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AND

IMPORTANT SPEECHES

BY

THE PRIME MINISTER
(THE RIGHT HON. J. B. CHIFLEY).

No. 132.

PERIOD 6TH NOVEMBER, 1947, TO 8TH DECEMBER, 1947.

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DEFENCE.

POST-WAR—STRENGTH AND ORGANIZATION, PAY AND CONDITIONS.

In Parliament.—On 6th November, 1947, the Minister for Post-war Reconstruction (Mr. Dedman) said—

"The following rates of pay for the higher ranks have now been approved:—The active rate of pay for vice-admiral, lieutenant-general and air marshal will be 130s. a day. The active rate of pay for rear-admiral, major-general and air vice-marshal will be 105s. a day. For the rank of commodore (Royal Australian Navy), which is a non-substantive rank, no scale has been fixed, but an officer of this rank will continue for the present to be paid an allowance of 10s. a day additional to pay for the rank of captain (Royal Australian Navy). Brigadier and air commodore will receive an active rate of pay of 80s. a day. The present maximum daily rate for captain (Royal Australian Navy), 76s. 6d., will be adjusted to 77s.

"The foregoing rates will be supplemented, in the case of married men, by a marriage allowance of 4s. a day, and by a separation allowance of 3s. a day if not living at home. The chiefs of staff of the three Services will be paid a consolidated rate in the scale of £2,600-£3,000 per annum. Proposals for a new superannuation scheme to apply to long service members and career officers of all three Services are now under consideration, and decisions will be announced shortly. The new pension scheme will supersede the existing deferred pay and superannuation schemes now applying in navy, army and air."

(For earlier references, please see No. 126, page 37.)

JAPAN.

TRADE—PRIVATE TRADING.

On 6th November, 1947, the Minister for Customs (Senator Courtice) announced that arrangements had been completed for Japanese nationals, or Allied or neutral nationals resident in Japan, to be appointed to represent Australian buyers in that country. The contract between the agent in Japan and the Australian businessman must be authorized by the Supreme Commander for the Allied Powers and licensed by the Japanese Board of Trade. All foreign exchange due to Japanese nationals or firms as the result of private trading transactions must be paid to the board.

(For earlier references, please see No. 128, page 24.)

RECONSTRUCTION.

TRADE AND EMPLOYMENT—AGREEMENT.

In Parliament.—On 11th November, 1947, the Minister for Post-war Reconstruction (Mr. Dedman) said—

"The recent Geneva negotiations are the latest phase of the programme of international economic collaboration first foreshadowed in the Atlantic Charter, and subsequently developed in Lend-lease, the Mutual Aid Agreement, Unrra, the Food and Agricultural Organization, the two Bretton Woods institutions and the economic machinery of the

United Nations. They originated in an invitation issued by the United States Government in 1945 to fourteen other important trading countries to participate in two simultaneous sets of preliminary negotiations. One of these was designed to draw up a draft charter, incorporating rules to govern the future conduct of international trade, for submission to a world conference on trade and employment with a view to establishing an International Trade Organization. The other negotiations were to give practical effect to the policy of expanding international trade by bringing about a series of mutually advantageous trade agreements.

"After the establishment of the United Nations organization, the proposed charter negotiations were brought under United Nations auspices by the acceptance of a resolution proposed by the United States at the first meeting of the Economic and Social Council in February, 1946. The council established a preparatory committee to elaborate an annotated draft agenda for the consideration of a world conference on trade and employment. Throughout the planning of the United Nations economic machinery, it had been assumed that a specialized agency would eventually be established to deal with international trade—the most immediately important of all international economic problems. The Economic and Social Council added three more countries to those originally invited. They are—

United Kingdom, United States of America, the Union of Socialist Soviet Republics, France. Belgium-Luxembourg. Netherlands, Czechoslovakia, Norway, Lebanon. Canada. India. South Africa. New Zealand. Australia. China. Cuba, Brazil and Chile.

"The Union of Socialist Soviet Republics has not yet participated.

"The first section of the Preparatory Committee thus set up was held at London in October and November, 1946, and was preceded by an exchange of views between British Commonwealth countries. This first session had before it a set of draft proposals for an International Trade Organization published by the United States Government in 1945, and supported by the British Government, which had publicly expressed its agreement on all important points. It had also to consider a more elaborate draft charter subsequently published by the United States Government on its own initiative. As a matter of convenience, and largely because it was more detailed, the Preparatory Committee decided to adopt the latter draft, together with less comprehensive proposals put forward by other delegations as the basis for discussion.

"The United States draft proposals were very substantially modified in the course of discussion, and new sections were added, but time prevented more than a hasty exchange of views on some significant questions. The rough text of a possible trade charter was drawn up and included in the first report of the Preparatory Committee to the Economic and Social Council. A drafting committee was appointed to examine this text in detail, and to recommend drafting changes. The drafting committee met at New York in February and March, 1947, and the resulting text became the basis for the second and final session of the Preparatory Committee at Geneva which recently concluded. I

propose to deal later with questions of the draft charter for the International Trade Organization, which will be the subject-matter of the coming World Trade and Employment Conference at Havana.

"Meanwhile, both for convenience and because the governments of a number of countries felt strongly that the two sets of negotiations were essentially interdependent, the first session of the Preparatory Committee recommended to the Economic and Social Council that the tariff negotiations for which the United States Government had issued invitations should also be brought under United Nations auspices. As a result, tariff negotiations began at Geneva on 10th August, 1947, about a month before the resumption of the charter discussions. Both tariff and charter negotiations were preceded by British Commonwealth discussions. The pre-tariff talks at London in March, 1947, dealt largely with the likely repercussions of the tariff negotiations on imperial preference, but those on the charter at Geneva covered the issues in rather more general terms.

"The tariff negotiations have been quite distinct from the charter discussions, and the aim has been to bring the results into effect without necessarily waiting for the establishment of the International Trade Organization. The results have been incorporated in a Draft General Agreement on Tariffs and Trade for the consideration of governments, which will be published on 18th November, 1947, and which the Government has decided to apply provisionally from that date. Until it is published it is impossible to deal with the negotiations except in general terms.

"The governments of all countries, members of the Preparatory Committee, are invited to become parties to the agreement. This generalization will extend the scope of the benefits to be received, and as a result Australia will obtain the benefit of the reductions negotiated among the other sixteen countries in addition to those negotiated by itself. Some of the former reductions are of little benefit, but others will provide worthwhile benefits. In some countries these indirect benefits are considerable, and, taken on the aggregate, they represent a general extension of export opportunities for Australia. The agreement is in three parts. Part I. contains—

The schedules of tariff reductions which have been negotiated by all the countries concerned.

An undertaking to extend most-favoured-nation treatment to other parties except for existing preferences which are formally recognized as valid to the extent that they have not been altered in the current negotiations.

Part II. contains undertakings regarding commercial policy. These are necessary primarily to prevent tariff concessions granted being offset by other protective measures and follow closely chapter IV. of the draft charter. In practice they involve no significant change in Australian commercial policy. In particular they preserve—

The right to impose new duties or protective purposes except where we specifically have accepted, or may accept, as binding in tariff negotiations.

The right to impose import restrictions to protect our balance of payments.

The right to preserve stabilization schemes for primary products at present operating in Australia, and the right to establish such schemes for other products in similar circumstances.

The right to take emergency action if any industry is endangered by any tariff or preference reduction negotiated.

"Part III. contains mainly machinery provisions.

"If finally ratified, the agreement will run for three years but will continue thereafter unless it is specifically terminated. Special provisions protect our right to withdraw particular items which, in changed circumstances, we may wish to protect further without terminating the whole agreement.

"If changes are made in the draft charter at the Havana Conference, it is proposed that relevant parts of the agreement would be amended accordingly unless the parties to the agreement decide otherwise, and consequently countries applying the agreement provisionally are expected to carry out Part II. only to the extent permitted by existing legislation.

"The negotiations have been conducted against an economic background dominated by the slow recovery of war-devastated countries, and by the world-wide shortage of dollars. United States' exports in 1945 and 1946 totalled 26,000,000,000 dollars, compared with imports of 9,000,000,000 dollars. For 1947 the figures up to 31st July were 8,700,000,000 dollars and 3,300,000,000 dollars. There can be no world economic stability until the United States spends abroad on direct purchases of imports a greater proportion of her international income. The results of the negotiations as a whole must, therefore, be judged primarily by their effect on the trade relationship between the United States and the rest of the world. While it is easy to exaggerate the effect of tariff reduction, it is clear that a serious endeavour has been made to open the United States' market to imports. The effect of this should be apparent as soon as production in countries other than the United States reaches levels capable of taking advantage of the changes.

"On the other hand, the agreement permits the maintenance of quantitative restrictions for balance of payments reasons and until dollars are available also permits discrimination against United States' goods. So long as the present international payments difficulties being experienced by practically all countries except United States persist, the United States cannot expect to benefit fully from concessions granted to it. The agreement as a whole, therefore, should be a significant contribution to a restoration of a more reasonable balance between dollar and non-dollar payments.

"Britain hopes to improve its direct dollar earnings by increased exports to United States and indirectly by concessions granted by the United States to other countries. Similarly, any stimulus to European recovery is of value to Britain. Any strengthening of Britain's position is, of course, of great value to Australia since it increases Britain's international purchasing power, on which we are very dependent.

"I summarize briefly the direct and indirect benefits which may be expected to accrue as a result of the proposals arising from the Geneva negotiations if they are confirmed by the respective governments concerned. The tariff concessions affecting Australian exports take the form of actual reductions in existing rates of duty, or, where duty-free entry or low duties already operate, the binding of such duty-free entry or low rates. In many items such binding is of material value because of the insurance it gives against increases in tariff rates which now stand at low levels. Tariff concessions have been offered to Australia on almost all the principal products which Australia exports or can expect to export, to the individual countries concerned. Generally, the offers have been made directly to Australia, but in some cases the benefits will arise indirectly from offers made to a third country which is a more important supplier of the particular product. The concessions should be of real importance in relation to the future development of primary production in Australia. Further, they include items of importance to Australian secondary industry.

"Trade opportunities may also be expected to arise in respect of a number of products of export interest to Australia on which tariff concessions have been offered to other countries. Indirect benefits will also affect a wide range of manufactured products in which there is opportunity for expansion of Australian production and exports. The reductions of duties obtained in the course of the present negotiations are important, not only in themselves, but also by reason of the fact that they ensure a relatively advantageous starting point for future negotiations. This is specially important in the case of the United States, where a 50 per cent. reduction in duties is the maximum cut permissible in any one agreement under the United States Reciprocal Trade Agreements Act. It is only by such negotiations that high duties can be progressively reduced to reasonably low levels.

"To secure the above-mentioned benefits, Australia has been obliged to offer some concessions. These have taken the form of concurrence in the reduction of certain preferences at present enjoyed in Empire countries and of concessions in the Australian tariff. Both were unavoidable. We cannot expect to obtain the advantage of such negotiations without making some concessions ourselves. In assessing the outcome, it is essential to have regard to the likely effect on the Australian economy. We have not concurred in any proposed reductions in preferential margins except where such concessions are considered to be within the capacity of the Australian industries affected and where satisfactory compensation concessions have been offered in return. The other concession which Australia was required to make in return for the benefits offered were in the protective tariff. Most of the concessions proposed are individually small but they cover a very wide field. The Government has every confidence in the ability of Australian industry to withstand the concessions. Prices levels in Australia have risen

much less than in most overseas countries. This has resulted in Australian industries enjoying greater competitive advantages and an ability to compete within the shelter of a lower tariff wall than that provided by the present Customs Tariff.

"If the draft general agreement is eventually adopted by Australia it is not likely to result in any substantial increase in imports into Australia in competition with Australian production, and, where such increase does occur, it is likely to be absorbed by greater demand and consequently not affect Australian industry. The lower duties on goods which are imported will tend to reduce prices, and this, together with any increased supplies of goods, will be a useful offset to inflationary tendencies in the economy. The narrowing of the margins of preference at present enjoyed by Britain, Canada and New Zealand on a number of items may affect to some extent the advantage which these countries had had in the Australian market, but in no case has a contractual margin of preference been reduced except with the consent of the country enjoying preference rights under the Australian Customs Tariff.

"It is to the outcome of our negotiations with the United States that the Government attaches paramount importance. This market, whatever its vicissitudes, is by far the world's greatest. It matches an industrial output which is at least equal to that of the rest of the entire world. Even since the outbreak of World War II. the population of the United States has increased by almost double the total population of Australia. At the same time rising living standards and soaring incomes have greatly increased average purchasing power per head. It is a country where agricultural costs, despite increasing efficiency, steadily outpace those of other countries. At the prices at which we could afford to supply, the American public would buy a very much larger quantity of foodstuffs. But in recent years exorbitant tariffs have barred the way to meeting this demand.

"A significant section of Australian industry is geared to dollar imports, without which, as we are finding now, our industrial capacity is handicapped. Further development in the future will require much greater supplies of dollars for the purchase of equipment and essential supplies. Not only Australia, but also the whole sterling area is starved for dollars. The only way to increase the supply permanently is to increase exports to the United States. Any increase in our earnings would benefit not only us but also nearly all our best customers. It would help to redress the world balance against the dollar. The cardinal point of our policy throughout the negotiations has been to break down this great barrier to the further expansion of Australia's greatest primary industries. Throughout the inter-war period market factors, not technical, inhibited their growth. Wool, beef, butter and lamb were all held back by the closure of the American market not only to our produce but also to that of our competitors. When one looks beyond the immediate dislocation and exceptional circumstances of to-day, to the market prospects of coming years, two factors stand out—shrinking markets in western Europe, including Britain,

and a growing one in the United States. The population of western Europe is likely to start declining within a few years accompanied probably by stationary if not falling income *per capita*. To make matters worse, Britain, our main market for foodstuffs, is embarking on policies of increasing self-sufficiency. This will in turn increase its production costs and weaken its competitive power still further, thus lessening its international purchasing power upon which we have depended so heavily in the past. Dislocation in Asia, too, is likely to reduce the flow and increase the price of many of the foodstuffs and raw materials needed to sustain the industry and purchasing power of western Europe.

"Very different trends are manifest in America. So convinced has the Government been of the necessity to break down the barriers to all exports to the United States, not only of foodstuffs, that for a while, as became well known, we risked a breakdown of the whole of the Geneva negotiations in the period immediately preceding the veto by President Truman of the United States Congress bill to increase wool duties. In short, if the draft agreement is accepted by the governments concerned, it should make a significant contribution to a solution of the problems created by the world-wide shortage of dollars. It should materially assist Britain in its economic difficulties and thus help to maintain its international purchasing power, and above all it holds out the prospect of greatly increasing our earnings of foreign exchange by extending the range of our export opportunities, especially in the United States, thus paving the way for the further expansion and development of Australian primary and secondary industries.

"Although our negotiations with the United States of America overshadow the rest, the latter are in the aggregate of considerable significance. We conducted negotiations with seventeen different countries, including Britain, in relationship to which we are in a very special position. The outcome of these negotiations will become apparent when the general agreement on tariffs and trade is published on 18th November. If and when the general agreement is accepted by the requisite number of parties, an Interim Tariff Committee will be established on which each accepting country will be represented on a basis of equality. In due course, it is hoped that other countries will negotiate sufficient tariff reductions to satisfy existing members and thus qualify for membership of the Interim Tariff Committee. The treatment to be accorded to non-members is still unresolved, but it is likely to be as favorable as that extended to members at least until they have had sufficient time to negotiate appropriate reductions and have failed to do so. Eventually, if the International Trade Organization is set up and the most important trading countries become members of both the International Trade Organization and the Interim Tariff Committee, the latter will be dissolved and its functions and membership transferred to a tariff committee within the International Trade Organization. Thereafter the Tariff Committee will be the competent body for the conduct of all International Trade Organization activities in regard to tariffs.

"I turn to the other part of the programme—the establishment of an international trade organization. The draft charter for the organization which emerged from the Geneva deliberations is contained in the report of the second session of the Preparatory Committee of the United Nations Conference on Trade and Employment. This report, which is the work of the representatives of the seventeen countries concerned, will be laid before the World Conference on Trade and Employment at Havana on 21st November. No government is committed to the draft charter, though it seems probable that if the Havana conference is successful the resulting draft will follow the main lines of the present text. The draft charter covers a very extensive range of subjects connected with international trade. It is divided into nine chapters covering the purposes and objectives of the proposed international trade organization, employment and economic activity, economic development, commercial policy, restrictive business practices, inter-governmental commodity agreements, treatment of non-members and the adinistrative arrangements for the organization itself. The general criticism may well be levelled at the draft charter that it is full of apparent contradictions and is in places difficult to follow. The task of evolving a charter to suit the interests and ideas of all the negotiating parties has been exceedingly tedious and difficult. It has been necessary to find a way of harmonizing the interests of highly developed and less developed countries, of those with a philosophy of untrammelled private enterprise and those believing in a large measure of government control, of those whose interest in international trade as such is slender, and of those whose very life depends on it. The text reflects the width of the field covered, the ramifications and complexities of the problems which can arise in international trade and the divergent interests of different countries. It may well be that some important factors have been overlooked. The chief preoccupation was naturally with the problems which have been part of recent experience and seem likely to confront us in the near future. Quite different issues and new interpretations may be close over the horizon. Provision has been made both for amendments and for a review of the whole charter within a decade of its entry into force.

"The draft charter must necessarily be assessed to a considerable degree in terms of its applicability to current economic conditions. It was conceived originally, not as an interim instrument to meet the immediate problems of the post-war transition period, but as a set of guiding principles to govern the conduct of international trade on a multilateral basis once normality had been restored. It is clear now that the scale of dislocation and the time necessary for recovery were gravely underestimated. Relief and reconstruction rather than competitive international trade are like to be the main object of international attention in the economic field for some time to come.

"The outstanding problems at present revolve round the deterioration in Britain's trading position, formerly the pivot of international trade; the relapse of Europe after the beginning of recovery, and the

severance of the surplus food-producing capacity of the East from the more industrialized West; and devastation and dislocation in Asia. Until production and the supply of basic essentials in these areas can be restored, they will be vitally dependent on North America, the only area capable of dealing with the situation on the scale required, and will be quite incapable of producing the surplus above essential needs necessary to pay for the aid required. Thus, despite Unrra, the United States loan to Britain and the other direct and indirect aid already furnished by the United States on a huge scale, the shortage of dollars persists. The United States is now the dominating force in international trade, and while the demand for dollars so greatly exceeds the supply, disequilibrium in the payments position of other countries is likely to continue. A reasonable measure of equilibrium in the balance of payments of the main trading nations without widespread resort to restriction is, however, a basic condition for the full application of the ultimate International Trade Organization scheme.

"Despite many obstacles, the projected organization could assist rehabilitation considerably. In the first place, it would provide a forum for the consideration of common problems in a conciliatory spirit by acquainting the governments and their official advisers with the problems of others which in sum are likely to add up to those of the trading world. The value of this understanding, often so grievously lacking in the past, should not be under-rated. The will and practise of co-operation between members in solving trading problems would, in any case, be much more important than the governing rules, many of which are difficult to define in ways applicable to all likely circumstances. Actually, the exceptions written into the charter are sufficient to cover any measures likely to be necessary, even in the immediate future. There is nothing to prevent the projected International Trade Organization making a substantial and effective contribution to current world problems from the moment it is established.

"Secondly, the main principles of the International Trade Organization charter, even if impossible of rigid applications now, are a beacon for the future. They uphold multilateral trade as a desirable goal, as soon as conditions permit. This aiming point should incline members towards an integral system, away from the exclusive trading *blocs* which have proved so politically and economically expensive in the past.

"Thirdly, in conjunction with the tariff reduction programme, it would help to restore the balance of the rest of the world with the dollar area, by weakening restrictions on imports into the United States, while permitting other countries to ration available dollars in accordance with their needs, until they can earn enough to dispense with such impediments to expansion. A careful scrutiny of the charter will reveal that the only really important trading country which will be subject to all the restraints which it imposes on the conduct of commercial policy for a long time to come is the United States. That country will be extending negotiated tariff reductions to others which

have been granted in exchange for concessions by other countries which they, in many cases, will be unable to reciprocate. Balance of payments restrictions, imposed within the provisions of the charter, will prevent their extending many concessions made to the United States, virtually until the present widespread dollar difficulties have been overcome. Nearly all other members of the International Trade Organization would be able to apply measures forbidden to the United States because of its uniquely favorable position. Apart from temporary difficulties, the more permanent escape clauses, especially those designed in Chapter III. to facilitate industrial development in less advanced areas, are not ones that are likely to be open to the United States. Likewise, the measures envisaged by the charter in the event of a failure to maintain employment, or in cases when one country's payments position is causing widespread difficulties to others, all relate primarily to the United States. The fact that such a charter should be agreed upon by representatives of the United States reveals a realistic understanding of the problems of the rest of the world which is not only a far-sighted and enlightened gesture in this context, but also a most hopeful augury for the future of the projected organization.

"It is too soon to judge the likely effect of the charter on Australian interests. The final draft has yet to emerge from the Havana conference, and even then to be subsequently approved by the governments concerned. It will have to be examined eventually in conjunction with the overall programme which embraces the general agreement on tariffs and trade. Even at this stage, though the Government is in no way committed, it may be appropriate to refer to a number of factors likely to be relevant later when deciding whether or not to join the International Trade Organization. I deal with a few questions of particular concern to Australia. First, there is the future of Imperial preference, which is, for us, a question of hard economic reality. The effect of article 16 of the draft charter is to preserve intact the existing British preferential system. There is no obligation anywhere in the draft charter to reduce or eliminate any margin of preference except by agreement of all the parties concerned. It is clearly envisaged that any such action will be taken only in return for equivalent tariff concessions by other countries as part of a mutually advantageous bargaining process. At the same time, no new preference may be created. Actually, no other British country has extended any new preference of importance to Australia for many years, and, in any case, the British Government is formally committed against such a course, while it is well known that Canada concurs in this attitude. British countries, and others already operating preference systems, may thus continue to enjoy differential trading advantages in each other's markets, and even barter them for tariff concessions, while only in very exceptional circumstances can other countries start new systems between themselves. The creation of mutual preferences by other countries which would discriminate against British trade, and thus arouse our resentment, just as the discrimination applied by us

arouses theirs, would be quite a likely development in the near future unless the draft charter comes into operation and prevents it. The attitude of the representatives of certain other countries at Geneva clearly revealed this possibility.

"In connexion with preference, the Government has borne constantly in mind the future of settlement in the northern parts of the continent, particularly Queensland which is dependent on the sugar industry. It will be noted that sugar is subject to an international agreement and consequently comes under the provisions of Chapter VI. Commodities; those of Chapter IV., Commercial Policy, do not apply. The important embargo and other devices used to protect sugar are not called into question by the draft charter. It is recognized generally that different considerations must be applied to the marketing of manufactured and primary products because of the essential differences in the economic factors which govern them.

"Another important instrument of Australian economic policy are the stabilization schemes for the marketing of primary products. In a number of cases, these depend on differential prices, prices between home and overseas sales and the periodic operation of subsidies in various forms. Without entering into a detailed explanation now, I point out that all our present schemes would be permitted under the terms of the draft charter.

"From the more general point of view, the existence of some international body to determine the lines on which international trade shall be conducted seems to offer considerable advantages to Australia. Such a body would almost inevitably increase the influence of small and medium-sized countries, giving them a voice in decisions and enabling them to play an important part in affairs from which they would otherwise tend to be excluded. Without it, important decisions would be made by the giants in concert and small countries would be grouped around and dominated by them. The embryonic International Trade Organization charter already bears considerable imprint of Australian ideas. Our delegation has been enabled to play a constructive part at every stage of the deliberations.

"From the economic stand-point, Australia is highly dependent on international trade. Only through this medium can many of our industries be kept working and the living standards of our people improved. Order rather than cut-throat chaos suits our purposes and our resources. Our interests lie especially along the lines of flexible multi-lateral trade. We need new markets to pay for the imports which our development requires. Our old markets are located mainly in Britain and Europe, the relative world economic importance of which is declining. The population of western Europe will begin to decline sharply within a few years and this will limit its need for our foodstuffs. Our main avenues of development, particularly for the export of manufactured goods, point in new directions. It would be

foolish to allow old habits of thought to hide all signposts to the future. In such a changing world, it may be important for us to be able to meet our future customers regularly round the conference table to discuss our reciprocal needs and wishes.

"We have a particularly strong interest in the maintenance of a high and stable demand for our export products. The employment provisions of the charter are an important psychological factor as well as an 'escape' clause. They underline the source of demand for exports and emphasize the bad neighbourliness of allowing preventable unemployment. The 'commodity' provisions of the charter should also assist in removing some of the instability from which we have suffered in the past.

"One of the main planks of Australian policy is industrialization and full development of our resources. While the original International Trade Organization proposals might have resulted in certain aspects of this policy being called into question, the latest draft stresses the importance of such policies in ultimately furthering world prosperity, subject of course, to reasonable safeguards. The industrial development of other countries, especially those of Asia would enlarge Australia's potential export market. Another important interest of Australia is that of being able to protect our economy as far as possible against the impact of adverse world conditions when international measures fail, without incurring odium elsewhere or provoking retaliation. This is provided for by the charter. The International Trade Organization would provide for a forum for expressing our views and explaining our position in such circumstances. For better or worse International Trade Organization is likely to be the only attempt to establish an international body in the trade sphere in this generation. If it is set up Australian interests will be markedly influenced whether we go in or stay out. The Government is also mindful of the implications of the International Trade Organization programme in the wide political sphere. The economic strife which was both a product of and contributor towards the political rivalries which eventually led to the recent war could easily revive unless positive steps are taken to direct efforts along more enlightened channels. The recent tariff negotiations at Geneva, though still to be adopted by governments, do represent an example of international co-operation in a sphere very susceptible to conflict. This is heartening in itself at a time when so many aspects of international relations are unsatisfactory and disturbing. Economic distress easily erupts into the major poltical upheavals which eventually threaten the peace. The growth of international co-operation on a functional basis to deal with the practical problems facing the world is something which the Government believes should be most actively encouraged. It will continue to persevere in its efforts to secure the kind of International Trade Organization charter which would be a significant contribution both to material welfare and world peace."

In Parliament.—The 19th November, 1947, the Minister for Commerce (Mr. Pollard) said—

"In accordance with the arrangements entered into at Geneva, the provisional application of the General Agreement on Tariffs and Trade was made dependent on the signature by the following eight key countries of the Protocol of Provisional Application, namely, Australia, Belgium in respect of its metropolitan territory, Canada, France, in respect of its metropolitan territory, Luxemburg, the Netherlands in respect of its metropolitan territory, Britain in respect of its metropolitan territory, and the United States. All eight countries have now signed the protocol and the texts of the final act, the general agreement on tariffs and trade, and of the protocol of provisional application were released by the United Nations Organization for publication at 9.30 a.m. to-day Australian eastern standard time.

"The protocol was signed on behalf of the Australian Government by the Minister for External Affairs (Dr. Evatt) and the following statement was issued on behalf of the Government:—

The Australian Government undertake to apply provisionally, provided all other countries do likewise, the tariff reductions negotiated with the other countries whose representatives have been engaged at Geneva during the greater part of 1947. This action will be consequent upon my signing, on behalf of the Australian Government, the protocol of provisional application of general agreement on tariffs and trade.

The Australian Government will apply the new rates provisionally from 18th November. At a later date, the Government will decide whether to recommend to Parliament that the provisional agreement be confirmed.

The breadth of the negotiations conducted by a committee established by the Economic and Social Council of the United Nations is without precedent. More than 120 separate negotiations ranging over a vast number of products were compiled by representatives who met to attempt mutually advantageous arrangements to free the channels of world trade. Australia negotiated with a full conviction of the benefits to be gained, not only to herself, but by the whole world from a satisfactory settlement and a selective reduction of present trade barriers.

The negotiations have to be considered in the light of concurrent efforts to get agreements, in the form of a charter from an International Trade Organization, to commitments upon countries to maintain employment and the demand for goods, which are the basis of trade, and to adhere to agreed rules of good trade conduct.

These commitments are intended to supplement those which the members of the United Nations have already accepted in the United Nations charter—namely, to promote jointly and severally, higher standard of living, full employment, and conditions of economic and social progress and development.

The project embarked on by the Economic and Social Council, through its preparatory committee and the world conference which is to assemble shortly in Havana, is one of the most constructive endeavours of the United Nations. The progress already made in tariff negotiations and the decision by a substantial number of the governments to bring tariff reductions into provisional effect lay a sound basis for successful achievement of a significant improvement in world trading conditions and for a solution of the present economic crisis.

"I lay on the table the following paper:—

United Nations Conference on Trade and Employment—General Agreement on Tariffs and Trade—

Ministerial Statement, 18th November, 1947.

Explanatory Statement by the Acting Minister for Post-war Reconstruction, 18th November, 1947, together with accompanying documents.

Text of Agreement, together with—
Protocol of Provisional Application.
Final Act.
Schedules of Tariff Concessions (Volumes I. and II.).

"This is the text of the general agreement on tariffs and trade, which includes general articles, tariff schedules covering all the countries concerned, and annexed protocols. The changes involved in the Australian tariff are contained in the resolutions and explanatory memoradum which I lay on the table. Statements have also been assembled which, in conjunction with the tariff resolutions and explanatory memorandum, contain the latest information bearing upon the effect of the general agreement on trade and tariffs on Australia's interests if the agreement is eventually adopted by the governments concerned."

(For earlier references, please see No. 124, page 5; No 127, page 3; No. 129, page 25.)

WORLD ORGANIZATION—SOUTH PACIFIC COMMISSION, INTERIM ORGANIZATION.

On 20th November, 1947, the Prime Minister (Mr. Chifley) said—

"At the South Seas conference at Canberra in February, 1947, six governments signed an agreement providing for the establishment of the South Pacific Commission. The agreement is to enter into force when it has been formally accepted by all governments. Acceptances have been effected by the Governments of New Zealand, Australia and Britain. Procedural difficultiees have delayed the acceptances of the Governments of the United States, France and the Netherlands, but it is expected that these will be notified to the Australian Government within the near future.

"In the meantime, the Australian and New Zealand Governments have by agreement with the other four governments, established a South Pacific Commission interim organization with head-quarters at Sydney to make preliminary arrangements for the establishment of the commission. A meeting of representatives of all signatory governments will be held at Sydney in November, 1947. This meeting will examine the past and future work of the interim organization and, with a view to expediting discussions at the first formal meeting of the commission, which it is hoped will take place early in 1948, will discuss plans for the structure of the secretariat of the commission and related matters."

(For earlier references please see No. 123, page 16; No. 124, page 3.)

THE GOVERNMENT.

POLICY—NATIONALIZATION.

In Parliament.—On 12th November, 1947, the Prime Minister (Mr. Chifley) said—

"Representations have been received from various trades unions regarding the nationalization of coal mines and the iron and steel industry, and in reply I have pointed out that the Commonwealth Parliament has no power under the Constitution to nationalize those industries, even if the Government wished to do so. Therefore, it is sheer nonsense to talk of the Government's plans for nationalizing such industries."

MINISTERS OF STATE—BILL INTRODUCED.

In Parliament.—On 19th November, 1947, the Prime Minister (Mr. Chifley) introduced the Ministers of State Bill. Mr. Chifley said—

"The purpose of this bill is to increase the salaries of Ministers of State. The Constitution made a temporary provision of £12,000 per annum for a maximum of seven Ministers, and left the way open for Parliament to make increased provision, both as regards the number of Ministers and the appropriation. On five occasions, increases have been made because of increased responsibility. The last occasion was in 1941, when the number of Ministers of State was increased from eleven to nineteen and the appropriation to £21,250. That change was made at the instance of the Leader of the Opposition (Mr. Menzies), who was then Prime Minister.

"Whereas the provision made in the Constitution 47 years ago was an average of approximately £1,710 per minister, under subsequent provision from time to time, the average has not only not increased in keeping with rising costs but has actually been less than under the original provision. In 1941 the average was £1,120, and there has been no increase in the meantime. The whole of the appropriation for Ministers of State is not divided among the Ministers. A proportion is paid to the Cabinet fund, to meet the expenses of Cabinet, and these expenses have naturally increased. The increasing responsibilities of Ministers, the many additional calls on their financial resources, and the rising costs, justify, in the opinion of the Government, some addition to the salaries provision. The present measure proposes to increase the appropriation from £21,250 to £27,650."

[*The bill was passed.*

(For earlier references, please see No. 122, page 13.)

FIGHTING FORCES.

AWARDS—U.S. DECORATIONS.

In Parliament.—On 12th November, 1947, the Minister for Defence (Mr. Dedman) said—

"I inform the House of decisions on proposals communicated by the United States Government for the award of United States decorations to members of the Australian Defence Forces. The Government

received 229 proposals for the bestowal of United States awards which required extensive examination and correspondence with the service departments, and cablegrams to Britain, in the light of the rules governing the acceptance of foreign honours. The Australian Government has applied to the Australian forces the rules adopted by the British Government and communicated to the Australian and other British Commonwealth governments in 1942. One of the rules was that the scale of acceptance of United States awards by members of the Australian forces should, in general, be one acceptance for each British award granted to United States forces in the South-West Pacific Area. The Government represented to the British authorities that it would be loath to contemplate the wholesale rejection of awards sponsored by America for operational service for no other reason than that they would involve a departure from a numerical balance. Further, by virtue of the close association of United States and Australian forces throughout the war in the South-West Pacific Area, the Government believed that it was fitting that acceptance of awards for operational service should be permitted on a generous scale for the final series of recommendations to mark the end of hostilities. The British authorities have agreed with this view, and consideration of the proposals has proceeded without regard to any of the limitations which would have been imposed if the one for one rule had applied.

"The Government has accepted 102 United States awards for gallantry or heroism, or for outstanding service directly in, or associated with, operations in an operational area. They include awards for Allied Intelligence Bureau parties which landed in enemy territory, for intelligence patrols, heroism and good service in action, coast watching in enemy territory, operational flights and strikes against the enemy, the rescue of survivors of crashed aircraft in enemy territory, and many other instances of gallantry and outstanding service in operations. The Government has expressed its appreciation of the offer of the United States Government and its pleasure in accepting them. The Government regrets that it is unable to accept United States awards in the following cases, and for the reasons stated:—

United States awards for non-operational service, acceptance of which is precluded by the policy of the Government, 21. (These awards include proposals for the recognition of service in Australia, e.g., with general headquarters, and for service in Washington, all of which is non-operational.)

United States awards for personnel who have already received a British award for the same service, acceptance of which would infringe the rule against duplication of recognition, 35. (The principle of this rule is that service rendered during operations by a member of any British Commonwealth force is more properly recognized by an award by his own Sovereign than by acceptance of foreign honour. In none of these cases have the services recommended that an exception be made to the application of the rule against duplication of awards.)

United States awards for personnel in the following categories, acceptance of which is precluded by the rules governing the acceptance of foreign honours:—Awards for services for which United States decorations were previously granted, five; posthumous awards which, in the case of British awards, are permitted only for the Victoria Cross and George Cross, and mentions in despatches and commendations, six.

"The total number of awards which, for the reasons already stated, cannot be accepted, is 67. In certain cases, the proposed United States awards have been deferred for further examination by the services as to whether or not the service for which they are proposed was operational. There are 60 cases in this category, most of them being for service with general head-quarters, the greater proportion of which was on the mainland of Australia."

PRIMARY INDUSTRIES.

POULTRY FARMING—EGG EXPORT CONTROL, BILL INTRODUCED.

In Parliament.—On 12th November, 1947, the Minister for Commerce (Mr. Pollard) introduced the Egg Export Control Bill. Mr. Pollard said—

"The purpose of this bill is to provide for the constitution of an Australian Egg Board to regulate and control the export of eggs and egg products from Australia. In July, 1943, responsibility for the stabilization of egg prices and control of the marketing of eggs was assumed by the Commonwealth Egg Control organization, constituted under National Security (Egg Industry) Regulations, and continued in force under the Defence (Transitional Provisions) Act 1946. When this control ceases on 31st December, 1947, responsibility for marketing of eggs will revert to State egg boards, which will be responsible for stabilizing prices and marketing the production of their own States.

"The Australian Government recently concluded a long-term contract with the British Government for the purchase of Australian eggs in shell, egg pulp and egg powder for the seasons 1947-48, 1948-49 and 1949-50. To assist in the orderly marketing of the anticipated surplus, and to ensure that the conditions of the long-term contract are fulfilled, the Government has decided to establish an Australian Egg Board, which will supervise the disposal of that portion of surplus production which is of suitable quality for export. The bill provides for the establishment of a board of ten members, who will represent the following interests:—Egg Producers of Australia (one from each State), 6; persons with commercial experience, 2; employees engaged in the handling, grading and processing of eggs, 1; Australian Government representative, 1; total, 19."

[*The bill was passed.*

(For earlier references, please see No. 128, page 10.)

INDUSTRIAL.

DILUTION OF LABOUR—TRADESMEN'S RIGHTS, FURTHER BILL INTRODUCED.

In Parliament.—On 12th November, 1947, the Minister for Labour (Mr. Holloway) introduced the Tradesmen's Rights Regulation Bill. Mr. Holloway said—

"This bill extends the principal provisions of the Tradesmen's Rights Regulation Act 1946 to the trades in the boot, shoe, sandal and slipper manufacturing industry which were subject to National Security (Boot Trades Dilution) Regulations.

"The bill adds to the act another part and schedule, and makes consequential amendments, so that recognized tradesmen in the boot trades shall be entitled to the same priority in employment in their trades as recognized engineering tradesmen receive in the engineering trades. That is to say, in the case of engagements, an employer may not employ on tradesmen's work a person other than a recognized tradesman if a competent tradesman is available and offering for employment; and in the case of dismissals or retrenchments, by another provision in the same section that a recognized tradesman shall be the last to go unless a local committee otherwise permits and subject to an employer exercising his award rights regarding summary dismissal.

"The bill provides for ex-servicemen to qualify as recognized tradesmen by a probationary period of training in employment under the supervision of a local (boot trades) committee. These probationary tradesmen will receive the full tradesman's rate of pay during their probatonary period. Applications by ex-servicemen for authorization of their employment as probationary tradesmen must be made, unless there are special circumstances, within six months after the date of discharge from the forces or the same period after the coming into operation of these amendments, whichever is the later.

[*The bill was passed.*

(For earlier references, please see No. 117, page 4.)

UNEMPLOYMENT—FIGURES.

On 25th November, 1947, the Minister for Labour (Mr. Holloway) said—

"For many months there has been a steady increase in the demand for labour in Australia accompanied by a progressive decline in unemployment. At October, 1947, recipients of unemployment benefit (including re-employment allowance) had fallen to a record low level of 2,945 (2,830 males and 115 females) representing less than one in 11,000 Australian workers. Unfilled vacancies held by the Commonwealth Employment Service numbered 52,200 for males and 35,200 for females, an increase of nearly 7,000 above the September total.

"It is difficult to find any occupation suitable for females in which unfilled vacancies do not greatly exceed available applicants. For example, in the clothing and textile trades the number of vacancies for women workers approaches 15,000.

"During October, 1947, the Commonwealth Employment Service referred 20,800 males and 6,500 females to employers."

PRICES.

GOODS "DECLARED"—POULTRY, REVOCATION.

On 12th November, 1947, the Minister for Customs (Senator Courtice) announced that price control of live poultry had been removed.

INCOME TAX.

SECOND BOARD OF REVIEW.

On 12th November, 1947, the Prime Minister (Mr. Chifley) said—

"An additional Board of Review has been established under the Income Tax Assessment Act.

"The functions of the Board of Review, although primarily associated with income tax, have, from time to time, been extended to include matters arising under sales tax, pay-roll tax, war-time (company) tax, social services contribution, flour tax and entertainments tax, as well as estate and gift duties. The volume of cases referred for determination has been such that one board has been unable to cope with it within a reasonable time.

"The new board will comprise the Deputy Commissioner of Taxation (Mr. H. H. Trebilco), chairman, Mr. J. A. Nimmo, and Mr. R. A. Cotes. Appointment will be for seven years from 1st December, 1947. For the present, this board will deal with cases arising in Victoria, South Australia, Western Australia and Tasmania. The existing board will determine cases arising in New South Wales and Queensland.

"Both boards have been constituted Boards of Referees under the War-time (Company) Tax Assessment Act."

(For earlier references, please see No. 128, page 4.)

BRITAIN.

PRINCESS ELIZABETH—WEDDING.

In Parliament.—On 19th November, 1947, the Prime Minister (Mr. Chifley) moved the following motion:—

"To the King's Most Excellent Majesty:

Most Gracious Sovereign:

We, the members of the Senate and the House of Representatives of the Commonwealth of Australia in Parliament assembled, tender to Your Majesty and to Her Majesty the Queen greetings on the occasion of the forthcoming marriage of your elder daughter and Heir Presumptive to the Throne, Her Royal Highness the Princess Elizabeth, with Lieutenant Philip Mountbatten.

We desire to express the happiness felt by the people of Australia at this event and ask Your Majesty to convey to Her Royal Highness and to Lieutenant Mountbatten our wishes for a happy future marked by good health and the absence of anxieties occasioned by war or by any other calamity which could fall upon the peoples of the Empire.

We take this opportunity of expressing our continued loyalty to the Throne and Person of Your Majesty and to Her Majesty the Queen".

The motion was seconded by the Leader of the Opposition (Mr. Menzies) and supported by the Leader of the Country party (Mr. Fadden).

The motion was carried.

In the Senate, a similar motion by the Leader of the Government (Senator Ashley) seconded by the Leader of the Opposition (Senator Cooper) was carried.

On 4th December, 1947, Mr. Chifley received the following letter from Princess Elizabeth:

"Buckingham Palace,
21st November, 1947.

My dear Prime Minister,

The Australian High Commissioner in London and Mrs. Beasley have presented to me the magnificent silver fruit dishes and salvers which are a wedding present from the Government and people of Australia. We are both delighted with them and greatly admire the skilful craftsmanship and excellent taste with which they have been decorated. Both the fruit dishes and the salvers will be in constant use in our house, and will remind us of the love and goodwill which the people of Australia have shown us on this most happy occasion. My husband has visited Australia of which he has the pleasantest memories and I hope that it may not be long before I can visit the Commonwealth and myself learn to know its people.

Yours sincerely,
ELIZABETH."

CONSTITUTION.

AMENDMENT—REFERENDUM, PRICES, BILL INTRODUCED.

In Parliament.—On 19th November, 1947, the Minister for Labour (Mr. Holloway) introduced the Constitution Alteration (Rents and Prices) Bill. Mr. Holloway said—

"To safeguard the Australian people from inflation and depression, and to keep in check the profiteer and the racketeer, are nation-wide problems. They can be solved only by nation-wide action. The object of the bill is to amend the Constitution so as to give to the National Parliament the necessary powers. The bill proposes to give it the power to make laws with respect to 'rents and prices (including charges)'.

"The powers will have to be exercised particularly throughout the present critical years or transition from war to peace. But the need for their exercise will not lapse when the transition is completed, however far ahead that may be. They will be needed again from time to time, whenever economic conditions become unstable. The object of the bill is to give permanent, nation-wide protection to every tenant, every income-earner, every housewife, to every user of services and, indeed, to every purchaser as well as to primary producers dependent on unsheltered markets.

"The proposed new power is one to make laws first and foremost about rents. In an economic sense, rents are only a particular group of prices. But there must be no doubt whether they are included in the power. They are a vital element in the life of the people. In the first place, rent absorbs a large proportion of the income of most families. Unless rents are kept at a reasonable figure, other forms of price control will not be effective to maintain the living standards of the community. Moreover, the shortage of housing is likely to last longer than other shortages, and rent control will therefore be essential for a long time.

"A vital duty of a national government is to give its people that freedom from fear and want held out to them in the Atlantic Charter as one of the aims which made the sacrifices of the war worth while. I will show that the power to control rents and prices is a power without which the Commonwealth Parliament will be severely handicapped in carrying out this duty in the economic sphere. The Australian Government is convinced that the people should be given the opportunity to arm themselves, through their Parliament, with essential power.

"In the past, the economic security of the common man has been menaced by recurring economic depressions bringing in their train the miseries of unemployment and want. Those depressions have usually been preceded by periods of unhealthy expansion, leading to inflation and the crash from 'boom' to 'slump'. The horrors of war have always been followed by this cycle—scarcely less terrible in its effects. In modern times, these economic troubles have not been confined to single countries, but have been world-wide. They are the result of man's activities or neglect, and it is within his power to prevent them. The problem of recurring depressions must be tackled on a world-wide basis, and Australia is playing its full part in the work being done in this direction. But an important part of the problem must be tackled within our own economy. Moreover, we must be ready to act quickly whenever the necessity arises. The vital thing is to see that 'boom' conditions of an unhealthy kind, which, as experience shows, lead to depression, shall not develop. Further, apart from the prospect of depression, another evil that must be fought vigorously in 'boom' times and in times when houses and goods are in short supply is the evil of exploitation by profiteers. When money is plentiful among some sections of the community and houses and goods are scarce, unscrupulous landlords or vendors can, if not controlled, exploit the rest of the community. Even in times when goods are plentiful, the creation of monopolies leads to the same evil. We all know the enormous profits made during and after World War I. Thanks to rent and price control, there was much less profiteering in Australia during World War II., but the sudden removal of these controls at present would undoubtedly lead to profiteering. We have only to see what is happening in other countries, such as the United States, to realize this. In the United States, prices rose so steeply within a few months of the removal of control, that an attempt is now being made to replace price control. But with the flood-gates once opened who can say whether they can be shut again?

"No intelligent person would be so foolish as to think that all fluctuations in rents and prices can be avoided. If costs, especially costs of imported goods and materials, are rising, prices must rise. But the people rely on their government to ensure that the rises shall be justified, that increases of wages intended to improve living standards shall do so and shall not be made the excuse for unreasonable price and rent increases. I will show later that an essential weapon in

the two battles against depression and exploitation is the power to control rents and prices. I will also show that the States are not in a position to handle those weapons effectively. The people will rightly look to the National Parliament to grapple with these national problems. The Government is confident that they will freely grant the powers necessary to enable it to do so.

"The bill does not mean that the Government considers that it will be necessary to operate price control indefinitely, or to operate it in the detailed and complete form to which we have become accustomed over recent years. Price control in that form is necessary only in a period of general excess of demand over supply, a condition which is now being steadily removed. As shortages disappear, so can price control disappear, until it will become essentially a reserve power, operating only when and where it is required for the health of the economy. Price control will be required beyond the transition period in relation, for instance, to houses and rents, where shortages must be expected to continue for some time. Where production of certain commodities is under the control of monopolies, price control may be necessary to ensure that the industry concerned shall apply a policy of high output, low prices and moderate profits, rather than a policy of low output, high prices and excessive profits. Similarly, where industries have been granted tariff protection to enable them to carry on against overeas competition, price control will be essential to ensure that this tariff protection shall not be used to exploit local consumers.

"Periods of expanding activity occure from time to time in any economy, as a result, for instance, of the development of new public and private investment. It will be possible for price control to check the increase of prices that would other wise result from this pressure of demand on resources of production. It is the effect on costs of this increase of prices which has in the past led businessmen suddenly to change their minds about undertaking new production, and which has led to financial crises followed by prolonged depression. If price control can prevent the development of this inflationary tendency, that alone will be the greatest single factor contributing to the avoidance of depression. In the other direction, continual difficulty has been caused in the Australian economy by the violent collapses of overseas prices for exports Price control cannot prevent these falls, but, when drops occur, price control can, by maintaining minimum local prices, help to cushion their effects of primary producers' incomes and on the Australian economy generally.

"I turn now to a consideration of the immediate need for rent and price control in Australia during the period of transition from war to peace. I need not draw in great detail the picture of what would happen if the present rent control were removed. Although good progress is being made with housing, there must inevitably be a shortage for a long time. But while any shortage remains there must be protection for home-seekers against extortionate charges for accommodation. After World War I., rents rose steadily, right up to the beginning of the

depression in 1929, by which time they were 50 per cent. higher than in 1918. Even in normal times the 'rack-renter' is always with us. I am not saying that all landlords are grasping and unscrupulous—far from it. But there are always some—and their number tends to grow with opportunity—who are willing to take the last penny from people whenever there is either a general shortage or a local shortage such as occurs from time to time in particular places.

"On prices generally, there can be no doubt that external and internal inflationary pressures will continue for some time. Prices of imported goods are now more than two and a half times their pre-war level and are still rising. These cost increases have been pressing throughout the war, and have, thanks to price control, been absorbed by the economy with a minimum of disturbance. Internal pressures are equally strong. Income of primary producers, enjoying record production and record prices, will be at an all-time high level this year. Prices for exported goods are more than two and a half times their pre-war level. There have been substantial increases of the basic wage and of skill margins this year. Wage costs will be still further increased by the adoption of the 40-hour working week throughout Australia, on 1st January, 1948. There is, in addition, a large volume of liquid balances accumulated by the people as a result of war-time shortages, and still awaiting spending. Prices control has so far given owners of savings an assurance that the real value of these balances will be maintained. A threat to the continuance of price stability, as a result of the cessation of price control, may cause a wave of buying as a hedge against inflation and thus bring about the inflation that we fear. Against this high and increasing volume of spending power, there is a serious deficiency of goods. Despite our high export income, imports are held back by dollar shortages and the production difficulties of easier currency areas, like Britain, Europe and Asia. We may not be able to import even enough goods to balance our exports, let alone to import surplus goods to meet excess spending pressure. In the domestic sphere, production is at a high and increasing level, but is still seriously short of the people's needs. The postponement of capital replacement and expansion during the war requires an abnormally large proportion of current production to be devoted to the production of capital goods. In addition to this heavy and continuing drain on resources to meet capital requirement, shortages of labour and materials and the hangover of war-time disorganization of production are causing bottlenecks in several lines of essential production.

"An important feature of the Australian economy at present is the substantial subsidies being paid by the Government to prevent cost increases from passing into the price structure. An abrupt removal of these subsidies, as would be required by the cessation of price control, would cause an equally abrupt rise in prices. This represents an inflationary force which must be controlled until it can safely be released. With all these inflationary forces at work in Australia, it cannot be

doubted that an immediate relaxation of price control would lead inevitably to price increases comparable with those that have occurred recently in the United States. There, within five months of the abandonment of price control, retail prices generally rose by 14 per cent. and food prices by 29 per cent. Those figures should be compared with the increase of prices in Australia, where in the two years since the end of the war, the rise have been only 6 per cent. for prices generally, and 7 per cent. for food alone.

"The war-time history of price control gives us firm ground for confidence that it brings real advantages to the community and that it is possible to administer price control successfully. Rent control during the war was amazingly successful. Rents on an average increased by less than 1 per cent. During World War I., retail prices rose by 32 per cent. and two years later they were 70 per cent. above pre-war. During World War II., they rose by 23 per cent., and two years later they are only 30 per cent. above the pre-war level. World War II. lasted six years as against four years and involved a far greater strain on resources. The post-war period has also been far more difficult, due to the greater dislocation in Australia and overseas. Apart from our own arrears of civilian production, the war-torn countries of Europe and Asia have not been able to make anything like their normal contribution to our needs. Instead, they have been a drain on our supplies. In spite of far greater shortages and disorganization of production, price control has thus far saved Australia from the worst effect of a second post-war boom. If it is continued through the transition period, we may reasonably hope to avoid the worst effects of a slump such as occurred in 1921.

"Although, with the full concurrence of the State governments, the Commonwealth assumed full power to control rents and prices at the outbreak of the war, it has exercised these powers only to the extent rendered strictly necessary by circumstances arising out of the war. During the first two and a half years of the war, for instance, only a relatively few commodities were made subject to control, because general shortages were not apparent until after the Pacific war broke out. When it is realized that the post-war boom lasted two years after World War I., which was so much milder in its economic effect than World War II., it can be understood why no great measure of de-control has been permitted up to the present stage, early in the third post-war year. Nevertheless, the Government looks forward to the time when it will be able to lay down the burden of assessing most price increases, and to revert to the state of affairs before the Japanese war, when only a relatively small number of items was scarce and under control, and traders did their own pricing under a formula, subject only to occasional check.

"Recently, the Commonwealth Government has returned to State and local governments control of goods and services handled by State, semi-governmental and local-governing bodies, including transport, gas

and electricity undertakings, and locally produced and consumed goods and services, such as milk and taxi-cab fares. A considerable extension of this process will take place, in consultation with the States.

"The amendment of the Constitution proposed would give the Commonwealth Parliament power to legislate with respect to rents and prices, including charges. The power over rents would cover the fixing or 'pegging' of rents, would include power to provide for the determination of fair rents and, as an incidental matter, to protect tenants against eviction. It would apply to rents of goods as well as rents of land and buildings. The power with respect to prices would enable Parliament to control and regulate the prices at which property of any kind, including commodities, land and shares in companies, is sold. Explicit power to control charges is included in the bill to remove any doubt about charges which are in the nature of prices or rents, but in relation to which the term 'prices' or 'rents' may not be ordinarily used; for example, charges for hairdressing or for board and lodging. The words would also include charges for the use of money, or, in other words, interest.

"Since minimum prices, as well as maximum prices, could be fixed under the power, it could be used to ensure a home-consumption price for primary products. Minimum prices could also be used to prevent disorder and losses to holders of stocks of imported goods which could follow a sudden collapse of raw material prices overseas. Further, the new power would make clear the right of the Commonwealth to pay subsidies to maintain reasonable prices to consumers as well as producers for essential goods, such as potatoes and dairy products.

"Control over rents and prices by the Commonwealth is at present carried on by regulations in force under the Defence (Transitional Provisions) Act. That act depends for its validity on the 'defence power' of the Commonwealth. The High Court has held that the extension of the defence power to measures necessary to the economic stability of the country does not cease abruptly with the end of hostilities in a war. The power retains a wide scope during the period of transition from conditions of war to conditions of peace; but the scope of the power is constantly dwindling, and it affords a very uncertain basis for measures essential to Australia's economic stability. With this consideration in view, the Government sought the assistance of the State governments, all of which expressed willingness to support the continuance of price control on a national basis during the post-war transition period. In some States this legislation has expired and in others will shortly do so. Further, there is little prospect of this legislation bieng extended in all or even a majority of States. This creates the position that, in some States price control now virtually rests on the defence power, and will have legal validity only for as long as that power is held to support it. Even if there were any certainty that the defence power is adequate to cover the winding-up of war-time controls

and measures necessary during the period of transition to conditions of peace, the Commonwealth would still be without adequate power to deal with and guard against future economic disturbances. The permanent power to act effectively and promptly in economic crises is, in the opinion of the Government, an essential power of a national parliament quite apart from present circumstances. It is very likely that there will be long periods during which these powers will not be exercised, or will be exercised only in limited fields, but they will be a vital weapon in the nation's defences against inflationary booms, followed by economic depressions. It is these circumstances which have led the Government to recommend to Parliament that the people be asked, by way of referendum, to give the Commonwealth Parliament power to legislate for the control of rents and prices.

"As rent is one of the main items in living costs for the average person, movements in rents have an important influence on social and economic stability. State governments have power to control rents, but it is unlikely that they will all do so at the same time, in the same way. We have seen earlier what happened to rents after the last war, when control could have been exercised only by State governments. If rents are allowed to rise in one State, but not in others, wages will rise in that State above the general level. With wages, many other costs and prices will rise as well. As a result the whole economy may be thrown out of balance. In practical terms, uniform control of rents can be secured only if it is applied by the Commonwealth Government.

"State governments have power to control prices. But mainly because commodities can move freely between States, it is not practicable for State governments to control more than a limited range of commodities produced and sold locally. Where goods such as galvanized iron are produced in only one State it would be impracticable for the Government of any importing State to maintain an adequate control over consumers prices while prices charged by the manufacturers were beyond their control. Consequently, since the States have only a limited practical power to control prices, and the Commonwealth has not, in normal peace-time, any legal power to do so, there is not any really effective power to control prices anywhere within the country. This, obviously, is a serious anomaly.

"Stress has already been laid on the responsibility of the Commonwealth for the preservation of economic stability. This means, in plain terms, the prevention of 'booms' and 'slumps', which, in the past, have brought so much loss, unemployment and misery. It means the maintenance of steady incomes for producers, in town and country alike. It means the preservation of a stable purchasing power for money, and the protection and improvement of living standards for the various classes within the community. This is of particular importance to

pensioners, people with fixed incomes, and all who contribute to the savings of the community. Control of prices is wrapped up with all these things. Rises and falls of prices are part and parcel of 'booms' and 'slumps'. They determine also the value of money, and the distribution of the national output among the community.

"Control of profiteering and monopolies again is closely bound up with prices, and this is a field in which, for the most part, only Commonwealth action can be effective. Since monopolies are often nation-wide in scope, State governments are virtually powerless to deal with them. Many of the special functions of the Commonwealth are dependent on a power to regulate prices. The Commonwealth, for example, is concerned with the overseas marketing of exports. Primary producers are only too well aware that high prices are likely to be followed by low prices. All systems of guaranteed prices and home-consumption prices designed to promote orderly marketing will be greatly strengthened if the Commonwealth Parliament has power to legislate for minimum prices. Such a power would overcome many of the difficulties created in the rural economy by section 92 of the Constitution.

"Again, it is the Commonwealth which fixes levels of tariff protection for local industries. It does so with a view to assisting such industries to establish themselves and expand. Unless prices charged by local industries for their products can be supervised and regulated, there is always a risk that tariff protection may be abused and the community exploited. Producers are likely to rely on tariff protection to maintain their high prices, instead of increasing their efficiency and moderating their profits to reduce their prices.

"All these considerations add up to an overwhelming case for giving the Commonwealth power to legislate on rents and prices. It is the only authority in Australia which can exercise such power effectively. It has had such a power during the war and the post-war period, and has used it with highly beneficial results. It will need such a power in the future if it is to preserve and advance the economic welfare of the nation through a time which threatens very great dangers and difficulties. There is no short-cut to this end, and we should be warned by the example of other countries that the quick and easy step of abandoning all controls can bring far worse troubles than those it was sought to avoid. Unless the power to control prices is written into the Constitution now, it will not be available to the Australian people when it is most needed.

"The question is not political. It is a simple question, as every Australian should realize, of making sure that nation-wide protection can be given in times of difficulty to the tenant, the wage-earner, and the housewife, to the primary producer, and, in fact, to every Australian who has to pay for land, or goods, or services of any kind—in other words, to every Australian."

[*The bill was passed.*

(For earlier references, please see No. 129, page 36.)

COMMONWEALTH GRANTS COMMISSION.

SPECIAL GRANTS 1947-48.

In Parliament.—On 19th November, 1947, the Prime Minister (Mr. Chifley) introduced the State Grants Bill. Mr. Chifley said—

"The object of this bill is to obtain the approval of the Parliament to the payment, during 1947-48, of special grants aggregating £5,042,000 to the States of South Australia, Western Australia and Tasmania. Provision for the payment of these grants follows recommendations of the Commonwealth Grants Commission. The commission recommended that special grants aggregating £6,050,000 be paid to the claimant States in 1947-48, but added that these recommendations were made on the assumption that the amount of tax reimbursement to the States, £40,000,000, and the shares of this amount allotted to the claimant States remain unchanged in 1947-48. The commission therefore stipulated that in the event of any claimant State receiving in 1947-48 more or less by way of tax reimbursement than it received in 1946-47, the commission's recommendation should be adjusted by the amount of such increase or reduction. The bill authorizes the payment of an additional tax reimbursement grant of £5,000,000 to the States in 1947-48 under the uniform tax plan. Of this amount, South Australia, Western Australia and Tasmania will receive £432,000, £423,000 and £153,000 respectively. In accordance with the recommendation of the commission these amounts must be deducted to arrive at the special grants which the commission considers should be paid this year. On this basis, the special grants payable in 1947-48 compare with those actually paid last year as follows:—

—	1946–47. Actual.	1947–48. Recommended.
	£	£
South Australia	2,000,000	2,318,000
Western Australia	1,873,000	1,977,000
Tasmania	875,000	747,000
Total	4,748,000	5,042,000

[*The bill was passed.*

(For earlier references, please see No. 127, page 32.)

APPOINTMENTS.

On 25th November, 1947, Mr. Chifley said—

"Cabinet decided to-day to reappoint Professor G. L. Wood and Mr. J. J. Kenneally as members of the Commonwealth Grants Commission for a period of two years and nine months as from 1st January, 1948. The term of the chairman (Mr. A. A. Fitzgerald) does not expire until November, 1948."

WHEAT POOLS PAYMENTS.

TOTALS.

On 20th November, 1947, the Minister for Agriculture (Mr. Pollard) said that all wheat pools had been finalized, excepting No. 10, for 1946-47. The following table showed the advances in the various pools:—

—	Bagged.	Bulk.
	s. d.	*s. d.*
No. 1 Pool	2 9.908	2 7.908
No. 2 Pool—1939–40	3 7.958	3 5.958
No. 3 Pool—1939–40	In N.S.W. 3d. per bushel less	
No. 4 Pool—1940–41	4 0.375	3 9.5
No. 5 Pool—1941–42	4 0.625	3 9.125
No. 6 Pool—1942–43	4 8.5	4 5.5
No. 7 Pool—1943–44	5 6.233	5 3.733
No. 8 Pool—1944–45	5 0.9	4 9.9
No. 9 Pool—1945–46	6 6.25	6 2.75
No. 10 Pool—1946–47	6 10 (Incomplete)	6 7 (Incomplete)

All payments less freight.

(For earlier references, please see No. 126, page 5.)

PETROL SUPPLIES.

RATIONING SYSTEM—TIGHTENING

On 24th November, 1947, the Prime Minister, Mr. Chifley, said—

"In consequence of the increasing gravity of the dollar position, I have conferred to-day with the Minister for Supply (Senator Ashley), the Secretary to the Treasury (Mr. S. G. McFarlane), the acting Director-General of Posts and Telegraphs (Mr. G. T. Chippindall), the Secretary of the Department of Supply (Mr. F. A. O'Connor), and the Controller of Liquid Fuel (Mr. W. H. Tucker) to determine measures to eliminate illicit use of ration tickets and ensure that each consumer is limited to the ration on his licence.

"A review of the sales of petrol throughout Australia during September and October, 1947, shows that the quantities of petrol being used are in excess of the total licensed gallonage. This drain of petrol through illicit channels endangers the whole national petrol supply position and, unless arrested, the movement of essential transport throughout the Commonwealth will be jeopardized.

"The Government is determined to stamp out breaches of the Liquid Fuel Regulations and, as a first step, has decided that petrol coupons will in future require to be drawn by consumers from a permanent issuing office, which will include post offices, as from 1st December, 1947. It is proposed to regard the post office or other issuing office from which a consumer draws his petrol for December, 1947, as his future permanent

issuing office. Only in cases of change of residence or for other very good reasons will consumers be allowed to transfer their licences from one issuing depot to another.

"Consumers will be free to surrender coupons and purchase petrol at any garage they desire. Arrangements have been made with the Postmaster-General and State Liquid Fuel Control Boards for a thorough internal audit check in each post office and issuing depot to prevent any illicit practices. The boards can rely on the full support of the Commonwealth for any action they take against vendors or consumers who breach the regulations.

"It will not be practicable to follow the procedure of previous years of issuing January petrol coupons in December, and each month's ration will have to be drawn separately."

NATIONAL OIL PTY. LTD.—GLEN DAVIS PROJECT, MINISTER'S REVIEW.

In Parliament.—On 4th December, 1947, the Minister for Supply (Senator Ashley) said—

"The experiments at Glen Davis have proved to be very costly. While flow oil is available there will be no possibility of oil produced from shale competing with it; it is not economically possible. The Government has spent a considerable sum of money and has taken the best possible advice in regard to the experiments at Glen Davis, and an appreciation of the development there has to be made. I do not regard the considerable amount of money that has been expended as being entirely wasted, because, as a result of the development at Glen Davis, we know as much about the production of oil from shale as most other countries in the world at the present time. The development is still continuing and it is anticipated that at Glen Davis the oil will be produced at a cost of approximately 2s. a gallon. However, even with mass production methods, the retorts situated on the side of the shale, and all the other ingredients available on the spot, the venture is not profitable at present, and I do not think the Government would be interested in supplying further capital for shale oil production in Australia."

EXTERNAL TERRITORIES.

PAPUA-NEW GUINEA—UNION.

On 25th November, 1947, the Prime Minister (Mr. Chifley) said-

"Cabinet decided to-day that a bill be drafted for presentation to the Federal Parliamentary Labour party, to provide for an administrative union of the Territory of Papua and the Mandated Territory of New Guinea with provision for one administrative head, one legislative body and common services. The title of the united territories will be the 'Territory of Papua and New Guinea'."

BRITAIN.

FINANCIAL POLICY—DOLLAR IMPORTS.

On 26th November, 1947, the Prime Minister (Mr. Chifley) said—

"A report received yesterday on the commitment for imports in 1947-48 from dollar sources leaves the Government no option but to make further savings in Australia's dollar commitment. The drift in the dollar position of the whole sterling area is serious and the latest figures of the dollar drain are particularly disturbing.

"Australia is, as a result of the nature of its international trade, a net purchaser of dollars from the pool, and if the pooling system were to break down the resultant dislocation to the Australian economy would be very serious. But it is very clear that every sterling area country, including Australia, has to ration itself severely on dollars if the pooling system is to survive. Last year Australia had a substantial deficit in its dollar trade. The total commitment revealed in the report of the special committee investigating the matter showed big increases over last year's imports from the dollar area. On the other hand, Australian exports to the dollar area are not yet up to last year's rate.

"Outstanding import licences were recalled for review on 8th October, 1947, by the Minister for Customs (Senator Courtice). At that time, importers were asked to defer shipment until the review was completed in the hope that in the final analysis some arrangement could be made to confirm the licences. The position has now become so grave that the Government is reluctantly compelled to cancel all licences recalled for review except those covering goods shipped to Australia on or before 21st October, 1947; those covered by irrevocable letters of credit; and those for goods included in the list announced by the Minister as having a high degree of essentiality. The importation of any goods from dollar sources without a licence is prohibited and importers in their own interests should immediately notify their suppliers of the cancellation.

"Only a limited amount of dollars can be made available for the issue of new licences for goods from dollar sources to be imported before 30th June, 1948. The Customs Department has been instructed to ensure that this amount is allocated only to the highest priority goods.

"The committee has also made recommendations for further savings in regard to certain items involving heavy dollar expenditure which were not included in the licences recalled for review. These recommendations will be considered by Cabinet on 8th December, 1947.

"There is little likelihood of any early easing of the critical dollar position and, for the future, it has been decided to operate the licensing of goods from dollar areas on a quota system associated with a budget ceiling. An announcement will be made by Senator Courtice of the procedure to be followed by importers to establish base year quotas.

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"It is clear that the cancellation of licences will interfere with some production programmes in Australia and the decision has been taken with the greatest reluctance. The effect of the cancellation can, in many cases, be absorbed by stock adjustments or new sources of supply and users of goods are urged to use their utmost resourcefulness in overcoming the difficulties ahead."

FINANCIAL POLICY—DOLLARS, TRAVEL.

On 4th December, 1947, Mr. Chifley said—

"In view of the deterioration in the dollar position the Government has decided that approval will not be given to the provision of dollars for travel for personal reasons. Except in special circumstances, travel involving dollar expenditure will be restricted to visits for business purposes which are important from the point of view of maintaining essential industry or industrial development. In the case of business visits which would still qualify for the provision of dollars, a further reduction has been made in the amount which may be provided."

FINANCIAL POLICY—DOLLAR IMPORTS, PRIME MINISTER'S STATEMENT.

In Parliament.—On 4th December, 1947, Mr. Chifley said—

"At present there is practically a world-wide shortage of United States dollars. Among regions affected are Britain, Australia, New Zealand, India and the other countries of the sterling area, most of Europe, Canada and the South and Central American countries. For most of the world, Canadian dollars are also scarce while Canada is faced with an acute shortage of United States dollars.

"Although other factors have contributed to this situation, the most important cause is the disparity between levels of production in the United States on the one hand and in Europe and Asia (including Indonesia) on the other hand. Restoration of the war-devastated countries has in general been slow, with the result that they have been able neither to produce the normal proportion of their own needs nor to re-establish their export trade. Hence there has been a concentration of demand on the United States and Canada, where production has risen more rapidly than elsewhere. The position has been greatly aggravated by the increase in United States prices, particularly during the past year.

"On recent figures, the rate of exports from the United States has exceeded the rate of imports by about 10 billion dollars a year. Whereas during the early post-war period contributions such as those made under U.N.R.R.A. and the large dollar loans made by United

States and Canada eased the position for a number of countries, the greater part of such aid had, by the middle of 1947, been exhausted and dollar deficits are now for the most part being met by drawings on gold and dollar reserves. In most cases such reserves are dwindling rapidly and cannot sustain for long the present rate of drawings on them. In efforts to reduce the dollar gap in their balances of payments, most countries have by now imposed severe restrictions on United States goods.

" There can be no satisfactory solution to the present dollar problem until European production and trade are brought into balance with Western Hemisphere production. To a large extent this will require a reconstruction of the European economy and the Marshall Plan is based on such a concept. It calls for the utmost co-operation and mutual help between European countries themselves as a condition of further aid from the United States. The participating countries have submitted a four-year reconstruction programme for which they are seeking United States aid to the extent of 22 billion dollars. The United States Congress is now considering interim proposals for assistance valued at 597 million dollars to Austria, Italy and France to cover the needs of these countries until 31st March, 1948. Committees have been examining the longer term proposals. However, even if the long term proposals are approved, it is not intended that the assistance will begin to be available until April, 1948, or later.

" Britain emerged from World War II. with her productive structure seriously impaired and her external income from exports and overseas investments greatly reduced. She needed a certain level of imports, largely from the United States to maintain a reasonable living standard and to supply raw materials and replace capital equipment. With her overseas investments largely liquidated and her shipping depleted, exports were the only substantial means of payment remaining, but even these had fallen by the end of World War II. to 40 per cent. of the pre-war volume. It was estimated that the volume of exports would have to rise to 75 per cent. above pre-war before Britain's overseas payments would balance again. It was against this background that the United States loan of 3,750,000,000 dollars was negotiated to assist Britain in its transitional period. The United States loan became available on 15th July, 1946. It was estimated that the loan would last for two to three years. However, it was used up in just over twelve months, largely because of—

The rapid increase in American price levels; the slow recovery of production in Europe and Asia; the severe 1946-47 winter in Britain which dislocated British production; and the demands of other countries for conversion of sterling into dollars after 15th July, 1947, when sterling became formally convertible into dollars under the Loan Agreement (Convertibility was suspended on 20th August, 1947).

"Details regarding the expenditure of the American loan were given to the House of Commons by the former Chancellor of the Exchequer (Dr. Dalton) on 24th October, 1947. Briefly, details are:—

Expenditure between mid-1946 when drawings began and 20th August, 1947, when they ceased was made as follows:—

	$ million.
United Kingdom net purchases in United States	1,350
United Kingdom net purchases in Canada, Latin America and rest of Western Hemisphere	960
	2,310
Other sterling countries net disbursements to Western Hemisphere	620
United Kingdom and other sterling countries net disbursements to the rest of the world outside Western Hemisphere, i.e., mainly Europe and European Colonies	150*
	3,080
Subscriptions of sterling countries to the International Fund and Bank	35
	3,115

* This figure is understood to represent the net conversions of sterling into dollars by these non-sterling countries to meet their current expenditure in the dollar area.

Four hundred million dollars of the 3,750,000,000 dollars, made available to Britain under the Financial Agreement, was "frozen" when convertibility was suspended on 20th August, 1947.

Another 235,000,000 dollars, although drawn prior to 20th August, 1947, was not actually spent until after that date.

The United Kingdom net purchases in the United States, which account for over 40 per cent. of the total expenditure of the loan, were spent on various commodities and services in the following proportions:—

	Per cent.
Raw materials (including oil)	28
Food	23
Machinery	15
Tobacco	10
Ships	7
Films	4
Cost of German occupation	13
	100

The United Kingdom net purchases in the rest of the Western Hemisphere outside the United States, which account for another 30 per cent. of the total expenditure of the loan, were made in the following countries:—

	$ million.
Canada	360
Central America	360
South America (particularly Argentina)	240
	960

Practically the whole of the above purchases by Britain represented imports of food, oil and raw materials.

"The following figures, showing the amounts of sterling converted into United States dollars or transferred to American accounts between 1st January, 1947, and the suspension of convertibility on 20th August, 1947, by countries with which monetary agreements were in force providing for convertibility through the transferable account procedure, were made public by Dr. Dalton on 5th November, 1947.

CONVERTED INTO UNITED STATES DOLLARS OR TRANSFERRED TO AMERICAN ACCOUNT.

—	1st January to 30th June.	1st July to 20th August.	Total.
	£M.	£M.	£M.
Argentina	18.7	23.3	42.0
Belgian monetary area	18.3	34.4	52.7
Brazil	5.0	7.5	12.5
Finland	..	2.8	2.8
Italy	1.3	1.3	2.6
Netherlands monetary area ..	1.1	2.7	3.8
Portuguese monetary area.. ..	4.7	2.9	7.6
Other countries	0.2	0.9	1.1
	49.3	75.8	125.1

"Dr. Dalton also released at the same time a further table showing the estimated changes in the short-term sterling liabilities of Britain to the same countries between 1st January, 1947, and 31st August, 1947 (the date nearest 20th August, 1947, for which figures were available).

CHANGE IN UNITED KINGDOM'S SHORT-TERM STERLING LIABILITIES.

—	1st January to 30th June.	1st July to 31st August.	Total.
	£M.	£M.	£M.
Argentina	+ 9.3	− 7.5	+ 1.8
Belgian monetary area	+ 21.6	− 23.2	− 1.6
Brazil	+ 5.0	− 2.9	+ 2.1
Finland	+ 2.9	− 2.2	+ 0.7
Italy	− 7.7	+ 4.1	− 3.6
Netherlands monetary area ..	+ 4.3	− 4.0	+ 0.3
Portuguese monetary area.. ..	− 1.8	− 0.6	− 2.4
	+ 33.6	− 36.3	− 2.7

Increase +; Decrease −.

"These tables indicate that although the listed countries used £stg.125,000,000 of their sterling holdings for expenditure in the dollar area by converting sterling into dollars or by transferring sterling to American account, the United Kingdom short-term liabilities to the same countries declined by only £stg.2,700,000 over the period 1st January, 1947, to 31st August, 1947. Thus the movement into dollars resulted from expenditure in the dollar area of currently earned sterling rather than a withdrawal of accumulated sterling balances. However, most of the countries concerned added to their sterling balances during the first six months of the year and drew heavily against them in the June-August period. The drain over this latter period accentuated the running down of the American loan and made inevitable the suspension of convertibility of sterling into dollars.

"On 7th August, 1947, Dr. Dalton informed the House of Commons that British gold and dollar reserves amounted to about 2,400,000,000 dollars. As there is a limit below which the British Government could

not permit these reserves to fall, it became necessary, after exhaustion of the American loan, to devise means of reducing the dollar deficit drastically enough to safeguard these reserves, which are the reserves not only of Britain but also of the whole sterling area.

"Britain took the lead in imposing very heavy restrictions on dollar imports, instituting a renewed export drive and curtailing the use of dollars on travel, films, military expenditure, and so on. The effect of these restrictions was to reduce Britain's dollar import programme for 1948 by 400,000,000 dollars.

"On 24th October, 1947, Dr. Dalton informed the House of Commons that the rate of drain was still about 70,000,000 dollars a week, or about 3,600,000,000 dollars a year.

"On 23rd October, 1947, Sir Stafford Cripps stated that, as a result of the various measures taken, it was estimated that by the end of 1948 the dollar deficit would be running at a rate not greater than 1,000,000,000 dollars a year, by which time the reserves remaining would only be something over 1,000,000,000 dollars.

"To assist in meeting the position, Britain has drawn 180,000,000 dollars from the International Monetary Fund against its yearly quota of 325,000,000 dollars. It has also negotiated with South Africa a loan of gold to the value of 320,000,000 dollars, but has had to ship to the United States gold to the value of 220,000,000 dollars in payment for goods.

"It is clear that, unless the rate of drain from reserves can be reduced by further cuts in dollar expenditure, there will be no alternative for sterling area countries but to live within their current dollar earnings. Even if the long-term proposals contained in the Marshall Plan are approved and Britain benefits to some extent directly, any significant improvement in the British position can only come from the restoration of the European countries.

"These benefits can be expected to mature only gradually. It is emphasized that the immediate relief contemplated by the United States Government for European countries is comparatively small and is confined to France, Italy and Austria and it may be several months before even this becomes effective. Even if approved by Congress the major measures of the Marshall Plan may not come into operation for a considerable time and it should be realized that the principal form of aid at present contemplated is a contribution of foodstuffs, industrial materials and equipment. This will help to reduce the dependence of the countries concerned on dollar supplies. But it will not directly relieve Britain's problem of securing payment in dollar-convertible currencies for her exports to those countries.

"The grave economic difficulties with which Britain is confronted, largely as a result of her sacrifices during the war, must be a matter of much concern to all other members of the British Commonwealth. Among the greatest of these difficulties is the dollar shortage. The Australian Government desires to do everything in its power to assist

Britain in overcoming her dollar difficulties. For this reason the Government announced on 4th September, 1947, that it had been decided to sell, for the time being, current gold production to Britain as a special measure of assistance. Before this, Australia's current production had been added to the gold reserve.

"It must be realized that the normal pattern of Australia's overseas trade is such that we are usually not drawers on the sterling area dollar pool in respect of both Unites States and Canadian dollars. During the war years, when a large number of American troops were stationed in Australia, dollar accruals substantially exceeded dollar outgoings. The net surplus of dollars was sold to Britain for sterling and was used by Britain in the prosecution of the war. With the removal of American troops from the Australian theatre and the cessation of hostilities (and with it, the termination of Lend-Lease), Australia's international receipts and payments resumed their traditional pattern and it again became necessary to purchase dollars for sterling from Britain to cover out net dollar deficit. This deficit has tended to be larger than in pre-war years because of the factors already mentioned as underlying the whole problem of the world-wide dollar shortage—the slow recovery of production in Europe and Asia and the rise in American price levels.

"Conservation of both United States and Canadian dollars is an inescapable necessity for Australia. We can, of course, help by increasing our exports to the dollar area. Wool is our greatest dollar earner, but the scale of American wool purchases is governed by factors largely outside our control. Exports of wool to the United States in 1946-47 were valued at £A.25,900,000. This figure does not include wool valued at £A.9,900,000 which, although shipped during 1946-47, had been purchased at issue prices during 1945-46 from the Australian Wool Realization Commission before the resumption of the wool auctions.

"The Australian Wool Realization Commission expects sales of wool to America during 1947-48 to be less in quantity than in 1946-47. This reduction in quantity will be partly offset by the rise in wool prices but the commission, on present indications, expects the value of sales to the United States to be slightly less than last year. In addition, the commission anticipates there will be some small sales to Canada and other countries which will pay in dollars.

"The Minister for Commerce (Mr. Pollard) is examining the possibility of increasing exports of other commodities to the dollar area. There is at present a strong demand in the United States for various raw and manufactured products produced in Australia, but, in many instances, exports have been restricted to preserve adequate supplies to meet the needs of the home market. We may, however, have to consider whether additional quantities of some of these goods can be released for export to earn dollars to pay for more essential goods which we need to import from dollar sources to keep our industries operating.

"Since the outbreak of war in 1939, imports from the dollar area have in general been limited to essential goods not available in adequate quantities from sterling sources of supply. However, in present circumstances, a great many items are obtainable only from the dollar area and the great development which has taken place in Australian industry has increased the demand for imported machinery and raw materials. During the period immediately following the cessation of hostilities, when reconversion of American production to a peace-time basis was incomplete, the level of dollar imports was limited by lack of availability. During the current year, however, American production has caught up with the backlog of domestic demand in many fields and many items have come into free supply for the export trade. This, coupled with the steep rise in dollar prices, has led to a very rapid growth in the value of dollar goods imported into Australia. Our imports from the United States and Canada in 1946-47 were valued at £A.63,000,000, on the recorded basis of f.o.b. plus 10 per cent. In the first four months of 1947-48, imports from the United States and Canada were about £A.41,000,000—an annual rate of £A.123,000,000.

"Accurate estimates of Australia's balance of payments with individual countries are difficult to obtain, particularly because of the high proportion of our overseas trade which is financed through London. However, on 30th September, 1947, the House was informed that, on the basis of such information as is available, it was estimated that in 1946-47 Australia's dollar deficit amounted to about 100 million dollars.

"Following the suspension of convertibility of sterling into dollars and the exhaustion of the American loan, the Commonwealth Government took stock of the position and decided on certain measures to reduce the size of Australia's deficit for 1947-48 and thus reduce the demands we would have to make on Britain to provide us with dollars from their ultimate reserve of gold and dollars.

"Following the September decisions, Australian officials were sent to London at the request of the British Government to participate in discussions between representatives of the various sterling area countries on the general dollar situation and the steps required to meet it. Those talks revealed that the rate of drain on the British gold and dollar reserves was even more serious than had been realized and the British authorities requested that Australia should undertake to live within its current dollar income and to make no net claim on Britain for dollars. The Commonwealth Government felt unable to give a rigid undertaking. Since our dollar earnings are apt to vary widely from year to year there could be no certainty as to what such a commitment would entail. But it was evident that should our dollar income decline heavily we might find ourselves unable to fulfil such an undertaking without causing excessive dislocation to Australian industry. The Government did, however, undertake to co-operate with the British Government in reducing dollar expenditure to the fullest practicable extent.

" When the September review was made, no clear picture was available of the extent to which we were already committed to expenditure of dollars by import licences already granted. Statistics were available on the total value of licences issued, but it was not known to what extent the goods covered by these licences had already been imported or what proportion was still to come forward. Accordingly, early in October, 1947, all outstanding dollar import licences (except for certain commodities covered by special arrangements), were recalled for review, to establish more precisely the extent of our dollar commitments for imports during 1947-48 and to enable consideration to be given to the possibilities of further economies in dollar expenditure. An inter-departmental committee was subsequently appointed to examine the figures obtained from the review of import licences and to make recommendations on the steps necessary to reduce dollar imports in 1947-48 to a figure which we could hope to finance from current dollar earnings and dollars available from Britain.

" This committee has presented an initial report which indicated that, despite the September dollar cuts, outstanding commitments were so high that, in the absence of further measures, imports from the United States and Canada during 1947-48 would exceed £A.100,000,000, as against £A.63,000,000 for 1946-47. Even if dollar earnings during 1947-48 reach the 1946-47 level, it is clear that with imports of over £A.100,000,000, Australia's dollar deficit for 1947-48 would be considerably greater than last year's, notwithstanding the sale of current gold output.

" The picture disclosed by the inter-departmental committee's report was so serious that the Government felt compelled to take drastic action to reduce dollar expenditure on imports during 1947-48 and to ensure that the rate of importation throughout the whole of 1948 would be confined to levels which it would be practicable to finance. The total value of dollar import licences recalled for review was £A.52,000,000. Action is being taken to confirm these licences in all cases where goods were in transit, irrevocable letters of credit had been established and the goods covered were included in the list of highly essential items announced on 30th October, 1947. The Government had hoped that it would be possible to avoid cancellation of any licences, but, in the light of the inter-departmental committee's report, it was felt that there was was no alternative but to cancel all outstanding licences not falling within the above categories. It is estimated that the effect of these decisions will be to confirm licences to a value of £A.35,000,000, and to cancel licences to a value of £A.17,000,000.

" Major items involving dollar expenditure such as newsprint, motor vehicle chassis, tobacco, petrol and film remittances are being dealt with separately and were not covered in the general review of import licences. Further economies in these major items will be inescapable and specific proposals will be submitted to Cabinet for decision.

"Despite the action already taken and the further action proposed, our inescapable commitments are so great that the possibilities of effecting reductions in dollar expenditure durng 1947-48 are limited. Even when all possible action has been taken it seems probable that imports from the United States and Canada during 1947-47 will be about £A.90,000,000. However, a marked tapering off in dollar imports may be expected during the second half of 1947-48 and imports during the calendar year 1948 from the dollar area will be reduced to a level bearing a much closer relationship to our current dollar earnings.

"The Government appreciates that, to meet cases of special urgency, some new licences will have to be granted for the importation of goods from the dollar area during 1947-48. However, a ceiling figure has been placed on the value of such licences and the inter-departmental committee has been given the responsibility of recommending the allocation of licences withing the ceiling figure. The Government is now considering the basis on which dollar import licences are to be issued for goods to be imported during 1948-49. It is proposed to establish quotas for the various classes of goods within a budget ceiling and the Minister of Trade and Customs (Senator Courtice) will announce as soon as possible the procedure to be followed in granting import licences.

"The Government regrets the inconvenience and hardship which cancellation of import licences and other dollar conservation measures have caused in industry and commerce. It feels confident, however, that the Australian people as a whole will support the action taken, since failure to reduce dollar expenditure would inevitably increase the much greater hardships at present being endured by the British people. Britain is at present making sales from its reserves of gold and is borrowing from the International Monetary Fund to pay for imports of food and other essential goods and to meet the dollar deficit of other members of the sterling area. Australia must do what she can to help by reducing net demands on Britain for dollars to the absolute minimum."

FINANCIAL POLICY—DOLLARS, PRIME MINISTER'S STATEMENT TO PARLIAMENT.

In Parliament.—On 4th December, 1947, Mr. Chifley said—

"To understand the Government's attitude towards the dollar shortage, it is necessary to go back to the time when Sir Kingsley Wood was Chancellor of the Exchequer in Britain. For a long time, Britain had been selling foreign securities to finance the war, and was thus losing its income from foreign investments. This income had formerly come to Britain in the form of food and raw materials, and, no doubt, in the form of luxury items, also. It did not require any one of great sagacity to forecast that if this process was continued much longer, economic difficulties must inevitably arise. During the war, and afterwards, the Australian Government maintained restrictions on the use of dollars. I realized that the British Government, operating under

the Anglo-American Loan Agreement, was bound by certain obligations which did not apply rigidly to Australia. We have guarded, so far as we thought reasonable, against the undue expenditure of American dollars for goods and equipment.

"There is nothing very mystifying about the position. It is true that the situation has deteriorated very rapidly during the last eighteen months. The loan that Lord Keynes negotiated on behalf of the British Government with the United States Government was not as large as the British Government wanted. The terms of the loan were generous, but some of the conditions attaching to it I regard as very obnoxious. It was hoped, however, that the loan would be sufficient to maintain the Empire pool of dollars long enough to allow certain things to happen. The first was the rehabilitation of British industry, and the development of the British export trade; the second was the rehabilitation of Europe, which would have provided a market for British goods, and would have supplied other goods in return. This hope was defeated by the disastrous inflation of prices in the United States, which meant that the quantity of goods which could be bought out of the loan was much smaller than had been expected. Moreover, the price of goods bought from Argentina, and other hard currency countries, rose in some instances by 150 per cent., and prices generally increased by 40 per cent. The second factor which helped to defeat the original plan was that the rehabilitation of Europe has not proceeded as was expected. For some time, climatic conditions in Britain were disastrous, a fact which added to that country's troubles. For a considerable time, more than two million of Britain's men were overseas on military duty in various parts of the world, and it was not possible to withdraw them immediately, although that is now being done as quickly as possible. Those men were not producing, and some of them—those in Germany, Palestine and Egypt—were drawing on dollars from the American loan for their upkeep.

"It is true that we could export to dollar, or hard currency, areas a quantity of goods and commodities that we are now either using ourselves, or are sending to Britain, where they are sorely needed. I have discussed this matter with the Minister for Commerce (Mr. Pollard). I have gone into it very fully. We could, no doubt, export more goods to hard currency areas such as the Philippines, China, Panama, South America and to Switzerland. But we must never lose sight of the fact that, for a number of reasons, we owe a great responsibility and duty to Britain. One reason is that the British are a great nation with wonderful traditions. During the last seven or eight years they have shown a magnificent spirit. They bore the brunt of the catastrophic war from 1939 until 1945. To-day, they are in most difficult circumstances. A second, and very material, reason is that Britain has been Australia's greatest customer. Therefore, we cannot lightly brush aside our duty to Britain. Australia is one of the countries which made the least economic sacrifice, and suffered least in World War II. Are we to deny to Britain wheat, butter and other goods which our kinsfolk

urgently need because they can offer us payment only in sterling? If we decided to withold those goods so that we should not make any sacrifices, we should increase intensely Britain's economic difficulties. The Australian Government is not prepared to do that.

"Two problems arise. One is whether we should export to the dollar area certain materials and commodities in short supply here, which Britain does not particularly require but which we ourselves badly need for our own industries. In the hard currency countries we could sell cement, steel, constructional steel, steel rods and timber. But if we did so we should accentuate the scarcity of these materials. One of the great problems now confronting the people of the United States arises because America has exported such enormous quantities of goods as to produce a shortage in the domestic market. That has accentuated the inflationary spiral. Because of the enormous volume of exports, many goods are in short supply, and, with the abolition of prices control, the American people are obliged to pay excessive prices for them.

"We must examine the problem as realists. We desire to extend to Britain all possible assistance, while striking a fair balance to ensure that our own people do not make undue sacrifices. This course is to be preferred to seizing every opportunity to sell our exports in the hard currency and dollar area. Britain, which urgently needs these goods, has been, and will be, our greatest customer for decades. Are we to ignore the plight of Britain because some temporary customer requires these goods and is prepared to pay dollars for them? Are we to deprive our greatest customer, friend and ally of those goods? We must weigh all these factors realistically.

"The Minister for Customs (Senator Courtice) is deluged with requests from other countries for Australian goods. Most of these goods happen to be urgently required on the Australian market. The International Food Council considers that Australia's exports of food should be allocated in a fair proportion to the needs of the people who require them. Britain is a party to the International Food Council. Senator Courtice could readily find markets for our wheat in China, for which we would receive payment in American dollars, or in Switzerland, for which we would be paid in Swiss francs, and for other goods in the Philippines or Panama. If we sold these goods and commodities in China, Switzerland, the Philippines and Panama, the people of Britain and Australia would not have adequate supplies. Therefore, we must strike a balance. Senator Courtice has been examining the subject very closely to ascertain whether we can export goods without doing an injustice to Britain and disrupting our own economy

"There is no mumbo-jumbo about the dollar shortage. What is the real source of the trouble? The value of the goods which the United States has exported is approximately three times as much in dollars as the value of the goods which it has imported. To that situation,

there can be only one answer. This form of trade must have violent repercussions. I do not condemn the United States. Had it not been for the assistance of the United States in World War II., Australia might have been conquered by the Japanese. When we begin to examine this problem we discover there are many matters which must be studied. If the value of the exports of a country are three times the value of its imports, there can be only one result.

"The United States has made great contributions to assist other countries, and the maintenance of Japan to-day is costing an enormous sum. America has poured out billions of dollars, and perhaps some doubt may be expressed as to the wisdom of the way in which the money was expended. However, this granting of assistance is a tribute to the American Government, the Department of State and people who have some appreciation of the enormous problems now confronting the world. It would be easy for me to say that the only course which will remedy the situation is for the American people to make the most magnificent gesture that the world has ever seen. That idea is not easy to sell to all the American people. When we are situated so far away from America, it is easy for us to preach about lofty ideals, and what the United States should do. It is not always easy to convince a majority of the people of the right policy to adopt in relation to other countries. That is one of the great difficulties which American statesmen are facing to-day. I make no criticism of that. It is for the Americans, as people living in a democracy, to choose the course which they think fit.

"It would not matter whether the Leader of the Opposition (Mr. Menzies) or any one else was in office at present. He would have to face the reality that Australia could not get goods from the dollar area without paying for them. The great industrial barons are not philanthropists. They do not manufacture motor vehicles, cotton textiles and tractors with the idea of presenting them to us free of charge.

"The conditions attached to the Anglo-American loan contained a provision for convertibility of sterling balances. India, Egypt, Australia, Southern Ireland, New Zealand, and South Africa had all accumulated enormous sterling balances in London. They were all in a position, given good seasons such as we are now experiencing, to earn a great amount of current sterling. That is also true of Argentina, a country which was exporting goods to Britain and charging very high prices for them. When the convertibility provision of the Anglo-American loan commenced to operate, those countries immediately rushed in to obtain dollars. A certain amount of that sort of thing was done in Australia. Those who held letters of credit demanded dollars, irrespective of the strain placed on the British Treasury, even though, in some cases, their goods were still on the water. Between the time when this rush began and the time when the British Chancellor

had to announce that dollar conversions must end, there was an enormous flow of dollars from the British pool. The drain was so severe that it had to be stopped, despite the provision in the terms of the Anglo-American loan. Since then, the prices of goods in dollar areas, and indeed also in hard currency areas, have continued to rise so that British countries are now unable to obtain, for a given amount of dollar currency, the same quantity of goods as they could obtain previously.

"The British Government has used almost all of the American loan. An amount of 400,000,000 dollars was held in the pool when the convertibility provision ceased to operate, and it remains frozen. That reserve may be released as the result of negotiations associated with the Marshall plan. I have had no official advice to that effect, but I am hopeful that it will be released. The British Government had about £600,000,000 sterling in gold reserves when the crisis occurred. It has had to draw extensively on those reserves. In addition, it has had to borrow from the World Bank and the International Monetary Fund. It has had to deprive its own people of vital goods so that it might export those goods to earn dollars for the purchase of, not luxuries, but necessaries of life for the British people.

"It would not be pleasant for any government or any treasurer to be forced to impose restrictions on the importation of goods which the people of Australia need. In many instances, goods which have been banned are semi-essential, and others, though not luxuries, represent desirable amenities for the community. Anybody who thinks that a government or a treasurer would undertake a task such as that merely because of some caprice is very foolish. This Government tackled the job of restricting imports only with the utmost reluctance.

"I have mentioned the drain on British gold reserves. This Government has agreed to sell Australia's current gold output to Britain. In return, Australia will be credited in dollars with the value of that gold. It is true that the British Government requested that we should live within our dollar earnings. I told the Treasury in London at the time that that was an impossible task for Australia.

"Last year, despite the restrictions this Government imposed, Australia had to purchase 100,000,000 Canadian and American dollars from the depleted Empire pool. This year, even though we have imposed further restrictions on the use of dollars, the situation is still rapidly deteriorating. Very reasonable supervision has been maintained over the issuing of import licences for goods that involve dollar expenditure, but, owing to increased prices and other reasons, we are still importing far larger quantities of dollar goods than we could expect a country which is starved of dollars to sell to us. Those are the hard, cold facts. I cannot at this moment say whether even the suggested restrictions that will be considered by Cabinet on 8th December, 1947, will be sufficient to meet the demands of the situation. I noticed a statement in the British press last week in which a very high tribute was paid to the co-operation of the Australian Government in saving dollars. That

statement declared that, if other countries had done as Britain and Australia had done, Britain would by now have been much nearer than it is to the top of the very steep hill to complete economic rehabilitation which it is climbing.

"The Government is discussing problems associated with dollar shortages with the various industries affected so that it may have the considered views of everybody on the subject. We are anxious to cushion the impact of restrictions so that industries may be kept operating as much as possible and so that people employed in them shall suffer as little as possible.

"My final word is that we must guard against the exhaustion of the British Empire dollar pool. Should the pool reach such a low ebb that dollars cannot be released to us, then we must sharply cut off imports of all things that we now hope to purchase with dollars drawn from it. That would mean a sudden disruption of the national economy. We want to avoid doing that and to continue to do justice to our own people and to our great allies the people of Great Britain."

FINANCIAL POLICY—DOLLAR IMPORTS, CABINET DECISIONS.

On 8th December, 1947, Mr. Chifley said—

"The statement on the dollar situation tabled in the House of Representatives on 4th December, 1947, indicated that of the £A.52,000,000 of dollar import licences recalled for review about £A.35,000,000 were to be confirmed and about £A.17,000,000 were to be cancelled.

"However, major items such as motor chassis and tobacco, involving heavy dollar expenditure, were not included in the general review of import licences. Cuts in these major items were made by Cabinet in September, 1947, but the statement presented to Parliament pointed out that further economies would be inescapable and that specific proposals would be submitted to Cabinet for decision at its next meeting.

"After a full review of the dollar position, Cabinet has now decided to effect further economies in dollar expenditure on the following items:—

MOTOR VEHICLE CHASSIS.—Imports of motor vehicle chassis from North America are to be limited to a value of £A.9,000,000 for the period of eighteen months ending 30th June, 1949. Of this amount only £A.3,000,000 will be permitted to be imported before 30th June, 1948. An inter-departmental committee on which the industry is represented will be responsible for recommending the allocation of the amount among the various makes and models of chassis.

TOBACCO LEAF.—Purchases of American tobacco leaf for the current year have already been made and any further reduction in dollar expenditure on imports of tobacco leaf cannot therefore be made effective until the financial year 1948-49. Cabinet decided to reduce imports of American tobacco leaf in 1948-49 by approximately 50 per cent. This will involve a 10 per cent. reduction in releases for consumption as from 1st January, 1948, combined with a reduction in present stock holdings.

NEWSPRINT FOR THE NEWSPAPER INDUSTRY.—Cabinet approved a reduction in total newsprint consumption (Australian and imported) to 90,000 tons per annum as from 1st January, 1948. This makes the average cut on pre-war consumption 51 per cent.

PETROL.—Cabinet decided to effect a further 10 per cent. reduction in total licensed gallonage. The cut will be applied uniformly to all classes of consumers.

FILM REMITTANCES.—Under decisions previously announced the film companies are permitted to remit to their principals in the United States 70 per cent. of the amount of their remittances in the base year (1946). Cabinet decided that as from 1st January, 1948, remittances should be limited to 50 per cent. of the base year quota, earnings in excess of that figure to be retained in Australia.

"After allowing for the effect of these decisions and the decisions announced earlier by the Government, total imports from the United States and Canada in 1947-48 will still be about £A.90,000,000, compared with actual imports in 1946-47 of just over £A.60,000,000. It is anticipated, however, that the measures taken by the Government will reduce the rate of importation in the calendar year 1948 to one which is practicable in the light of the assessment of the dollar situation at present available.

"Cabinet discussed the possibility of reducing the size of Australia's dollar deficit by adopting measures to increase Australian exports to the dollar area. It was recognized that the possibilities were limited because of existing commitments to Britain and because many of the items which could be sold for dollars are in short supply in Australia. The Minister for Commerce and Agriculture (Mr. Pollard) was authorized to take steps within the framework of existing export controls to divert a greater proportion of Australian produced goods to dollar export markets. Any measures adopted will be taken after consultation with other interested Commonwealth departments and with the industries affected."

(For earlier references, please see No. 123, page 19; No. 128, page 34; No. 129, page 27; No. 130, page 9.)

MIGRATION.

GOVERNMENT POLICY—MINISTER'S STATEMENT, NOVEMBER, 1947.

In Parliament.—On 28th November, 1947, the Minister for Immigration (Mr. Calwell) said—

"I am able to inform the House that, when 1947—the first full year of large-scale, planned immigration—has run its course, Australia will have received 30,000 permanent arrivals, in spite of the desperate post-war shipping shortage, which is afflicting Britain so grievously, which all nations suffer in common and which is one of the main obstacles to the achievement of our target figure of 70,000 immigrants a year. These 30,000 new arrivals represent all of the three main streams of immigrants—British, American and European—on which Australia must rely for the new life blood it so urgently needs.

"In Britain to-day over 400,000 people are anxious to settle in Australia. Of the 30,000 permanent new arrivals we shall have gained by the end of 1947, the vast majority will be from Britain.

"It is not a healthy condition to have an over-populated Britain and under-populated dominions, and conversely it is mutually beneficial to have all the Dominions of the British Commonwealth increasing in strength from year to year. Britain therefore must help Australia so that Australia may help Britain and the British Commonwealth of Nations. I hope that the British authorities will understand our need as we press for more and more ships to carry more and more people to this country. We have no wish to embarrass the British Government by seeking large numbers of specialists who are in short supply. Australia's man-power requirements cover such a wide range in every field of primary, secondary and tertiary industry that we are not obliged to seek workers for only a few particular occupations. We can, therefore, readily absorb a cross-section of British people without detriment to Britain's economic structure but with material advantage to both countries. We have always been prepared to accept this fair cross-section.

"The Government realizes that the provision of shipping is the key to immigration plans and has examined every possibility of obtaining additional transport for British migrants. The results will be demonstrated in 1948 when the migrant lift will be substantially greater than has been possible in 1947. The shipping position is one which will show progressive improvement over the next two or three years, even thought that improvement is not as fast as we would like. Nevertheless, I am confident that we shall obtain transport for at least 25,000 free and assisted passage British migrants in 1948. This number is, of course, additional to the total of full fare paying passengers.

"During the war years, many thousands of American servicemen visited Australia. Already, 10,000 applications have been received in the United States, representing about 20,000 potential migrants. To deal with these applications and to select migrants who will be of the greatest benefit to our economy, trained immigration officers with knowledge of Australian industrial requirements have been attached to the Australian Consulates-General at New York and San Francisco. The first party of 70 United States migrants to benefit from the scheme arrived in Australia in September, 1947, and further parties have brought the total to 206. While this is a useful start, it is obvious that we will not increase our population by any substantial number while we depend on the very limited passenger shipping at present plying between America and Australia. I took action while in America recently to institute negotiations with the Matson Line for two additional vessels to be put on the San Francisco-Sydney run with the aid of a subsidy by the Commonwealth Government against loss on operation. These negotiations are still proceeding, and if mutually

satisfactory arrangements can be made, each ship will be able to carry 3,900 United States migrants a year, based on 650 passengers a voyage, and a round voyage every two months.

"To-day, there are in Germany some 850,000 displaced persons, mainly of Baltic, Polish and Yugo-Slav origin. Their occupations include agriculturalists, hospital workers, shipwrights, light manufacturing workers, building workers, engineers, dentists, doctors and other professional men. These persons, whose normal standards of living have been compatible with our own, and who even now do not, in a large proportion of cases, consist of depressed classes, represent an ideal source of migrants who will fit smoothly into our way of life and who will help to meet Australia's labour shortages in the fields of industry and agriculture. Initially it was decided that 12,000 displaced persons should be brought to Australia annually under the agreement, but the Commonwealth is willing to increase this number to 20,000 a year. To implement this agreement, an Australian selection team, including doctors, has been appointed, and operates under the aegis of the head of the Australian Military Mission at Berlin. Migrants are selected on the basis of their suitability for employment and absorption into our Australian community.

"The Commonwealth Government has entered into an agreement with the Netherlands Emigration Foundation for the migration to Australia of Dutch nationals. Initially, it is proposed to bring to Australia farm workers at the rate of 50 per month. When the employment situation in Holland permits, consideration will be given to the extension of the scheme to other categories of workers.

"During 1946, the record number of 7,126 certificates of naturalization was issued to persons of 41 different nationalities. For the first half of 1947, 1,654 certificates were issued comprising 33 different nationalities. In previous years, the number of certificates issued rarely exceeded 1,500 in any one year. The granting of naturalization is one of the most effective means of facilitating the assimilation of the non-British members of our population.

"I have said that the present procedure connected with the taking of the Oath of Allegiance by applicants for naturalization left much to be desired. The Commonwealth Immigration Advisory Council considered this matter, and has recommended that the administration of the oath should be conducted in open court, accompanied by an appropriate and dignified induction ceremony, which should include the delivery of an address to the applicants by the presiding judge or magistrate An appropriate form of oath of allegiance, and suitable arrangements for induction ceremonies are now under consideration. The council has also recommended that the Department of Immigration should issue a pamphlet for the guidance of prospective citizens, which would describe to them in simple language our historical background,

our mode of government and the responsibilities and privileges of Australian citizenship. I have approved this recommendation and the preparation of the pamphlet is now in hand as part of a campaign designed to accelerate the assimilation of the alien newcomers."

CIVIL AVIATION.

INTERNAL ROUTES—GOVERNMENT CONTROL, AIRLINES COMMISSION ACT, AMENDING BILL.

In Parliament.—On 3rd December, 1947, the Minister for Air (Mr. Drakeford) introduced the Australian National Airlines Bill. Mr. Drakeford said—

"The primary purpose of this bill is to authorize the Australian National Airlines Commission to undertake and develop intra-state air services. Under the existing act, the commission may engage in intra-state services only to the extent that such services are incidental to the safe, efficient and economical operation of interstate territorial and international services. As one step towards the development of intra-state services, it is proposed that section 19 be amplified so as to authorize expressly the transport of mail within any State. While section 22 of the existing act refers to the promotion of the carriage of mails this section is not expressly linked with section 19. The Commonwealth Parliament has unquestionable power to provide air transport, whether interstate or intra-state, for postal purposes, and it is now considered desirable that the commission should be clearly authorized to carry mails intra-state so as to be able to implement any agreement for the carriage of mails authorized under section 22. The commission will then be able to carry passengers and freight within any State as incidental to the postal service, provided that the primary purpose of a particular service is the carriage of mail.

"It is proposed that provision be made for the adoption of the powers in relation to air transport referred to the Commonwealth in 1943 under the Commonwealth Powers Acts of the various States except Victoria and Tasmania. Queensland and New South Wales have referred to this Parliament the matter of air transport and South Australia and Western Australia the matter of the regulation of air transport. These references remain effective and cannot be revoked by ordinary legislative process until 2nd September, 1950, so that until that date the Commonwealth Parliament may make laws in respect of air transport within the States which have made the references. As yet these special and additional powers referred by the States have not been invoked.

"During the recent conference of Commonwealth and State Ministers, the Premier of Queensland indicated that his Government desired the Commonwealth to authorize the commission to establish and operate intra-state services in Queensland on condition that the commission pays the same rate of tax as that imposed by that State on privately operated airlines. The Government considers that it will be

of direct benefit, not only to Queensland, but to the Commonwealth as a whole, if the commission develops intra-state services within Queensland and other States, even though it is possible that these services, in view of their developmental nature, may be unprofitable in the beginning. It has decided to accept the invitation of the Queensland Government to engage in this new sphere of air service operations.

"The provision in the bill implementing State references authorizes the establishment, maintenance and operation of air services within any State which has made the necessary references so that fresh legislation will not be necessary as and when it is decided to take advantage of the reference in any particular State. Although there is no legal necessity to impose any limitation, the bill provides that the commission shall not establish any service unless the Premier of the State in which the service is to be established has notified the Prime Minister in writing that he consents to the establishment of the service. This will ensure that the powers which have already been referred by four States will not be exercised without the express consent of the States concerned. In addition, a further sub-clause imposes an obligation on the commission to pay from time to time amounts equivalent to the licence fees which would be payable under the law of the State if the service were operated by a person other than the commission. This provision has the effect of requiring the commission to pay the same licence-fees as private operators and meets the condition stipulated by the Premier of Queensland at the Premiers' Conference.

"Another clause amends section 48 which provides that the commission must give 30 days' notice of intention to establish a service. It is proposed that this requirement should in future be limited to territorial airline licences applied for by Trans-Australia Airlines in circumstances which will bring into operation section 46 of the act and thereby render inoperative any airline licence held by any other person by reason of the fact that the commission is providing an adequate service.

"The remaining clauses are mainly concerned with matters of drafting and in particular repeal those sections of the act declared invalid by the High Court in the *Australian National Airways* case."

[*The bill was passed.*

HEALTH.

QUARANTINE ACT—FURTHER BILL INTRODUCED.

In Parliament.—On 3rd December, 1947, the Minister for Health (Senator McKenna) introduced the Quarantine Bill.

[*The bill was passed.*

(For earlier reference, please see No. 126, page 8.)

WORLD ORGANIZATION—BILL INTRODUCED.

In Parliament.—On 3rd December, 1947, Senator McKenna introduced the World Health Organization Bill.

[*The bill was passed.*

(For earlier reference, please see No. 126, page 8.)

AUSTRALIAN MILITARY FORCES.

On 4th December, 1947, the Governor-General announced the following awards:—

Military Cross.—Captain A. M. Forbes.

Military Medal.—Corporal W. J. T. Oakley, Privates C. Coulam, W. A. Jarmyn, A. R. Mulgrave.

AMERICA.

VISIT OF UNITED STATES TASK FORCE, JANUARY, 1948.

On 5th December, 1947, the Prime Minister (Mr. Chifley) said—

"Elements of the United States Navy Pacific Fleet Task Force 38 will pay a visit to Australia at the end of January, 1948. The force will consist of one fleet carrier, U.S. *Valley Forge,* flying the flag of the Task Force Commander (Rear-Admiral H. M. Martin), four destroyers and one fleet tanker.

"The force will proceed to Sydney, arriving there on 30th January, where the ships will stay until 4th February."

CHRISTMAS CARDS.

On 5th December, 1947, the Prime Minister (Mr. Chifley) said—

"To conserve paper, and with a view to avoiding expenditure on items regarded as non-essential, there will be no issue of Christmas cards by Commonwealth administrations for 1947."

By Authority: L. F. Johnston, Commonwealth Government Printer, Canberra.