies in the South-West Pacific,⁷ but it nevertheless remains true that any attempt to use British prestige or power for the open exploitation of a weaker race would receive little support in Australia.

5. This was written without conscious recollection of Mr. Lyons' words at the Imperial Conference 'We of the Dominions must recognize that the new status which we have achieved and which we regard with such pride, carries with it not only great privileges, but also great responsibilities. These responsibilities involve the obligation of assuming the full burden of nationhood. No longer can we shelter behind our partnership in the British Empire. We must face to the fullest extent of our capacity the obligation to provide for our own national defence. . . . We must be prepared to offer our counsel and to reinforce that counsel with our assistance. . . .' Imp. Conf., 1937, Summary of Proc., p. 30.

6. I have borrowed the last phrase, unashamedly, from one of the critics of this chapter.

7. The frequent demands served upon the British Government by the Australian colonies during the second half of the nineteenth century that some Pacific Island or other should be annexed (for which see Hancock: *Australia*, p. 242) and the acceptance of the mandate over the ex-German colonies did not spring from imperialism of the acquisitive and exploiting type, but from the desire for security. It was not because the Australians wanted the islands, but because they feared a hostile power might get them, that they were so clamant.

When, in 1936, the proposal to restore the former German colonies was debated in the local press and on the public platform, it became apparent that fear of enemy occupation of adjoining territory, rather than 'imperialism' or mere acquisitiveness, actuated most of those who repudiated the suggestion that Germany might be 'conciliated at the expense of Australia.'

Australians are loyal to the system of which they form a part, and of which Britain is the head and centre. But that system is linked in their minds with certain principles and ideals, for which Britain stands, and which they respect.

The factors which determine Australia's vital interests, and which will tend increasingly to determine her external policy, may now be detailed. Before doing so it seems advisable to emphasize that there is no suggestion that these factors necessarily operate either for or against the strengthening of our ties with the rest of the Empire. Some point one way, some another, and some both ways. But they must be taken into account together with the sentimental and traditional influences which are yet so powerful if a correct impression is to be gained of the influences operative to determine policy in Australia.

The first and most obvious of these conditions is location. 'Australia is a lonely outpost of Western civilization in a profoundly alien sea.' Too far from Britain for easy succour, Australia is perilously near the new storm centres of the world. Distance and isolation once spelt security; they now in our darker moods seem to leave us a too easy victim for the first predatory power. The acquisition of the mandated territories, which once seemed to increase our safety, have added to our vulnerability by bringing us closer to Japan.

The second is the size of the population in relation to the area occupied. This arouses the fear that the great potential value of the land and the strategic importance of its position may invite aggression. Whether the population is sufficient, however well equipped with armaments, to defend the country in the event of aggression by a first-class power is a matter of dispute.

The third important factor is our tenacious adherence to the White Australia policy. Its necessity is a deduction from our experience, and its serious modification would not be entertained except as a result of the direct application of force.

A fourth is our dependence upon external markets. At

present these markets are overwhelmingly in Great Britain and Western Europe, but the trade with Pacific countries is substantial and increasing. A loss of external markets would force upon us an economic reconstruction which would check our growth, and reduce our standards. We must seek markets, where markets are available. In the East, standards are rising, if only slowly, and industrialization is increasing. In Western Europe the population will soon attain stability and then begin to decline. Rising standards may or may not offset the loss of numbers.

These are perhaps the most important, but there are other factors which must be taken into account in estimating the complex set of influences affecting and likely to affect our outlook upon external affairs. There is, for example, our relative proximity to the United States. The Pacific has been flown across, and America seems near. As the Federal Treasurer put it recently: 'We are very conscious of the United States across the Pacific, and we hope and believe that the English-speaking countries will be able to get together to enforce—I think it is not too strong a word—peace upon the world.' At least we do not fear the United States. The vast majority of us could not conceive a situation in which we should be hostile towards the United States. We are glad to think there is a powerful Anglo-Saxon nation on the other side of the Pacific, and there is a widespread conviction that in spite of, or should it be because of, their business acuteness, on the whole, the Americans stand firmly for peace, and right, and justice.

Australia's external policy is in the making, rather than already made, largely because the inferences to be drawn from the factors just set forth, are not clear beyond dispute. Too many of the inferences yet drawn are natural only to minds under the influence of fear and suspicion. A clearer vision might discern other possibilities. If a path to peaceful and mutually helpful relations between East and West, and between the Pacific countries and Western Europe, is to be found, Australia is singularly well placed because of her sympathies, connections and inevitable interests, to find it.

During the campaign which preceded the Federal elections of 1937, it was represented that Australia must choose one of the two alternatives, imperial co-operation or isolation. But because the electors endorsed the Government's policy of imperial co-operation in defence, it should not be inferred that they accepted the principle of imperial co-operation in foreign policy. Every part of the Empire, it is said, has as a vital interest the maintenance of peace and the furtherance of security. But the search for peace seems at the moment to involve preparation for war, and nations prepared for war are likely to find themselves at war. The Australian people ardently desire peace and are reluctant to place themselves in a position where they may be drawn into war. At the same time, Australia is re-arming with the rest of the Empire. The national attitude seems to be: Hope for peace, prepare for war, and make no promises. Nothing more positive can be expected until the popular mind is clearer than it yet is as to both the aims, and, above all, the methods covered by the phrase, Empire foreign policy. It should never be forgotten, however that in Australia as elsewhere, public opinion in the event of war, or threat of possible war, is apt to crystallize with dramatic suddenness.

In the sense of something that has to be conducted by a government there is, of course, no Empire foreign policy, for there is no single government for the Empire to conduct it. But as an expression of interests and innate tendencies common to all, and as a resultant of common imperatives, there may be. It is, for example, unthinkable that an unprovoked attack upon Britain could be regarded in any Dominion otherwise than as an attack upon that Dominion. It is probable that any act of aggression against any of the Dominions would be regarded by the other members of the Commonwealth as an act of war. It is not so certain that aggressive warfare undertaken by Great Britain or a Dominion would necessarily be supported by the rest. Canadian and Australian interests in the existence of a powerful and sympathetic United States make it unlikely that they would co-operate for long in action or policy unfavourable to that country. If

there is, and there probably is, something which may be regarded as an Empire foreign policy in this rather vague sense, its nature and range are not yet sufficiently clear to make positive commitments desirable.

Another possible definition of Empire foreign policy is the foreign policy of Great Britain so far as it expresses aims, ideals and methods acceptable to the whole Empire. A complete and authoritative statement of Britain's foreign policy has not and cannot be made. It is something which reveals itself only as the occasion demands.

In general, the principles enunciated by responsible ministers in England during the past few years are such as command very general approval in Australia. 'Peace,' and 'international co-operation in the solution of international problems in the basis of reason and justice' recommend themselves. The commitments acknowledged in Mr. Eden's Leamington speech,⁸ too, are recognized by those who have studied them as reasonable, and indeed, more or less inevitable—for Britain. The general hope is that Britain will not become embroiled in Europe again, or involve herself any further than she must in European affairs. In any case public opinion in Australia is on the whole set against any positive commitments for Australia, and until the methods employed to attain these spacious aims be more clearly defined than they have yet been, the national instinct is profoundly wise.

A tyro among the nations, Australia is not entirely inexperienced in external affairs. She was born into the family of British nations and has had to learn how to conduct herself towards other members of the family. She took part in the war and signed the Treaties of Peace. She entered the League of Nations as an original member. Her migration

8. November 20, 1936. These commitments may be stated summarily thus:

(i) British arms will not be used in a war of aggression, or for a purpose inconsistent with the Covenant.

(ii) British arms may, and will, if the occasion arises, be used in the defence of Britain, and of the territories of the British Commonwealth; in defence of France or Belgium in the event of unprovoked aggression; in defence of Germany in a similar event, and if a new Western European settlement can be reached, and (presumably), in defence of Egypt and Iraq.

policy compelled her to enter into negotiations with a number of foreign countries even before the war. She has signed a number of multi-lateral treaties, intended to safeguard the peace of the Pacific, and entered into several trade agreements.⁹

It is not necessary to set forth in detail here, the occasional outbursts of pétulance and irresponsibility towards Great Britain and other British countries which marked the growth of the Australian colonies. After the establishment of the Commonwealth the principle was rapidly established that a new political entity had been created 'for dealing with all political matters arising between Australia and any part of it, and any other part of the Empire or foreign state.'¹⁰ The 'new political entity' shared with Britain and the other Dominions, the experiences which resulted in the establishment of a system founded on consultation and co-operation,¹¹

9. Australia's external commitments arise from:

(a) Membership of the British Empire.

(b) Political treaties and conventions.

1. Peace treaties.

2. Covenant of the League.

3. Constitution of the I.L.O.

4. The Washington Five-Power Treaty—maintenance of a *status quo* re fortifications of possessions of signatories in the Western Pacific.

5. The Nine-Power Treaty—undertaking to respect the territorial integrity of China.

6. The Chemical Warfare Protocol, 1925.

7. The Kellogg Pact of 1928.

8. The acceptance (with certain reservations) of the Optional Clause of the Permanent Court of International Justice.

(c) Trade Agreements.

Ottawa

Canada

New Zealand

France

Belgium

Czechoslovakia

South Africa.

(d) Immigration Agreements.

1. 1904 with Japan, India, China, Hongkong, Straits Settlement, Siam, Annam, Egypt, Hawaii and the Philippines, providing that the dictation test should not be applied to merchants, students and tourists whose passports were in order.

See, on Trade Treaties, Supplementary Paper B3.

10. See *C.H.B.E.*, Vol. VII, p. 1, p. 471.

11. See G. Palmer: *Consultation and Co-operation in the British Commonwealth*, R. MacG. Dawson: *The Development of Dominion Status*, 1900-1936.

but brought about the breakdown of a common foreign policy and leaves the problem of harmonizing the principles of unity and equality the central problem of the British Commonwealth.

Australia's contribution towards the solution of this problem may seem very disappointing. The national instinct is strongly in favour of letting things alone so long as they work satisfactorily. Mr. Hughes in 1921, Mr. Bruce in 1926, and Mr. Scullin in 1930, all emphasized that Australia did not want to participate in any imperial constitution-making. Two attempts have been made to pass the necessary Bill for the adoption of the Statute of Westminster and it is not through yet. It will no doubt be adopted sooner or later 'not as a means for climbing some new pinnacle among the nations of the world, or of expressing any militant nationalism in opposition to Great Britain, but merely as a useful means of clearing away obsolete machinery.'¹²

Australia's dilatoriness in endorsing the Statute of Westminster, and her obvious reluctance to define her position with respect to co-operation in foreign policy, is due partly to an innate empiricism, an instinct to allow facts to work themselves out as far as they will, and partly to the inertia of a community intensely preoccupied with local affairs. Nevertheless, the ideals which it was hoped would be realized through the League of Nations made a powerful appeal. The concept of permanent peace ensured by the principles of conciliation, arbitration, and collective action seemed to resolve all difficulties of intra-imperial and international co-operation and to 'constitute a focal point for a common Empire policy.' Australia has been regularly represented in the Assembly of the League and has held a seat on the Council. Her contribution to the general problems of the League has not been entirely unworthy. When the League was palpably losing ground as a world organization the Commonwealth made specific proposals for the reform of its constitution.

The proposal for regional pacts subsidiary to the Covenant

12. *International Affairs*, September, 1937, p. 710, Prof. K. H. Bailey.

was an attempt to strengthen the principle of collective security by limiting commitments to defined areas. The proposal stands as Mr. Casey phrased it: 'We hope and believe that it is possible to reform the League on the basis of regional responsibility, which will give it some chance of being revived as an active force in the world in the years ahead.' Mr. Lyons's suggestion for a pact of non-aggression for Pacific countries was another indication of the thought that is being given to the problem of maintaining the basic principles for which the League was believed to stand.

Among members of the Left Wing the League is as suspect as the Empire.¹³ Both are regarded as the instruments of capitalism. The only hope that they see for a genuine system of collective security is by applying the Marxian doctrine. 'Workers of the world, unite!' said Marx. 'The workers,' said the President of the Adelaide Trades and Labour Council, 'demand collective security by the world's workers for the world's workers.'

The same instinct to let things alone so long as they work reasonably well has operated in the conduct of external relations. Australia has no separate diplomatic service in the real sense. There is a system of liaison with the British Foreign Office and British Embassies abroad, but the Commonwealth has never exercised the right of separate legation.¹⁴

A High Commissioner was sent to London when the need for such an office became apparent and in 1924 an External Affairs branch was added to the High Commissioner's office, again only after the need had been demonstrated.¹⁵ In May, 1937, the system of liaison was further extended when an External Affairs Officer was sent as Australian Counsellor to the British Embassy at Washington.

Until 1935, the Department of External Affairs was a division of the Prime Minister's Department. It was then

13. I am informed that this is no longer true.

14. For the Canadian, South Africa and Irish Free State Legations see Hancock: *Survey of British Commonwealth Affairs*, p. 292,

15. *The Record of the Lyons Government*, p. 103.

given independent status. It is now organized in two sections—the Political Section and the International Co-operation Section. The former deals with questions of foreign policy generally, and with Imperial and inter-Dominion relations: ‘It attends to Parliamentary duties, prepares summaries for the information of Ministers and members of Parliament, collects, collates and disseminates information concerning other countries, and studies the British Press, and large sections of the European, Asiatic and American Press. It deals with an ever-increasing correspondence from abroad seeking information about Australia, and also with questions relating to the large number of foreign newspapers published in the Commonwealth. This section is also responsible for the compilation and issue of a fortnightly publication known as *Current Notes*, which deals with international matters of interest to Australia.’ About 1,000 copies of *Current Notes* are distributed gratis to those sufficiently interested to apply to be placed on the mailing list. ‘The International Co-operation Section deals with all matters, other than purely political ones, which affect Australia’s relations with the League of Nations, the International Labour Office at Geneva, and the Permanent Court of International Justice at the Hague. Another extensive part of its work is concerned with treaties and other international agreements.’

Long before the establishment of the Commonwealth, Australians realized their responsibility in regard to their own defence, and the desire to develop a more effective system for the defence of the continent was a potent influence in the federal movement.

The first Commonwealth Defence Act was passed in 1903. In 1909, Australia decided through the Labour Government then in office under Mr. Andrew Fisher to have a local navy, manned by Australians, and under the control of the Australian Government. In 1911, a system of compulsory military training was adopted.

During the Great War Australia maintained a naval squadron consisting of one battle cruiser of 19,200 tons with eight 12-inch guns, four light cruisers, two small cruisers,

six destroyers, two submarines, 2 gunboats and two sloops. The A.I.F., though largely recruited from men who had been trained in the citizen forces, was organized and maintained as a separate entity. Altogether, 416,809 troops were raised for war purposes and 330,000 were sent overseas. Over 59,000 men were killed, died, or were posted as missing, and over 226,000 casualties sustained.

After the Washington Conference of 1921 the battle cruiser was dismantled and sunk, warship building and naval base construction were suspended. The compulsory training provisions of the Defence Acts were at first restricted to the more populous areas, and in 1929 suspended altogether. A renewal of activity in defence measures did not begin until the worst of the depression was over in 1933-34.

In 1934-35 a three years' defence programme was adopted, and in 1936-37 a new three years' programme, partially overlapping the earlier programme, was initiated. The expenditure incurred during the period July 1, 1934, to June 30, 1937, is set out in the following table:

Arm	Financial Years		
	1934-35	1935-36	1936-37
	£	£	£
Navy	2,647,498	3,177,346	3,321,079
Army	1,779,121	2,418,732	3,236,468
Air Force	740,805	1,054,410	1,472,012
Munitions	494,465	520,988	644,495
Civil Aviation	167,708	190,781	492,868
Administrative	21,663	24,891	30,502
	5,851,260	7,387,148	9,197,424
Headquarters			5,350
			9,202,774
Payable from Trust Fund			1,952,008
From Consolidated Revenue and Loans			7,250,766

Source: Commonwealth Budget, 1936-37.

At present Australian naval forces consist of two 'Washington' cruisers (tonnage 10,000 tons; armament eight 8-inch guns, four 4-inch and other smaller guns); speed 31 knots; one modern light cruiser (7,000 tons; eight 6-inch guns), one cruiser of 5,200 tons (to be replaced under the new programme), one flotilla leader and four destroyers, two escort vessels, one seaplane carrier and minor craft.

The peace-time organization of the army is a permanent force nucleus of 2,300 men and a voluntary enlisted militia of 35,000. The man-power behind this force amounted, at the census of June 30, 1933, to 954,000 men between 18 and 35. Efforts made to mechanize equipment have been partially frustrated by the inability of British armament firms to supply essential equipment which could not be procured locally, but plans have now been developed for the local production of much of this equipment, and good progress is expected.

The Air Force consists of a personnel of over 2,000 men, with 96 effective first-line planes. Twenty war planes are said to be on order in Britain and should be delivered before June, 1938, and 40 Australian-built N.A. sixteens should be completed by the end of 1938.

There is a well-equipped small arms factory at Lithgow (N.S.W.), explosive and ordnance factories at Maribyrnong (Victoria), and an ammunition factory at Footscray (Victoria). Much essential material has still to be imported, but with every passing year, nowadays almost every passing month, the nation approaches more nearly to self-sufficiency in this respect. Lack of oil and petrol supplies must, however, constitute a serious weakness, which can only be partially remedied by the development of the oil-shale deposits of New South Wales. Reliance must be placed chiefly upon storage.

The defence organization as it is at present is the expression of the present Government's policy of a 'balanced scheme.' £3,616,000 is to be spent on the navy during the year ending June 30, 1938, £3,264,000 on the army, and £2,672,000 on

the air force. Critics of the policy claim that the navy has got and is getting far too much. They would prefer to see more of the amount available spent on the other arms.

Of these critics, some regard expenditure on any navy as money wasted: 'If a nation has a fleet that cannot conquer it would be better off without one.'¹⁶ Others would dispense with the cruisers and either spend what is thus saved on destroyers and submarines, or divide it between more of these, and the army and the air force.

Behind this controversy lies the bigger one: should Australian defence be used upon the principle of co-operation with Great Britain, or should it be based upon the principle of 'self-reliance.'

At the Imperial Conference of 1937 the British Prime Minister (then the Right Hon. Stanley Baldwin) stated: 'It will be our task to consider whether, while preserving our individual rights of decision and action, we can co-ordinate our various policies in such a way as to assist one another and, as is, I know, the hope and prayer of us all, to help forward the cause of peace.' His general idea and sentiment were supported by Mr. Lyons, who declared on behalf of Australia: 'Australia . . . subject to the sovereign control of its own policy, and without prior commitment, stands for co-operation in defence between the members of the British Commonwealth, and it has adopted the guiding principles laid down at Imperial Conferences as the basis of its policy for co-operation in Empire naval defence and for its own local defence.'

The argument advanced in favour of the policy thus endorsed is that if the Australian scheme is co-ordinated with a central scheme for the whole Empire then effective co-operation will be possible. Moreover, what has to be defended is not only the 12,000 miles of the Australian coast, nor even that coast plus the trade routes. Enemy occupation of the Mandated Territory of Papua, or Fiji or New Zealand, would make the task of defending Australia immeasurably more difficult. Our ultimate safety demands

16. From a speech by the Leader of the Opposition in the House of Representatives,

that we should prevent the seizure of any neighbouring territory by a hostile power if we can. Indeed, so long as the Singapore Base remains, it is doubtful whether any nation would attempt a landing in force on the Australian coast unless it had first acquired a base much nearer Australia than any at present existing. Australia's remoteness carries with it this safeguard, that such long lines of communication would have to be maintained by an opponent that our invasion could not be contemplated until the defending warships had been locked up in their bases, or rounded up and destroyed. To co-operate in the naval defences of the Empire in order that we may be, and remain, safe to concentrate upon the defence of Australia, while leaving an enemy free to seize Papua, would be but a postponement of our own fate.¹⁷

All this presupposes that if we co-operate in the naval defence of the Empire by building and maintaining a mere squadron we shall secure British help in time of need. But, the critics allege, this is just what it is entirely unreasonable to expect. Britain could not possibly spare more than half her fleet away from home waters unless she was absolutely certain that the European position was safe. And although half her fleet would be useless, it is extremely unlikely that she could spare so much.

This criticism overlooks a number of facts and possibilities. One fact is that the Singapore Base is virtually complete, and that it would have to be masked before an attacking force could venture upon the long voyage to Australia. Another is that Britain now maintains 15 submarines, some of them very powerful, and other units in the East Indian and China section of the Royal Navy. Moreover, to dispense with a navy is to leave our trade routes at the mercy of a single cruiser which an enemy might bother to detach. Finally, protagonists of this policy find comfort in the fact that the Dutch in the East Indies, faced with rather similar problems, also maintain a 'marginal fleet.'

It is doubtful whether the case against the policy now in operation has ever been adequately put. The Federal elec-

17. See Supplementary Paper D3.

tions of 1937 were fought on the defence issue, but the Opposition was divided against itself on the matter. The leader was miscalled an 'isolationist.' His policy was imperial co-operation by making Australia so secure that no enemy could weaken the Empire and strengthen her own position by seizing Australia. He was emphatic as to the need for adequate preparations for defence. But behind him were some who declared openly for isolation, and even these were not united. Some took the extreme view that Australia could and must remain neutral because all wars were capitalist wars. They seemed to believe that if Australia remained peaceful and unprepared no one would attack her. Others were isolationist in the sense that they stood for a completely independent foreign and defence policy. A reading of the diverse expression of Labour opinion at this time leaves a strong impression not only that Labour was divided against itself but that it had not thought its way through to any satisfactory and self-consistent policy.¹⁸

Attempts to assess national opinion in any matter must vary with the sympathies and experiences of those who make them. What objective evidence there is suggests that definite and positive commitments will not be entertained, that the feeling that Australia is bound to co-operate with other members of the Empire at least to the extent of standardizing equipment and training so that she can co-operate is strong; but that attempts at a single peace-time control, unless perhaps it were Australian control, would not only fail, but do positive harm. Finally, what has been said in effect must be repeated—public opinion under the stress of war or threat of war is largely controlled by instinctive urges, and this chapter has failed unless it has indicated what instincts are likely to prevail.

18. Since this was written the Deputy Leader of the Opposition (Mr. Forde) has declared that 'co-operation between the English-speaking countries was necessary to preserve world peace.'

APPENDIX

TABLE 1
THE POPULATION OF AUSTRALIA

26th January, 1788	..	..	..	..	1,204 (including the military).
31st December, 1788 (Estimated)	..	..	..	..	859
" " 1800	"	..	..	..	5,217
" " 1820	"	..	..	..	33,543
" " 1840	"	..	..	..	190,408
" " 1860	"	..	..	..	1,145,585
" " 1880	"	..	..	..	2,231,531
" " 1900	"	..	..	..	3,765,339
" " 1920	"	..	..	..	5,411,297
30th June, 1933 (Census)	..	..	..	..	6,629,839
" " 1936	..	..	..	..	6,775,360
30th September, 1937	..	..	..	..	6,846,398

TABLE 2
CRUDE BIRTH RATES PER 1,000 OF MEAN POPULATION
Quinquennial Averages to 1900, thereafter at intervals

Year	N.S.W.	Vic.	Q'land.	S.A.	N.T.	W.A.	Tas.	Aus.
1861-65	42·71	43·30	43·07	44·14	—	39·07	33·80	42·29
1866-70	40·70	39·27	43·91	40·60	—	33·86	29·65	39·46
1871-75	39·05	35·69	40·81	37·24	—	31·30	29·72	36·85
1876-80	38·53	31·43	36·72	38·28	—	32·97	31·54	35·09
1881-85	37·65	30·76	36·37	38·52	—	34·57	32·02	34·92
1886-90	36·36	32·72	38·81	34·48	—	36·88	34·59	35·02
1891-95	32·93	30·93	35·15	31·54	—	30·77	32·84	32·32
1896-1900	27·98	26·22	30·40	26·59	—	28·73	28·28	27·62
1901 ..	27·78	25·77	28·52	25·41	6·72	30·39	28·58	27·16
1911 ..	28·58	25·01	27·63	28·46	9·36	28·22	28·60	27·20
1921 ..	25·91	23·16	26·68	24·09	10·13	23·37	26·97	24·95
1931 ..	18·67	16·86	19·28	15·77	14·52	19·77	21·18	18·16
1935 ..	16·89	15·16	18·31	14·14	16·47	18·23	19·41	16·55

TABLE 3
AUSTRALIA
Rate of Natural Increase per 1,000 of Mean Population

Year	Rate	Year	Rate	Year	Rate	Year	Rate
1860	21·70	1885	19·65	1910	16·29	1935	7·09
1865	25·48	1890	20·67	1915	16·47	1936	7·70
1870	24·49	1895	17·93	1920	14·95	—	—
1875	16·21	1900	15·55	1925	13·67	—	—
1880	20·67	1905	15·35	1930	11·30	—	—

TABLE 4

NET REPRODUCTION RATES—VARIOUS COUNTRIES

Country	Year	N.R. Rate	Country	Year	N.R. Rate
England and Wales	1933	0·734	Hungary ..	1933	0·91
Scotland	1934	0·912	New Zealand ..	1933	0·978
Germany	1933	0·70	United States ..	1930	1·08
Austria	1933	0·67	Italy	1933	1·18
Sweden	1933	0·73	Bulgaria	1933	1·3
France	1933	0·82	Ukraine	1929	1·39
Denmark	1933	0·91	European Russia	1927	1·7
Australia	1932-34	0·956			

TABLE 5

AUSTRALIA

Females at Childbearing Age

Year	Age 15-44, of Total Proportion	Year	Age 15-44, Proportion of Total. (Future Estimates on Basis of present Fertility and Mortality without Migration)
	%		%
1881	45·22	1948	46·18
1891	47·13	1963	42·30
1901	48·82	1978	40·28
1911	49·43	2003	39·96
1921	47·61		
1933	47·46		

TABLE 6

BRITISH DOMINIONS—RATES OF INCREASE

Country	1911-1921			1921-1931		
	Males	Females	Total	Males	Females	Total
	%	%	%	%	%	%
Australia ..	1·79	2·24	2·01	1·85	1·81	1·83
Canada	1·71	2·32	2·00	1·72	1·62	1·68
South Africa ..	1·33	2·24	1·76	1·74	1·97	1·85
New Zealand ..	1·60	2·26	1·91	1·69	1·73	1·71

H. C. Green: 'The Third Census of the Commonwealth of Australia,' *Economic Record*, December, 1933, p. 248.

TABLE 7
AGE DISTRIBUTION OF THE POPULATION—1871-1933

Census Year	Males			Females			Persons		
	Under 15 Years %	15-64 Years %	65 Years and Over %	Under 15 Years %	15-64 Years %	65 Years and Over %	Under 15 Years %	15-64 Years %	65 Years and Over %
1871	38·84	59·11	2·05	46·02	52·60	1·38	42·09	56·17	1·74
1881	36·37	60·85	2·78	41·89	56·07	2·04	38·91	58·65	2·44
1891	34·77	62·02	3·21	39·36	58·08	2·56	36·90	60·20	2·90
1901	33·87	61·82	4·31	36·50	59·85	3·65	35·12	60·88	4·00
1911	30·84	64·82	4·34	32·52	63·28	4·20	31·65	64·08	4·27
1921	31·64	63·88	4·48	31·79	63·83	4·38	31·71	63·86	4·43
1933	27·61	66·02	6·37	27·49	65·93	6·58	27·55	65·97	6·48

TABLE 8
RACE, NATIONALITY, BIRTHPLACE OF THE AUSTRALIAN POPULATION
Census—1933

(I) RACE		(II) NATIONALITY.	
European	6,579,993	British (a) Born in Aus-	
Non-European	22,780	tralia	5,726,566
Half-caste	27,066	(b) Born outside	
		Australia	842,952
	<u>6,629,830</u>		
(III) BIRTHPLACE.		Total British	6,569,518
Australia	5,726,566	Foreign—	
Norfolk Is		Chinese	7,792
Papua }		Italian	17,658
New Guinea }	46,737	Greek	5,652
Nauru }		Japanese	2,084
New Zealand }		Russian	2,055
Australasia	<u>5,773,303</u>	Yugoslavian	2,826
England	486,831	U.S.A.	2,557
Wales	14,486	Norwegian	1,238
Scotland	132,480	Polish	1,757
Ireland	78,652	Swedish	1,370
Isle of Man	964	Others	<u>15,270</u>
Channel Is.	1,412	Total Foreign	60,259
Other British Possessions		Not Stated	62
in Europe	2,912		
Elsewhere in Europe	<u>89,893</u>	Grand Total	<u>6,629,839</u>
	<u>807,639</u>		
Asia	24,559		
Africa	7,821		
America	11,579		
Polynesia	2,887		
At sea	<u>2,051</u>		
Total born outside Aus-			
tralia	<u>903,273</u>		
Grand Total	<u>6,629,839</u>		

TABLE 9

POPULATION: MASCULINITY AT QUINQUENNIAL INTERVALS

Males per 100 Females

	N.S.W.	Vic.	Q'land.	S. Aus.	W Aus.	Tas.	Nor. Terr.	F.C. Terr.	Aus.
		%							
1905 ..	111·05	97·69	121·75	101·65	141·35	106·09	496·76	a	108·65
1910 ..	109·23	98·71	119·02	103·12	132·90	104·14	486·32	a	107·87
1915 ..	105·66	95·07	114·74	98·26	117·23	99·77	400·33	109·75	103·55
1920 ..	104·31	97·38	112·00	99·83	114·55	101·67	270·34	116·70	103·47
1925 ..	104·09	99·31	110·94	102·02	115·76	100·90	297·61	132·37	104·24
1930 ..	103·39	99·14	110·66	100·97	117·17	101·53	263·66	118·69	103·85
1935 ..	102·36	97·90	109·96	109·96	112·69	102·46	216·41	116·02	102·71

(a) Part of New South Wales prior to 1911—*Commonwealth Year Book*, No. 29, p. 415.

TABLE 10

AUSTRALIA—RELIGIONS

					1933	
						%
Church of England ..	..	..	..	..	2,565,118	38·7
Roman Catholic ..	..	..	..	..	1,161,455	17·5
Methodist ..	..	..	..	..	684,022	10·3
Presbyterian ..	..	..	..	..	713,229	10·7
Congregational ..	..	..	..	..	65,202	1·1
Salvation Army ..	..	..	..	..	31,210	·46
Total Christian ..	..	..	..	..	5,727,738	86·4
Total Non-Christian ..	..	..	..	..	28,470	·42
Indefinite or no Religion ..	..	..	..	..	24,683	·38
No Reply ..	..	..	..	..	848,948	12·8
					6,629,839	100·0

Indefinite = no denomination, agnostic, spiritualistic.

No religion = atheist or other non-religion.

No reply = at 1933 Census public informed that there was no legal obligation to answer this question.

TABLE 11

AUSTRALIA

Sources of Increase of Population—1860-1936

Population 31st Dec., 1859	1,097,305	Natural Increase ..	4,367,869
" " " 1936	6,806,752	Increase by Migration	1,341,578
	5,709,447		5,709,447

TABLE 12
IMMIGRANTS INTRODUCED INTO AUSTRALIA
(Wholly or partly at the Expense of the State)

State	Prior to 1881	1881-1891	Total
N.S.W.	177,234	34,738	211,972
Victoria	140,102	140,102	140,102
Queensland	52,399	116,317	168,716
South Australia	88,050	7,298	95,348
West Australia	889	6,243	7,132
Tasmania	18,965	2,734	21,699
Commonwealth	477,639	167,330	644,969

Coghlan: *The Seven Colonies of Australasia*, 1901-2, p. 535. It is scarcely necessary to say that convicts are not included.

TABLE 13
THE AUSTRALIAN TARIFF (a)

Year	I Average Index	II G.T. Index	III Preferential Tariff	IV	V	VI
1906	100	100	100	Column I with 1928-29 = 100	Column I + Special Duty	Column I + Primage Duty
1908	115	135	103			
1911	119	141	104			
1915-16	149	193	120			
1918-19	153	188	129			
1922-23	196	252	158			
1926-27	212	261	181			
1928-29	214	261	179	100	100	100
1929-30	263	313	230	123	136	136
1930-31	287	343	250	134	147	163
1931-32	290	344	255	135	146	194
1932-33	286	356	239	133	134	177

- I. Average Index measures tariff change, i.e., rates only throughout the period.
 II. The General Tariff Index measures the rate of change in the General Tariff Schedule only.
 III. The Preferential Tariff Index measures the rate of change in the Preferential Tariff Schedule only.
 IV. = No. I with base 1928-29 = 100.
 V. = No. IV with Special Duty.
 VI. = No. V with Primage Duty.

TABLES OF STATISTICS
THE AUSTRALIAN TARIFF

143

(b)

Year	Ia	Ila	IIla	
1906	100	100	100	
1908	108	125	98	
1911	110	131	97	
1915-16	127	168	104	Nos. Ia, Ila, and IIla are Nos. I, II, and III modified to allow for the influence of price changes in the <i>ad</i> <i>valorem</i> equivalent of spec- ific duties.
1918-19	102	136	82	
1922-23	135	192	102	
1926-27	148	204	117	
1928-29	155	218	120	
1929-30	189	259	150	
1930-31	213	294	169	
1931-32	221	305	175	
1932-33	218	313	166	

Beginning with no difference in 1906, by 1932-33 the margin between General and Preferential Tariff is about 15 per cent., including many items in which general and preferential rates are identical. Compiled by Mr. J. G. Crawford. Published by permission.

TABLE 14
INDEX OF VOLUME, EXPORTS, 1902-1935

Year	Export Price Index	Merchandise Exports Recorded Values	Comparative Values, Base 1902	Volume Index
1902	1000	27,420,413	27,420,413	1000
1903	1039	27,823,669	26,779,277	976
1904	1024	38,560,167	37,656,412	1373
1905	1061	43,913,145	41,388,449	1509
1906	1092	50,868,909	46,583,250	1699
1907	1134	60,103,310	53,001,160	1933
1908	1069	48,592,505	45,456,020	1658
1909	1093	55,263,553	50,561,350	1844
1910	1092	68,248,994	62,499,080	2279
1911	1040	65,801,414	63,270,590	2307
1912	1098	64,921,644	59,127,180	2156
1913	1132	73,837,192	65,227,200	2379
1914-15	1204	55,756,227	46,309,160	1689
1915-16	1386	61,645,656	44,477,390	1622
1916-17	1516	83,289,533	54,940,320	2003
1917-18	1529	71,232,902	46,587,902	1699
1918-19	1582	101,862,040	64,388,140	2348
1919-20	1720	138,011,233	80,239,090	2926
1920-21	1741	120,997,216	69,498,690	2424
1921-22	1387	119,160,362	85,912,300	3133
1922-23	1664	111,450,970	66,977,750	2442
1923-24	1892	112,350,326	59,381,720	2165
1924-25	2089	156,211,540	74,788,140	2727
1925-26	1683	137,733,629	81,838,160	2984
1926-27	1609	128,816,047	80,059,690	2919
1927-28	1659	133,232,024	80,308,630	2929
1928-29	1485	134,648,509	90,672,400	3307
1929-30	1203	94,868,045	78,859,560	2876
1930-31	923	87,604,464	94,912,750	3461
1931-32	902	94,154,342	104,383,970	3807
1932-33	897	96,117,934	107,154,900	3908
1933-34	1187	111,477,324	93,915,180	3425
1934-35	978	101,218,517	103,495,400	3774
1935-36	1247	120,435,671	96,500,137	3465

TABLE 15
AUSTRALIAN EXPORTS—SELECTED COMMODITIES

Commodity	1931-32	1932-33	1933-34	1934-35	1935-36
Butter and Cheese					
To U.K.	9,559,114	8,547,752	7,786,678	9,293,238	8,545,051
Total Exports ..	10,462,872	9,258,903	8,423,533	9,090,753	9,365,710
Eggs					
To U.K.	551,823	1,014,992	1,061,282	1,146,971	912,505
Total Exports ..	554,923	1,018,961	1,066,648	1,151,623	918,010
Meat					
To U.K.	5,339,216	5,078,285	6,181,844	7,918,924	7,777,242
Total Exports ..	6,368,245	5,998,187	7,094,371	8,846,110	8,752,842
Fruit—Fresh					
To U.K.	1,616,147	1,934,786	1,403,145	1,411,631	1,535,318
Total Exports ..	2,085,595	2,417,437	2,011,695	1,821,932	2,026,860
Fruit—Dried					
To U.K.	795,821	1,332,386	1,438,419	947,668	937,151
Total Exports ..	1,965,310	2,230,110	2,650,773	2,165,241	1,987,164
Fruit—Preserved					
U.K.	420,188	623,944	826,527	838,067	677,765
Total Exports ..	641,454	722,507	949,206	997,160	805,797
Total to U.K.	18,284,109	18,532,145	18,697,895	21,556,499	20,385,032
Total all Countries	22,078,404	21,646,195	22,196,226	24,972,819	23,856,423
Total Exports	106,273,222	118,409,356	120,651,925	100,913,129	131,613,459

TABLE 16
METALS—EXPORTS TO U.K. AND TOTAL EXPORTS

Commodity	1931-32	1932-33	1933-34	1934-35	1935-36
Lead, Pig, and Matte					
U.K.	1,861,386	2,139,714	2,126,367	2,331,548	3,750,027
Total	2,267,924	2,384,062	2,418,072	2,410,023	3,837,381
Copper					
U.K.	389,528	215,819	126,170	—	—
Total	469,003	248,605	230,458	9,640	25,417
Zinc Concentrates					
U.K.	81,084	44,403	170,540	148,036	468,290
Total	106,078	179,200	201,308	171,587	534,244
Zinc, Bars, Blocks, etc.					
U.K.	304,811	304,276	363,795	179,867	372,413
Total	697,120	578,448	617,520	484,070	905,125
Tin Ingots					
Total	37,891	156,063	207,754	215,246	137,743
Total	124,963	189,723	329,410	302,271	200,807
Total to U.K.	2,674,700	2,860,275	2,994,626	2,874,697	4,728,473
Total to all Countries	3,665,088	3,580,038	3,796,768	3,379,591	5,502,974

TABLE 17
 AUSTRALIAN IMPORTS AND EXPORTS
 Million £ Sterling

Year				Exports (a)	Imports	Export Surplus
1932-33	..	..	..	96·6	57·0	38·6
1933-34	..	..	..	98·6	60·8	37·8
1934-35	..	..	..	90·2	74·1	16·1
1935-36	..	..	..	108·9	85·2	23·7
1936-37	..	..	..	128·2	92·5	35·7

(a) Merchandise plus specie and bullion. *Quarterly Summary of Australian Statistics*, June, 1937. p. 18.

TABLE 18

BALANCE OF PAYMENTS

£000 Sterling

Year	Imports from U.K. (Merchandise and Silver)	Interest payable London—State and Commonwealth	Interest payable London—Local Bodies	Total Columns A.B.C.	Exports to U.K. (Merchandise and Silver)	Less U.K. re-exports of Australian Produce (Estimated)	Net Exports Consumed in U.K. (Estimated)	Excess of Imports (+) or Exports (—)	Source from which Excess of Imports has been met			
									New Borrowings in London	Export of New Gold Produced	Export of Gold Reserves	All Other Sources (Net)
	A.	B.	C.	D.	E.	F.	G.	H.	I.	J.	K.	L.
1925-26	65,837	22,888	(800)	89,525	59,164	14,051	45,113	+44,412	25,012	2,295	1,698	15,407
1926-27	67,792	22,993	(900)	91,685	47,668	11,526	36,142	+55,543	1,434	2,171	8,580	43,358
1927-28	62,695	23,943	(850)	87,488	52,433	12,322	40,111	+47,377	36,160	2,082	—284	9,419
1928-29	57,023	24,988	874	82,885	50,047	10,330	39,717	+43,168	2,462	1,872	764	38,070
1929-30	54,248	25,151	1,046	80,445	43,357	7,535	35,822	+44,623	1,437	1,874	24,701	16,611
1930-31	23,284	25,609	1,130	50,023	34,121	4,603	29,518	+20,505	25,759	2,157	9,743	—17,154
1931-32	17,409	22,246	1,109	40,764	38,506	4,211	34,295	+6,469	2,984	3,609	5,268	—6,392
1932-33	23,542	21,733	1,081	46,356	37,428	3,864	33,564	+12,792	—3,729	4,606	12,287	—372
1933-34	25,143	20,312	1,052	46,507	43,414	4,083	39,331	+7,176	—3,474	5,671	779	4,200
1934-35	30,788	19,265	1,052	51,105	42,898	4,035	38,863	+12,242	—868	5,891	283	6,936
1935-36	33,839	18,739	1,060	53,638	48,738	4,815	43,923	+9,715	—1,596	7,338	631	3,342
1936-37	38,560	18,299	1,060	57,919	58,119	6,091	52,028	+5,891	—1,448	9,021	69	—1,751
Total 12 Years	500,160	266,166	12,014	778,340	555,893	87,466	468,427	+309,913	84,133 (Public Debt only)	48,587	64,519	112,674

B. Average of successive pairs of years except in 1931-32, when War Loan adjustment occurred.

I. Changes in the Public Debt as published—domiciled in London.

L. Proceeds from exports to other countries, local body borrowings and private capital invested, etc. The gross amount would exceed the net amount by the current debits not included in the table; e.g., net tourist balance, interest and dividends on private capital, freights not included, etc.

TABLE 19

COMMONWEALTH BANK OF AUSTRALIA—LIABILITIES AND ASSETS

As at 30th June—										
1929	1930	1931	1932	1933	1934	1935	1936			1937
LIABILITIES (£000)										
Capital Reserve Fund	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Rural Credits Department—	619	869	1,186	1,407	1,594	1,812	2,031	2,241	2,419	
Capital	1,074	1,308	1,458	1,893	2,000	2,000	2,000	2,000	2,000	2,000
Reserve Fund	55	90	133	164	185	215	240	262	287	
Development	49	67	104	98	69	63	54	37	31	
Total, Rural Credits Department	1,178	1,465	1,695	2,155	2,254	2,278	2,294	2,299	2,318	
Deposits, Accrued Interest, and Rebates*	43,874	42,814	57,679	63,587	74,314	83,573	67,524	74,871	88,520	
Bills Payable and other	4,898	2,690	2,979	3,734	3,714	3,825	3,841	5,919	5,712	
Total Liabilities	54,569	51,838	67,539	74,883	85,876	95,488	79,690	89,330	102,969	
ASSETS (£000)										
Coin, Bullion, and Cash Balances	1,465	1,476	816	1,029	944	1,001	870	1,099	1,144	
Australian Notes	5,120	6,072	4,177	6,786	6,325	6,888	5,725	5,490	4,366	
Money at Short Call in London	12,188	5,855	8,108	13,267	12,913	25,744	18,295	22,939	37,862	
Balances in London on account of Conversion Loans	—	—	—	—	5,602	686	307	2,999	2,475	
Short Term Loans in Australia	1,301	1,140	17,484	10,687	12,841	8,736	4,561	7,497	4,590	
Investments—										
Commonwealth Government Securities	6,550	8,608	15,565	17,678	26,627	28,093	27,069	27,252	27,494	
British, Colonial, and Government Securities	10,399	13,702	3,123	10,501	9,574	9,296	9,606	9,525	8,885	
Bills Receivable in London and Remittances in Transit	4,893	1,338	3,034	1,858	1,892	1,816	1,893	2,037	3,615	
Bills discounted, Advances, and other Assets	12,214	13,097	14,601	12,035	7,979	12,167	10,275	9,473	11,549	
Bank Premises	439	550	631	1,042	1,179	1,061	1,089	1,019	989	
Total Assets	54,569	51,838	67,539	74,883	85,876	95,488	79,690	89,330	102,969	

TABLE 20
REVENUE

Year	New South Wales	Victoria	Queensland	South Australia	Western Australia	Tasmania	Total All States	Commonwealth	Grand Total (a)
	£	£	£	£	£	£	£	£	£
1928-29	47,040,553	27,286,329	16,725,682	10,840,914	9,947,951	2,766,434	114,607,863	74,894,799	179,435,795
1929-30	45,839,647	24,609,725	15,997,870	10,551,016	9,750,515	2,956,272	109,705,045	77,143,389	178,474,452
1930-31	42,760,482	25,151,198	15,072,652	10,725,811	8,686,756	2,609,290	105,006,189	69,566,920	163,584,118
1931-32	42,440,430	24,106,304	12,994,113	10,481,976	8,035,316	2,385,495	100,443,634	71,532,298	161,448,210
1932-33	46,154,886	24,079,701	13,396,644	10,160,712	8,332,153	2,522,191	104,646,287	73,512,809	167,374,389
1933-34	42,570,127	24,150,366	13,859,385	10,187,986	8,481,697	2,698,214	101,947,775	77,941,953	164,829,945
1934-35	43,561,341	25,311,036	15,280,022	11,001,578	9,331,430	2,872,148	107,357,555	77,369,105	173,329,321
1935-36	46,512,298	26,038,340	15,488,991	11,409,325	10,038,721	3,117,602	112,600,187	82,203,341	184,151,035
1936-37	49,959,085	27,221,267	16,535,038	11,739,306	10,185,433	3,488,524	119,128,653	82,807,977	191,850,612

EXPENDITURE

Year	New South Wales	Victoria	Queensland	South Australia	Western Australia	Tasmania	Total All States	Commonwealth	Grand Total (a)
	£	£	£	£	£	£	£	£	£
1928-29	48,638,661	27,251,578	16,902,145	11,771,772	10,223,919	2,855,977	117,644,052	77,253,774	184,830,959
1929-30	50,149,432	25,782,595	16,721,055	12,176,840	10,268,519	2,981,992	118,080,433	78,614,392	188,320,843
1930-31	51,449,638	27,603,396	15,914,696	12,539,668	10,107,295	2,854,394	120,471,087	80,324,539	189,806,635
1931-32	56,640,934	25,714,626	15,069,293	11,545,336	9,593,212	2,657,109	121,220,510	70,218,207	180,910,995
1932-33	49,900,190	24,919,027	14,951,088	11,169,610	9,196,234	2,577,407	112,713,556	69,966,201	171,895,050
1933-34	45,977,274	24,919,606	14,987,916	11,031,802	9,270,609	2,746,099	108,933,306	72,640,383	170,513,906
1934-35	46,011,127	25,462,233	15,844,633	10,965,352	9,498,525	2,991,349	110,773,219	76,637,900	176,033,780
1935-36	48,309,184	26,154,801	16,230,806	11,260,360	9,945,343	3,247,288	115,147,752	78,635,621	183,130,910
1936-37	49,884,775	27,192,344	16,815,228	11,600,138	10,556,638	3,443,618	119,492,741	81,531,419	190,938,142

(a) To avoid duplication in aggregating Commonwealth and States Revenue and Expenditure, allowance has been made for payments of Interest on Loans for Soldier Land Settlement and Miscellaneous Loans by States to the Commonwealth and payments by the Commonwealth to the States under the 'Financial Agreement' and 'Special Grants' Acts. Commonwealth Bureau of Statistics, Canberra, F.C.T.

TABLE 21
AUSTRALIAN PUBLIC DEBTS
£A Million

As at 30th June	States		Commonwealth		Total		Grand Total
	Int.	Ext.	Int.	Ext.	Int.	Ext.	
1901	28·7	174·8	Nil	Nil	28·7	174·8	203·5
1910	65·6	192·0	Nil	Nil	65·6	192·0	257·6
1914	96·4	223·8	15·7	3·5	112·1	227·3	339·4
1919	139·6	257·9	218·6	89·4	358·2	347·3	705·5
1931	335·2	551·8	221·7	227·0	556·9	778·8	635·7
1935	429·7	522·9	220·4	217·2	650·1	740·1	1390·2
1936	447·3	521·9	218·4	215·7	664·6	737·6	1402·2
1937	459·6	520·5	214·9	215·0	674·5	735·5	1410·0

TABLE 22
NET LOAN EXPENDITURE OF THE STATES, EXCLUDING
REVENUE DEFICITS FUNDED

Year ended 30th June	N S.W.	Vic.	Q'land.	S. Aus.	W. Aus.	Tas.	Total
Total 1901-2 to 1928-29	193,379	112,819	61,742	74,986	62,321	16,728	521,975
1929-30 ..	9,390	5,512	1,396	2,926	3,476	147	22,847
1930-31 ..	5,498	2,541	827	898	1,759	209	11,732
1931-32 ..	3,387	1,002	93	944	1,208	96	6,730
1932-33 ..	4,322	2,094	772	908	1,969	cr. 74	9,991
1933-34 ..	7,004	2,191	1,817	1,226	2,448	119	14,805
1934-35 ..	9,725	1,787	3,269	950	2,687	361	18,779
1935-36 ..	6,722	3,116	3,106	1,662	2,389	661	17,556
Total 1901-2 to 1935-36	230,427	131,062	73,022	84,500	78,257	18,247	624,515

The Parliament of the Commonwealth of Australia, 1937, *Fourth Report of the Commonwealth Grants Commission*—Appendix No. 45, p. 202.

TABLE 23
AUSTRALIAN LOAN CONVERSIONS IN LONDON

Date	Amount	Old Rate of Interest %	New Rate of Interest %	Issue Price
October, 1932 ..	12,360,959	5½	3½	97½
February, 1933 ..	9,621,846	4	4	100
May, 1933	11,409,965	6½	3½	99
July, 1933	17,221,191	6	4	99
September, 1933 ..	20,951,226	5½ and 6	3½	98
December, 1933 ..	16,647,349	5 and 5½	3½	99
February, 1934 ..	21,636,550	5 and 5½	3½	97
November, 1934 ..	14,601,806	3 to 5	3½	99
January, 1935 ..	22,384,000	5	3½	100
July, 1935	13,469,981	3 and 5	3	100
January, 1936 ..	16,551,403	5	3	95½
June, 1936	16,551,403	3 to 4½	2½	99

TABLE 24

NET LOSSES ON PUBLIC DEBT CHARGES OF THE STATES AFTER DEBITING INTEREST, SINKING FUND AND EXCHANGE AND CREDITING EARNINGS

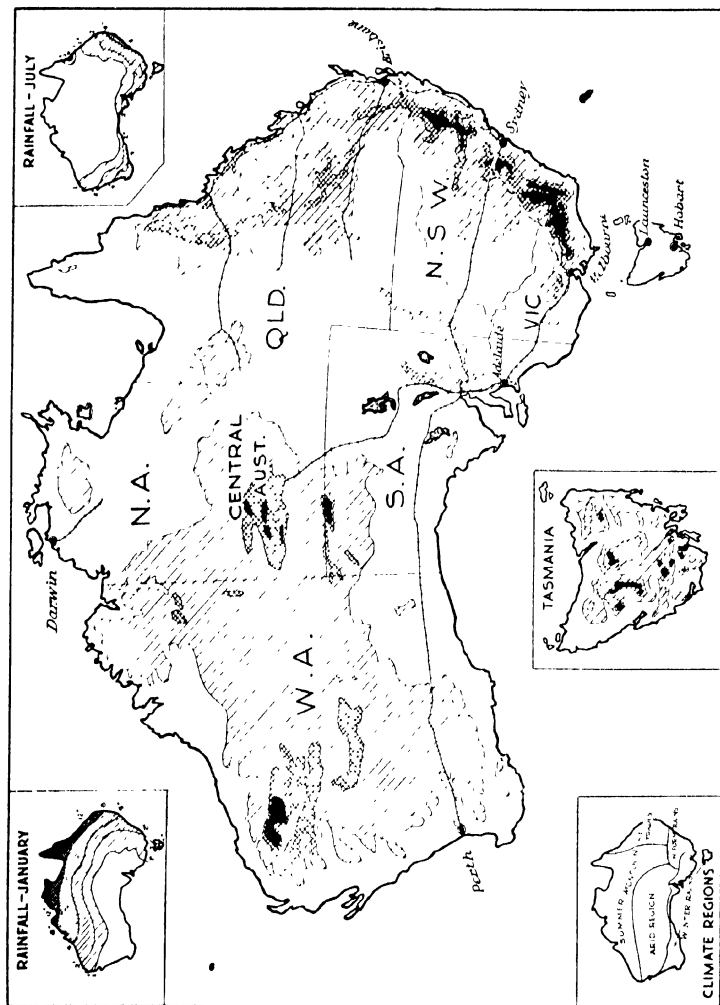
Year Ending 30th June	New South Wales		Victoria		Queensland		South Australia		Western Australia		Tasmania		All States	
	Total	Per Head	Total	Per Head	Total	Per Head	Total	Per Head	Total	Per Head	Total	Per Head	Total	Per Head
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1901	£000	339	0 5 0	£000	643	0 10 9	£000	427	1 3 11	£000	203	1 2 5	£000	2,955
1910	339	0 5 0	643	0 10 9	1,063	2 2 11	427	1 3 11	203	1 2 5	280	1 12 6	2,955	0 15 9
1915	526	0 6 6	486	0 7 8	565	0 19 6	243	0 12 5	219	0 16 5	287	1 10 0	2,325	0 10 9
1920	322	0 3 5	1,304	0 18 2	356	0 10 4	651	1 9 1	543	1 13 7	349	1 15 7	3,525	0 14 2
1930	635	0 6 3	944	0 12 7	1,672	2 5 4	653	1 7 3	1,047	3 4 0	1,452	2 3 4	5,403	1 0 5
1936	6,071	2 8 2	3,709	2 1 9	3,173	3 10 2	3,557	5 17 2	1,199	2 16 4	807	3 13 8	18,316	2 17 1
	5,586	2 2 1	3,012	1 12 8	3,658	3 15 3	2,517*	4 5 11	1,942	4 6 8	1,003	4 7 2	17,718	2 12 5

* Includes reserve of £25,000 for losses on drought relief and farmers' relief.

TABLE 25

INTEREST, SINKING FUND AND EXCHANGE CHARGES ON THE PUBLIC DEBT OF THE STATES
(INCLUDING SHORT-TERM DEBT)

Year Ending 30th June	New South Wales			Victoria			Queensland			South Australia			Western Australia			Tasmania			All States		
	Interest &	Per Head		Interest &	Per Head		Interest &	Per Head		Interest &	Per Head		Interest &	Per Head		Interest &	Per Head		Interest &	Per Head	
	£000	£ s. d.		£000	£ s. d.		£000	£ s. d.		£000	£ s. d.		£000	£ s. d.		£000	£ s. d.		£000	£ s. d.	
1901	2,618	1 18 7		2,063	1 14 6		1,421	2 17 5		1,099	3 1 7		487	2 13 10		321	1 17 3		8,007	2 2 7	
1910	3,541	2 3 10		2,189	1 14 5		1,668	2 17 6		1,256	3 4 1		1,003	3 15 3		385	2 0 6		10,043	2 6 7	
1915	4,152	2 4 1		2,642	1 16 10		2,065	3 0 0		1,406	3 2 11		1,547	4 15 9		492	2 10 2		12,304	2 9 6	
1920	6,197	3 0 10		3,515	2 6 11		2,694	3 13 1		2,210	4 12 1		2,062	6 6 1		682	3 5 4		17,360	3 5 7	
1925	10,204	4 9 11		6,400	3 17 3		4,659	5 12 10		3,829	7 3 7		3,097	8 8 1		1,241	5 14 11		29,430	5 0 3	
1930	13,866	5 10 1		8,152	4 11 8		5,632	6 4 7		5,180	9 0 11		3,445	8 1 10		1,151	5 5 0		37,426	5 18 7	
1935	15,423	5 17 1		7,893	4 6 0		6,208	6 9 3		4,982	8 10 7		4,002	9 0 7		1,113	4 17 2		39,621	5 18 6	
1936	16,056	6 0 10		7,838	4 5 1		6,268	6 8 11		4,933	8 8 4		4,007	8 18 11		1,135	4 18 6		40,237	5 19 5	



Drawn by Joyce J. Wood.
 Australia—Political Divisions, Contours, etc.

INDEX

- AGAR, Prof. W. E., 20
 Air Force, 134
 Arbitration, 37, 39
 Argentine Republic, 97, 100
 Arms factory, 134
 Army, 134
 Asiatics, 24, 25
 Assignment, 24
 Atherton Tableland, 11
 Australian
 Constitution, 5
 External commitments, 129
 Labour Party, 4, 5, 111, 122, 136, 137
 Manufactures, 95
 Note issue, 107
 Politics, 5
 Population, Chapter 3, pp. 4, 13
 Rainfall, 9, 10, 13
 Religion, 6
 Tariff, 46, 89, 96
 Trade agreements, 129
 Tropics, 11, 12
 BALDWIN, the Rt. Hon. S., 135
 Banking, 106
 Banking, Royal Commission on, 110
 Banks, 107
 Banks, Sir J., 23
 Barkly Tablelands, 11
 Basic Wage, 7
 Beasley, Prof. F. R., 7
 Belgium, 73
 Birth-rate, 21
 Borrowing, 105
 Brigden, J. B., 30
 British Malaya, 63, 65, 75
 British preference, 89
 Bruce, Hon. S. M., 28, 130
 Budgets, 112, 113
 Butter, 52
 CANADA, 64, 67, 68, 80 81
 Capital, Imports of, 90
 Capital investments, 118
 Cement duties controversy, 93, 98
 Central bank, 105, 106, 112
 Ceylon, 65
 Chamberlain, Hon. J., 26
 Chinese, 24, 25
 Coal, 47
 Colonies, 124
 Commonwealth
 Grants to States, 111
 Powers of taxation, 112
 Savings Bank, 107, 108
 Communism, 4, 6
 Coolie labour, 24
 Copland, Prof. D. B., 111
 Country Party, 4, 5, 6
 Crawford, J. G., 96
 Currency, 105
Current Notes, 132
 Czechoslovakia, 74
 DEBTS, 115, 116, 117
 Debt conversion, 119
 Debuchi, M., 99
 Defence, 33, 132, 133
 Desert, 11
 Drama, 41
 EAST Indies, 74, 75
 Economic conditions, 30
 Eden, Hon. A., 128
 Education, 40, 41
 Eggleston, Hon. F. W., 22, 31, 123
 Equity investment, 118

154 NATIONAL INTERESTS AND NATIONAL POLICY

Empire foreign policy, 127
 Empire Settlement Act, 28
 Europe, Trade with, 71
 Exports, 55
 External Affairs Department, 131
 External trade, 55

FACTORY employees, 47, 48
 Fascism, 4
 Federation, 1, 45
 Financial agreement, 113, 114
 Financial policy, Chapter IX
 France, 72
 Fraser, F., 8
 Free selection, 34

GERMANY, 73, 74
 Gold, 24, 25
 Gold standard, 105
 Gullett, Sir H., 100

HANCOCK, Prof. W. K., 26
 Hawker, C. A. S., 102
 Holden, E. W., 47
 Huntington, Prof. E., 4

IMMIGRATION, Chapter IV
 Imperial Conference, 28
 Imperial Ex-Service Settlement
 Scheme, 27
 Imperialism, 124
 Imports, Chapter VII
 passim, 58
 Income, 36, 37
 India, 64
 Industry, 47
 International Labour Conventions,
 42-44
 Italy, 74
 Investment, 118

James v. Commonwealth, 52
 Japan, 15, 76-80, 99, 101, 125

KANAKAS, 25, 26

LABOUR Party v. Australian Labour
 Party,
 Laissez faire, 104
 Land occupation, 50
 Land settlement, 50
 Latham, Sir John, 99
 League of Nations, 128, 130
 Licensing system, 100, 102
 Literacy, 40
 Living wage, 37, 39
 Loan Council, 114, 115
 Local government borrowing, 115
 London funds, 109
 Lyons, Hon. J. A., 101, 135

MALTESE, 29
 Mandates, 124, 125, 135
 Manufactures, 47, 95
 Marketing, 50, 52-54
 Maternity allowance, 27
 Migration, Chapter IV
 Agreement, 27
 Policy, 33
 Monetary policy, 104
 Motor cars, 84
 Music, 41

NATIONALITY, 15
 Navy, 134
 New Guinea, 70
 New State Movement, 3
 New Zealand, 64, 65, 103
 Northern Territory, 25, 50

OCCUPATIONS, 18
 Oil, 134
 Ottawa Agreement, 60, 65, 70,
 91 *et seq.*, 103
 Overseas trade, Chapter VII

PACIFIC Islands, 24, 65
 Pacific Pact, 121
 Pacific shipping question, 103
 Papua, 70, 136
 Paterson Scheme, 52

- Phillip, Gov. A., 1
- Philippine Islands, 76, 81, 82
- Policy
 - Economic, 89
 - External, 120
 - Objectives, 85
 - Trade, Chapter VIII
- Population, Chapter III, p. 85
 - Age distribution, 16
 - Density, 14
 - Increase, Rate of, 19
 - Masculinity, 16, 17
 - Nationality, 14, 15
 - Occupations, 18
 - Religion of, 6
 - Urbanization, 17
- Primary production, 49, 50
- Primary Products Pools Act, 53

- RAINFALL, 9, 10, 13
- Real income, 38
- Rice, 52
- Rural banks, 108
- Rural credit, 107

- SANCTIONS, 74
- Schools, 41
- Secession, 2, 3, 7
- Secondary industry, 47
- Sheep flocks, 51
- Sinking funds, 114, 115
- Singapore, 136
- Socialism, 104
- South Africa, 8, 64, 66
- Stabilization, 105
- Standard of exchange, 109
- Standard of living, Chapter V
 - passim*, 42
- Staricoff, J., 44
- States' grants, 111, 112, 114
- Stevens, Hon. B. S., 32, 104
- Sugar, 25, 50, 52

- TARIFF, 89, 96
- Tariff Board, 45, 90, 98
- Tariff, Preferential, 89
- Tariff Report*, 91
- Taylor, Prof. T. G., 11
- Trade, Chapter VII, *passim*
 - Agreements, 97, 99, 129
 - Direction of, 59
 - Diversion Policy, 97, 100
 - Distribution of, 57
- Treasury bills, 109
- Tropics, 11, 12

- UNEMPLOYMENT insurance, 40
- United Australia Party, 4, 5, 6
- United Country Party, 4, 5, 6
- United Kingdom, 59-61
- United States, 67, 82-84, 103, 125
- Universities, 41

- WADHAM, Prof. S. M., 9, 31, 88
- Wages, 36, 37, 39
- Washington Conference, 133
- Western Australia, 2, 3, 7
- Wheat, 53
- White Australia, 12, 24, 26, 46, 65, 125
- Wickens, C. H., 21
- Willard, M., 23, 25
- Williams, W., 11
- Windett, N. M., 62
- Wolstenholme, S. H., 19, 21, 22

