

STATE OF VICTORIA

---

Speech

by

Mr. L. H. HOLLINS, M.L.A.

on the

**1940-41 VICTORIAN BUDGET.**

[From the "PARLIAMENTARY DEBATES," 12th October, 1940.]

**FREE COPY.**

**World-wide Interest in this Speech.**

---

**Over 20,000 Re-prints.**

---

**Beam Wireless Message :**

"Hearty congratulations on magnificent stand  
against financial racket."

(Signed) Sutton Coldfield,  
Birmingham, England.

18-2-41

# 1940-41 VICTORIAN BUDGET.

Mr. HOLLINS (Hawthorn).—For a number of years I have analysed the Budget statements not only of this State, but also of other Australian States and of the Commonwealth, and I can quite candidly say that I am not impressed with the statement of the Treasurer, for in it I find no planning for the future, no planning for peace. To my mind, that should be the most important part of the Budget, as it is the most important subject that this House can deal with at any time. As is usual in Budget statements, the true facts are hidden. The Leader of the Opposition has pointed out that it requires a financial expert to explain some of the details, and it is indeed hard to find the real truth by examining the figures. I would mention one circumstance that I feel is quite wrong, although it is common to all Budget statements. Money raised for specific purposes is often not used for those purposes. That is an incorrect procedure. The Leader of the Opposition made an impressive survey of the Budget, and pointed out that the declared surplus of £6000 for 1939-40 was not, in fact, a reality, but that there was actually a deficit of £3,956,000. That calls to mind a statement made by the Auditor-General after he had surveyed the Budget of 1934-35. He pointed out that there was a deficit of £3,172,000, instead of a deficit of £151,000, as shown. Some such conclusion seems to be the normal result of studying a Budget, for the balance shown will very seldom stand critical examination. The present Budget is no exception.

The public debt is, I suggest, the best indication of the finances of the State. The latest issue of the "Victorian Year-Book" shows how the public debt increased, from 1920 to 1939, by £92,000,000. In 1920, the debt was 87.6 million pounds, and in 1939 it had increased to 179.6 million pounds, representing an increase of 92 million pounds, or more than 100 per cent. in nineteen years.

Mr. Mackrell.—Have the national assets increased?

Mr. HOLLINS.—Certainly, but not in the same ratio. The Leader of the Opposition also made it clear that interest is a big problem. While I

agree with him in that statement, I do not agree with some of his findings. It is interesting to note that he pointed out that the cost of parliamentary government in Victoria—including the Legislative Council, the Legislative Assembly, and the establishment of the Governor—is 1/7 per head of the population, while the total interest paid is £4/9/7 per head of the population. Those figures indicate a very dangerous state of affairs. It is being said on all sides that State Parliaments should be abolished, and very often the high cost of government is put forward as the main reason for advocating the curtailment of Parliaments. At a time like the present, when the British Empire is fighting for democracy and is, in fact, one of the last bulwarks against dictatorship, it is regrettable to find that the great interest burden is so clouding the issue as to give plausibility to the argument that State Parliaments should be abolished because of the high cost of government.

If State Parliaments were abolished, there would be greater centralization of control, and democracy would be in grave danger. Therefore, it behoves honorable members to face this serious problem of interest charges. I believe it is the crux of our present troubles. The Federal Treasurer recently stated that the war had cost Australia during the first twelve months the equivalent of £105 a minute, which is equal to £151,000 a day; but he did not reveal that the amount of taxation being raised to pay interest on the national debt is equivalent to £110 a minute, or £5 a minute more than the cost of the war effort in the first twelve months. The war effort, therefore, in the first twelve months has cost £5 a minute less than the cost of interest on the national debt. The "Victorian Year-Book" shows that in 1920, the interest payments were 3.5 million pounds, and that in 1939 they had increased to 6.8 million pounds.

Sir Stanley Argyle.—Although the rate of interest had been considerably reduced?

Mr. HOLLINS.—Yes. The increase over the period was 3.3 million pounds, or nearly 100 per cent. in the last nineteen years. All honorable

members should seriously consider the question of interest charges. Until we do so we shall not find any solution of the State's problems. A table respecting the effect of interest was prepared some years ago, by which it was shown that £1 invested at 5 per cent. would become at the end of a year £1 $\frac{1}{4}$ , and that at compound interest the result would be the same; at the end of 300 years, the £1 would have increased by simple interest to £16, but at compound interest it would have increased to £2,291,000. Those figures are startling, but they are true. That is why this State, like other States of the Commonwealth, finds itself in an intolerable financial position.

Mr. Bailey.—Did you say that compound interest on £1 would amount to that large sum in 300 years?

Mr. HOLLINS.—Yes.

Mr. Bailey.—We need not be concerned with what may happen in 300 years.

Mr. HOLLINS.—That is the trouble. We are "passing the buck." Government after Government has been doing that.

Mr. Mackrell.—Have you examined the particulars shown in connection with the National Debt Sinking Fund?

Mr. HOLLINS.—Yes. The increase of the national debt and of interest payments is tremendous over the years. That indicates clearly that the sinking fund does not wipe off any reasonable portion of the national debt.

Mr. Michaelis.—Do you suggest that we should stop borrowing?

Mr. HOLLINS.—Yes, definitely; but I do not suggest—as some honorable members may—that we should balance the Budget and live within our present financial income. That policy would ruin the State, which is depending more and more on borrowed money to keep going. That is a peculiar statement but it is true. Unless Governments borrow money in ever increasing amounts, business communities must go insolvent. In other words, the profits of the business communities depend more and more on Government loan commitments. Until we realise that that is the position, no solution will be found of our social and economic problems.

Mr. Michaelis.—In other words, we are now suffering from inflation?

Mr. HOLLINS.—No. Inflation is continually raised as a bogey; but what is inflation? It is an increase of the money supply, which causes an increase in the price of goods for sale.

Mr. Michaelis.—Is that not what has happened?

Mr. HOLLINS.—No. There is certainly an increase of the money supply at present, due to war service and the manufacture of munitions, but there is still a shortage of money to buy all the consumable goods produced.

Mr. Michaelis.—The increase occurred long before the war.

Mr. HOLLINS.—Yes, largely because of increased borrowings by all the States of the Commonwealth. Attempts have been made—to some degree they have been successful—to limit the tendency for prices to rise immediately upon the money supply being increased. The national debts of all countries of the world present the most serious problem facing this age. I shall quote figures taken from "A Short History of Money," by Robert R. Doane. He pointed out that in the seventeenth century the world's debts increased by 47 per cent., in the eighteenth century by 466 per cent., and in the nineteenth century by 12,000 per cent. What the increase will be in the twentieth century, with a second world war to be taken into consideration, is best left to the imagination. It is no use our being facetious about this matter, as it influences the lives of all of our citizens. As their representatives, we must face the situation honestly, and "passing the buck" will not solve the difficulty.

Mr. A. A. Dunstan.—The values of the State's assets also have increased.

Mr. HOLLINS.—That is true; but they have not increased to the same extent as the national debt. As was pointed out by the honorable member for Northcote yesterday, more than £150,000,000 of the State's borrowing is tied up in railways, water supply, and land settlement. The Government had to write off £30,000,000 of the capital invested in the railways. They are supposedly State owned, but they are really owned by the stockholders, the Government being the tax-collecting agency. If the railways were owned by a pri-

vate concern, depreciation would be written off each year; but as they are a Government undertaking, that practice is not adopted. The railways show a heavy yearly loss, so the assets do not exceed the money borrowed.

Mr. Mackrell.—Privately owned railway concerns throughout the world have had to write off huge amounts of capital.

Mr. HOLLINS.—Railway companies were forced to do that on account of the intensive competition of more modern means of transport, as well as on account of depreciation.

An Honorable Member.—Do you place any value on the development of the country?

Mr. HOLLINS.—The development of the country is vital. The railways must develop the country; motor transport also must develop it. I am merely pointing out that, because of over-capitalization of our railways it is impossible to recover the huge amount of the interest charge which is payable to the private stockholders.

Mr. Lind.—The cost necessarily must lag behind the ultimate result.

Mr. HOLLINS.—That is true to a degree, but not to the extent suggested by the Minister of Lands.

Mr. Lind.—I did not mention the extent. The cost necessarily lags behind the process of development, in some cases.

Mr. HOLLINS.—Yes; but it cannot be suggested that the railways have not developed. The railways are a State asset and have been in existence for a long time; but they are a depreciating asset.

Mr. Holland.—The increased value of the land, after the railways had been built, went to private enterprise; it did not go back to the community.

Mr. HOLLINS.—If we had utilized the national credit available through the Commonwealth bank the present intolerable situation would never have developed. It has developed mainly because past Parliaments have not faced up to the real problem. The reason for this was ably expressed by Professor Soddy, who said—

It is a secret conspiracy with the ostensible Government, whatever the party label, to hamstring democracy and keep the nation enslaved to a gang of counterfeiters, pretending to lend, but in fact minting money in order to perpetuate poverty in the midst of abundance.

Mr. Lind.—You are not blaming this Government?

Mr. HOLLINS.—I am blaming this Government for not facing these problems; but the responsibility on this Government is no greater than that on previous Governments.

Mr. A. A. Dunstan.—What is your suggestion?

Mr. HOLLINS.—If the Government were to devote one day to debating the financial and monetary issue we could make recommendations to the Commonwealth Government which would have far-reaching results, and would help to put the finances of the country on a sound basis.

Mr. A. A. Dunstan.—Do you think it matters if we spend borrowed money so long as we create assets?

Mr. HOLLINS.—But we must pay interest on the borrowed money. The Leader of the Opposition pointed out that that was the real problem. I should like to ask members this question: If every citizen in the Commonwealth were to buy one war savings certificate who would pay the interest on those certificates? It is obviously a physical impossibility for the country to pay the interest. That proves that if we continue to borrow privately created money from the banks we shall not get out of the intolerable tangle in which we now find ourselves.

Mr. Bailey.—Did you not say that it was essential for business to borrow money?

Mr. HOLLINS.—Under the present financial system the business of the State cannot be carried on without large sums of money coming from the financial system, but I maintain that that is fundamentally unsound because it is creating an inextinguishable debt. I am thinking of the people of Australia. Business is in a parlous condition, and no real solution of the problem is being found. The reason is that we have failed to deal with the money problem effectively.

Mr. A. A. Dunstan.—If the blacks still owned Australia there would have been no national debt here, but there would have been no national assets.

Mr. HOLLINS.—But the national assets could have been created without incurring the national debt. For instance, in 1860 Australia's national debt was £12,000,000. Since Federa-

tion was accomplished we have paid £900,000,000 in interest on the national debt without paying back one penny of principal. Even if a sinking fund has been operating, the principal has been increasing all the time. The national debt has grown by more than £1,000,000,000.

Mr. A. A. Dunstan.—Does not the same principle apply in private enterprise?

Mr. HOLLINS.—Exactly, but it is definitely not necessary.

Mr. Michaelis.—Your idea is as old as history.

Mr. HOLLINS.—A Tasmanian monetary inquiry brought out in evidence that if the present system persisted for another 25 years it would take all the national income to pay the interest on the national debt. It has also been estimated that if the present debt system was continued for another 70 years in the way it has been going, Australia would owe £780,000,000,000 at the end of that period, and that every family in the Commonwealth would have to find £13,500 a year as its share of the national interest. That is the condition towards which we are heading unless we are prepared to make a round turn at this point. Will the Minister of Labour answer the question that I submitted a few minutes ago—If every citizen in the Commonwealth were to buy one war savings certificate who would pay the interest on those certificates?

Mr. Mackrell.—We are paying interest on £500,000,000 borrowed from our Australian people.

Mr. HOLLINS.—I advise the honorable gentleman to be careful. He has not answered my question. According to the "Victorian Year-Book," in 1934-35 the Commonwealth taxation in this State amounted to £16,000,000 and the State taxation to 8.9 million pounds. In 1938-39 the Commonwealth taxation had increased to £20,000,000 and the State taxation to £12,000,000. That represented an advance in the Commonwealth taxation in Victoria, of £4,000,000, and, of State taxation, of 3.1 million pounds. There we have a total increase in the Commonwealth and State taxation in four years of £7,000,000.

Mr. Mackrell.—What about the assets?

Mr. HOLLINS.—Considerable assets have been created, but they are not commensurate with the amount of increased taxation.

Mr. Mackrell.—Money must be borrowed.

Mr. HOLLINS.—In Victoria in 1938-39 the Commonwealth taxation per head amounted to £10/13/9 and the State taxation to £6/8/3. Particulars as to municipal taxation are not available for that year, but I shall assume that it was not less than the amount taken in taxation by the councils in 1937-38, when it was £2/0/11 per head. If we add that sum to the other figures we find that the total taxation in the State of Victoria for the year 1938-39 was £19/2/11 per head of the population. That is the situation today, and it all comes through borrowing from private bankers who, to quote the London Chamber of Commerce, "create money out of the blue."

Mr. Macfarlan.—Do you say we should borrow money from the Commonwealth Bank?

Mr. HOLLINS.—We should draw money from the Commonwealth Bank according to the needs of the community.

Mr. Michaelis.—In other words, print bank notes.

Mr. HOLLINS.—To propose that we should print bank notes is foolish. If we were to print £10,000,000 worth of notes, the private banks would be enabled to create and lend £100,000,000 of financial credit, which would be new money. That shows the unsoundness of the suggestion just made. Honorable members will recollect the proposal of a former Treasurer of the Commonwealth, Mr Theodore, that a fiduciary issue of £18,000,000 should be printed, and will recall that it was not carried out. Had it been put into effect, the private banks would have been able to create and issue approximately £180,000,000 of financial credit. I make that statement because, if a bank holds £1 in cash, it can lend £10.

Mr. Bailey.—If the money were not made available by the issue of additional bank notes, how could the Government borrow from the Commonwealth Bank? By what method would it obtain credit?

Mr. HOLLINS.—The present method of lending by the Commonwealth

Bank to the Commonwealth Government would be followed. If the Government were to request the bank to grant it an overdraft, and the bank was willing to lend, it would possibly write the overdraft limit at, say, £100,000, and the Government would draw cheques on that account. When the money went into circulation in payment for goods and services new deposits would be created to the amount of the cheques so drawn.

Mr. Michaelis.—Would not the Commonwealth Bank charge interest on the overdraft?

Mr. HOLLINS.—Yes.

Mr. Michaelis.—But what would follow if your system were adopted?

Mr. HOLLINS.—I am not suggesting a system; I am merely setting out the fundamental principles of finance as advocated for many years by leading thinkers on finance. Governments in the past have been controlled by financial interests, instead of by the people, until now we find ourselves in an intolerable position.

Mr. Michaelis.—Are you not submitting your own ideas and suggestions?

Mr. HOLLINS.—No. I repeat that I am putting forward the fundamental principles advocated by scores of thinkers today.

Mr. Michaelis.—What are your own suggestions on the subject?

Mr. HOLLINS.—I suggest that if new money is wanted by the State, the Commonwealth Bank should make that money available, without interest.

Mr. Hogan.—Would you suggest that there should be no limit?

Mr. HOLLINS.—Of course, there must be a limit. Nobody but a fool would issue money to an unlimited extent. Money has value only so long as it has a correct relationship to the goods produced or services rendered.

Mr. Bailey.—What would happen when the limit was reached?

Mr. HOLLINS.—Obviously, the bank would not issue more money, because that would cause inflation and a reduction in the value of money.

Mr. Michaelis.—What would happen then?

Mr. HOLLINS.—The amount of money in circulation should be sufficient to enable the people to buy all the goods produced and to pay for services rendered. If that were done,

there would be no inflation, but there would be prosperity among all sections of the people.

Mr. Michaelis.—Suppose it was desired to borrow money for the construction of a railway, and the limit was reached in that way?

Mr. HOLLINS.—If it could be shown that increased rail services to the community were necessary, the Commonwealth Bank should immediately make available the money for the purpose. That would not cause inflation, because the production of an asset of that kind, even though not in consumable goods, would have an equivalent value produced. The money spent on the construction of the railway could be recovered by increased taxation. But that pre-supposes that sufficient money was already in circulation to buy all goods produced and to pay for all services rendered.

Mr. A. A. Dunstan.—Would the individual taxpayer still have to pay interest?

Mr. HOLLINS.—If honorable members so desire, I am willing to carry on the debate along the lines now developing, and to continue my prepared speech later.

Mr. Hogan.—Who do you suggest should fix the limit?

Mr. HOLLINS.—The limit would be fixed only by the physical capacity of the community to produce goods and render services.

The CHAIRMAN (Mr. Coyle).—Order! I would remind the honorable member that he is not obliged to answer interjections.

Mr. HOLLINS.—The intolerable position in which we find ourselves in this State today has been due largely to the fact that we have been borrowing money from a source which might be termed "private mints."

Mr. Hogan.—Do you know that the Commonwealth Bank fixed a limit in 1931?

Mr. HOLLINS.—The Commonwealth Bank did fix a limit on the amount of money it would lend, but the point at issue is—who controls the Commonwealth Bank? During the term of office of the Bruce-Page Government, the Commonwealth Bank was hamstrung. It is no longer a people's bank, but rather is it a bankers' bank. The Commonwealth Bank is no longer in a position to serve the nation as it did during the Great War.

Mr. A. A. Dunstan.—What did you think about the Premiers' plan?

Mr. HOLLINS.—I did not like it.

Mr. Hogan.—What about the Lang plan?

Mr. HOLLINS.—That was worse.

Mr. Mackrell.—There is a very interesting book on this subject in the parliamentary Library, and I would recommend it to honorable members for careful perusal.

The CHAIRMAN.—Order! It is not fair to the honorable member for Hawthorn that he should be subjected to a crossfire of interjections from both sides of the House. Further, it has been laid down by presiding officers in the past that a member addressing the Chair should not be heckled, especially from the Ministerial bench.

Mr. HOLLINS.—I can understand the reasons that have evoked the running fire of interjections, because this is certainly the most important, even if the most controversial, matter dealt with in the House since I became a member. Until we are prepared to face up to the monetary issue, we shall not find a solution of our social problems. The Government can introduce Bills ad lib. to amend existing Acts, or make further enactments, but, until it is prepared to tackle the fundamental issues involved, we shall get nowhere.

Mr. A. A. Dunstan.—I should need a lot of luck to get interest-free money from the Commonwealth Government or the Commonwealth Bank.

Mr. HOLLINS.—We should not carry on, increasing the burden of debt, until we reach a stage at which it will be almost impossible for primary and secondary industries to continue. It is of great importance that the primary producer should understand that, in respect of every bushel of wheat produced in the State, either in a good season or a bad season, interest payments absorb  $\frac{1}{6}$  of the selling price. That fact cannot be ignored. I have said that the Government finds itself in a parlous situation because previous Governments continued to borrow money from private banks, which were able to create and issue money at practically the cost of pen, ink, and paper.

Mr. Holland.—That was proved during the Great War.

Mr. HOLLINS.—To support my contention, I shall quote a statement by Mr. R. G. Hawtrey, one of the

leading bankers in the world, in his book, "Art of Central Banking"—

When a bank lends it creates credit. Against the advance which it enters amongst its assets, there is a deposit entered in its liabilities. But other lenders have not this mystical power of creating the means of payment out of nothing. What they lend must be money that they have acquired through their economic activities.

Mr. Hogan.—Could all banks do that, or only some of them?

Mr. HOLLINS.—All banks, except the State Savings Bank.

Mr. Hogan.—Three-fourths of the banking companies in the United States of America became bankrupt in 1931-32.

Mr. Holland.—That was because there was no controlled banking in the United States of America at that time.

Mr. HOLLINS.—A Federal Reserves Board was created in the United States of America to bring order into the banking system. It is a fact that Max Warburg was the head of the German Reichbank and was financial adviser to the Kaiser during the Great War, while Paul Warburg, his brother, was the head of the Federal Reserves Board in the United States of America. The relationship that exists, even in war time, between the factors I have mentioned and this great international money monopoly is amply illustrated. The power to create and to issue money is limited to the amount of legal tender in circulation. Approximately ten times as much financial credit can be issued as is held in the community generally. The total amount of cash coined and notes issued in Australia today is approximately £60,000,000. When that is multiplied by ten it will be found to represent approximately the total deposits in the trading banks and savings banks. They are more than £600,000,000. From where has the extra amount of more than £500,000,000 come? It certainly was not authorized by the Commonwealth Government, largely because there is no relevant provision in the Constitution. The Commonwealth Constitution sets out that the Government has power over currency, coinage, and legal tender, but no mention is made of financial credit. Because financial credit is the most efficient and scientific means of exchange today, we use the cheque system. It is much more satisfactory than handling coins and

notes, but it does enable the banks to create inextinguishable debts.

Mr. Macfarlan.—Interest would have to be paid on the total of £600,000,000.

Mr. HOLLINS.—That is so—at compound interest rates. Referring to the cheque system, Professor Soddy said—

The cheque system, itself beneficent, has enabled the banks continuously to create and destroy money, at will. It is the power of the private mint which imperils the future of scientific civilization, which makes politics a sorry farce, and reduces Parliament to a sham.

The professor is no fool. He is one of the ablest authorities in the world on financial affairs and, in addition, he is a scientist who has written many books on these subjects. The problem in question is so far-reaching and has continued for such a long period of years that it can be traced back to the time of Disraeli, who said—

The world is governed by very different persons to what is imagined by those who are not behind the scenes.

Mr. Gladstone, another great Prime Minister of England, said—

From the time I took office as Chancellor, I began to learn that the Government itself was not to be a substantive power in matters of finance, but was to leave the money power supreme and unquestioned.

Reference can also be made to the views expressed by Thomas Jefferson, when he was President of the United States of America 140 years ago. He declared—

I believe that banking institutions are more dangerous to our liberties than standing armies. Already they have raised up a monied aristocracy that has set the Government at defiance. The issuing power should be taken from the banks and restored to the people to whom it properly belongs.

Such is the story behind the financial racket that is proceeding, not only in this State, but also in the Commonwealth and throughout the world. I feel deeply concerned over this matter, for I see no solution of any of our social or economic problems. Whether those problems relate to primary industries, secondary industries, or any other national activity, they cannot be solved without honestly facing the monetary problem to which I have referred.

I was glad that the honorable member for Ballarat referred in his speech to the question of full-time work for unemployed. I feel that this matter is of great importance, because it is impossible for unemployed men and their families to keep body and soul together when they

are living on a mere pittance. It is true that the men are given part-time employment at award rates, but then follow weeks in which they have nothing to do, and it would seem that the provision of full-time employment at award rates is the only just method to adopt. When we begin to examine that matter—as we must—by asking why these men are unemployed, we come face to face with the realization that the use of automatic machinery is causing men to be thrown on the scrap-heap in ever-increasing numbers. I have yet to learn of a Government that is honestly facing this particular problem.

My view is that there should not be any unemployment in this or any other State, and that the problem can be solved only when we are prepared to tackle it from the right angle. I approach it from the standpoint of an engineer, and not that of a politician. I was not even interested in politics when I first began to consider the problem, and it was only by intensive study of the evidence available not only in Australia, but in every other country of the world, that I was led to the conclusion that machines are being used to save wages rather than for the purpose for which engineers and scientists designed them, namely, the saving of labour. I quote the "Technocrats of America":—

Man with his machine has harnessed the inexhaustible power of the sun, thus making all findings based on human labour irrelevant, because the rate of energy conversion of modern machines is many thousand times that of man.

To show the irrelevance of human labour, it is interesting to recall the case of Parkinson, who pushed his friend in a barrow from Beechworth to the Chalet at Mount Buffalo. He achieved his object after eight days of strenuous effort. It has been estimated that Parkinson exerted approximately 11,600,000 foot lb. of work in achieving his objective. The important fact is that that amount of energy can be put out by the Yalourn power station in just one-fifth of a second. In Melbourne we pay nearly 2d. for it. As 80 per cent. of every account for the supply of electrical energy represents interest on capital invested in plant and equipment, the human labour value of Parkinson's effort was just a fraction over a farthing.

Mr. Michaelis.—The publicity value was considerable.

Mr. HOLLINS.—That may be true. The incident was accorded bold headlines in newspapers throughout the State as if it was an event of great national importance. I am reminded of an old quotation in these terms:—

When people cry for bread give them circuses.

I am afraid that the people of today are given circuses instead of being told the truth. I could cite scores of other instances to illustrate my argument, but I have no desire unduly to occupy the time of honorable members. However, there is one point I should like to make. It has relation to primary industries, and is of particular interest, because there is a Country party Government in power in this State. Between 1911 and 1928 the population of Australia increased by nearly 2,000,000. During that period, however, the production of wool increased by about 200,000,000 lb., and butter production increased by 77,000,000 lb. The area of cultivated land increased by nearly 9,000,000 acres—almost twice as large an acreage as was utilised in 1911. Yet, in 1928, 50,000 fewer men were employed in the agricultural industries than in 1911. I cannot be convinced that machines do not throw men on the scrap-heap. The present state of affairs has been allowed to develop simply because the majority of members of Parliament will not devote time to the study of the problem. I admit that they have a tremendous job to do in looking after what I shall describe as the ambulance work in their districts.

Mr. J. G. B. McDonald.—I presume that you are not advocating the scrapping of machinery?

Mr. HOLLINS.—No. I believe that we need to introduce every kind of machinery and every scientific device to raise the standard of living in our community. The monetary system is preventing that because we are, in effect, adding to the cost of living by having to meet interest charges on money invested in machines, plant, and capital works. An attempt is made to recover those charges in the price of goods, but the failure is just as dismal as would be the case if we endeavoured to pay interest on war savings certificates when they had been purchased by every member of the community. The community would have to pay the interest to itself, unless, of course, we

borrowed the money from the banks as we do today to pay the interest on the money we have already borrowed. While we are using automatic machinery, thereby adding to our interest charges and failing to recover the interest, it is a physical impossibility for Governments to prevent themselves from getting further into debt if they would legislate to keep industry solvent. I shall relate the story told of a town situated on the edge of a cliff—and I may remark here that the State of Victoria seems like that town. The main street skirted the edge of the cliff. There were two parties in that town. In this House there are three political parties, which makes the position worse.

Mr. McKenzie.—There are three parties and bits of parties in this House.

Mr. HOLLINS.—In the town there were two parties. One advocated the erection of a fence along the edge of the cliff. The other wanted an ambulance stationed at the bottom of the cliff. The fight waged for many years, and eventually the ambulance party won, as it always seems to do. A splendid ambulance was stationed at the bottom of the cliff, and the lives of many people who fell over the cliff were saved. When the mayor toppled over the cliff he was rushed to hospital. Convalescing, the thought occurred to him that he would not have met with the accident if a fence had been erected at the top of the cliff. When he returned to the council he led the fight for a fence, and one was erected.

We have been concerned too much with ambulance work, and we are apparently unwilling to face the real issue. Machines have been introduced to raise the standard of living, but the result has been that fewer men are employed despite the huge increase of production. The same result has occurred in every industry.

Mr. Hogan.—Do you suggest that it takes as much labour to work a farm as it took to clear the land and establish the property 30 or 40 years ago?

Mr. HOLLINS.—I do not. There are many areas in this State which have not been developed, and cannot be developed under the present economic system.

Mr. Hogan.—Many areas have been developed, but it does not require as much money to work the land now

as was necessary to clear and drain it.

Mr. HOLLINS.—Land can be cleared today with very little human labor compared with that required 40 years ago. Tractors and special machines for pulling out trees, excavating and grading are used now, and I repeat that the amount of human labour required is not nearly as great as it was 40 years ago.

Mr. Lind.—The cost of clearing land has not been reduced.

Mr. HOLLINS.—No, the cost is being maintained by interest charges and the cost of machinery. The result is that the primary producer is worse off. Full-time employment is the right of every man. Edward Bellamy put the position in these words—

How happened it that your workers were able to produce more than so many savages would have done? Was it not wholly on account of the heritage of the past knowledge and achievements of the race—the machinery of society, thousands of years in contriving, found by you ready-made to your hand? How did you come to be possessors of this knowledge and this machinery, which represents nine parts to one contributed by yourself in the value of the product? You inherited it, did you not; and what of those others—joint inheritors, co-heirs with you? What did you do with their share? Did you not rob them when you put them off with crusts who were entitled to sit with the heirs and did you not add insult to robbery when you called the crusts, charity?

The least the Government could do would be to offer men full-time employment at full award rates. It is said that some men will not work; perhaps others cannot work. The offer of full-time work at full award rates would provide the proof of whether the men are willing to work. The incapacity of certain men might be due to physical ailments, and their cases might require treatment in institutions. Nothing less than the basic wage is a just payment. That would be a more constructive method of dealing with the unemployment problem than the present system.

Mr. Mullens.—How could you give effect to your system without a planned economy?

Mr. HOLLINS.—I believe a planned economy is necessary.

Mr. Mullens.—Public ownership?

Mr. HOLLINS.—It might be necessary.

Mr. Mullens.—You are a socialist.

Mr. HOLLINS.—I am, to a degree. Private enterprise fails if it cannot give a high standard of living to the community. If it cannot give the

highest standard of living physically possible to the whole community, private enterprise must go. It is on its trial now, and those who defend it are challenged to put forward a method which will enable it to provide for the whole community the highest physical standard of comfort and well being possible. As several honorable members have pointed out, the Budget makes no provision for the post-war period. I consider that we are not in a position to face peace now, because intolerable problems would arise. So far there has been no real planning for the post-war period.

Mr. Holland.—Would the further development of Victoria be a problem?

Mr. HOLLINS.—The further development of Victoria is possible. I should like the House to engage in a full-dress debate on post-war problems. Our young men are willing to give their lives for their country and surely we should be willing to give some of our time in an endeavour to evolve a solution of post-war problems acceptable to every section of the community. Unless we are prepared to do that, I can see nothing but chaos ahead. We must explore all our resources in an effort to solve these problems. It has been suggested that it would be ridiculous to settle returned soldiers on the land under present conditions. It would be equally ridiculous to suggest that employment could be found for them in the cities. Every country in the world today can produce far more than the people can buy. It is essentially a marketing problem. Nations are striving to find markets overseas for their goods, and the mad race for markets was one of the prime causes of the present war.

Although the problem of closer settlement admittedly is difficult, the secondary industries present an equally difficult problem unless we are prepared to face it from the monetary and economic angle. If proper plans were made it would be possible to settle many thousands of men on the land—not as soldiers were settled after the last war, but under a scheme which would enable them to make a decent living. A great deal of exploitation was associated with ex-soldier settlement after the last war. I know many people who sold land to the Government for

soldier settlement purposes, but I did not realize at the time what was going on. I have no doubt that many honorable members could tell a similar story. The scheme proved to be the downfall of the settlers, because they did not have a chance from the start. Many areas in the northern part of Victoria, particularly in localities where station properties were acquired, were thrown open for settlement. Improvements such as railways, roads and bridges were first installed, and the settlers had to pay an increased price on account of the demand for the land. Now the settlers have to pay for those improvements. If the Government is prepared to face this problem in the right way, suitable areas should be taken over at the present value as station property, and improvements should be made. When that land is sold to the settlers at a fair price, the Government will be able to pay for all the improvements out of the appreciation in value. That course will provide an answer to many of the problems related to closer settlement.

Mr. Holland.—Have you given consideration to the difference between the value of property in the country and in the city?

Mr. HOLLINS.—Yes. I agree with the suggestion of other members that planned primary production will be necessary. We cannot permit the wheat growers to produce an almost unlimited quantity of wheat, which would be possible if a price of 5/ a bushel were guaranteed. If the growers knew that, by limiting the areas planted, they could produce, say, 100 million bushels of wheat, for which they could get 5/ a bushel, that would be a guarantee that they could earn a decent living. The guarantee of prices is only a matter of accounting. Producers are entitled to recover all their costs, plus a reasonable margin of profit. I have suggested in the House previously that a committee of growers could easily fix the price at which wheat should be sold, and if 5/ a bushel were the price fixed for wheat sold in Australia, then that price should be paid for it. The surplus wheat, which might amount in value to £20,000,000, could be sent overseas. As we have no control over the overseas market, that wheat would have to be sold for what it would fetch, and in Great Britain, as a case in point, it might

realize only £10,000,000. The question might be asked—who would make up the difference in value? If we sent to Great Britain a parcel of surplus wheat which we said was worth £20,000,000 in Australia, and we exchanged it for goods in Great Britain, obviously the sale price of those goods when brought to Australia should not be £10,000,000 but £20,000,000, because that is the price the primary producers received for their surplus wheat.

Mr. J. G. B. McDonald.—Are not Australian firms paying that amount now on the goods they import?

Mr. HOLLINS.—To some extent they are paying it, but there is no scientific method of adjusting the exchange rate. We have a 25 per cent. exchange rate in Australia, which is helping the primary producer, but as to an exchange of goods such as I have just mentioned, the exchange rate would be 100 per cent. Instead of sending a parcel of wheat to England, and bringing back goods in exchange and selling them at £12,500,000, we would sell them at £20,000,000 because that is the amount of money that the primary producers would receive for their surplus wheat. Such a system does not call for any amendment or alteration of the present banking system. It is thoroughly practicable, and should be introduced by this Government, because I believe the Commonwealth Bank would make the money available for such a scheme.

Mr. Hogan—Would you make that system apply to wheat only, or to all primary production?

Mr. HOLLINS.—It could be extended to all exporting industries.

Mr. Hogan.—And boots?

Mr. HOLLINS.—No, it is not necessary to bring boots into Australia because we can produce all the boots we need. While there are countries that do not produce enough wheat for their own consumption, it is necessary for certain countries such as Australia to export wheat.

Mr. J. G. B. McDonald.—A Ford tractor costs about £60 in America, but the cost to the farmer in Australia is £235, landed on his farm.

Mr. HOLLINS.—The difference in price is not necessarily represented by the exchange rate. There are duties, freights, and profit charges for which the business concerns handling the tractors are responsible.

The CHAIRMAN (Cr. Coyle). — The time allowed the honorable member has expired.

Mr. MACFARLAN (Brighton)—May I move that the honorable member for Hawthorn be granted additional time to continue his speech?

The CHAIRMAN—There is no provision in the Standing Orders for an extension of time for an honorable member making a speech on the Budget. The Standing Orders set out that a speech on the Budget is limited to one hour. There can be no deviation from that rule. I warned honorable members several times that, in making speeches for the

honorable member for Hawthorn by way of interjection, they were taking up the honorable member's time.

Mr. Cain.—The honorable member for Hawthorn does not need any one to make his speeches for him; he is very capable of making them himself!

Mr. MACKRELL. (Minister of Labour).—I should like to inform the Committee that the honorable member for Hawthorn has compiled a book containing much of the information he has given in his speech. The title of the book is "Democracy at the Cross Roads," and it is in the Library.

---

## You Can Help!

The re-printing of this Speech has been made possible by voluntary contributions. You can increase the circulation by sending a donation for the purpose to—

L. H. Hollins, Esq., M.L.A.,  
Parliament House,  
Melbourne C.I

---

## Press Comment on this Speech.

Commenting on this speech the Parliamentary correspondent of the Melbourne "Age" said:—

"There was no mistaking the interest commanded by Mr. Hollins in the Legislative Assembly by his exposition of a scheme of monetary and financial reform. Since his recent election to the Chamber as the member for Hawthorn, Mr. Hollins has carried on a one-man crusade for his theories, and not one opportunity has escaped him of some oblique or more pointed reference to them in his ful-

ly availed of opportunities to speak. However, on the Budget debate, there was no restraint by the laws of debate and Mr. Hollins dealt with his favourite theme most exhaustively.

"Assembly men first gave the member a grilling in interjection, and questions were fired at him from every section of the House. However, the interjections gave way to an undisguised interest in the theory and Mr. Hollins was soon receiving attention that would have gratified any member on any topic."

---

## World-wide Circulation.

Since the 12th October, 1940, when this speech was delivered it has been re-printed in three weekly papers—two in Australia, and one in England. In pamphlet form its circulation throughout Australia has gone into many thousands of copies.

Following its publication in England the following beam wireless message dated 18th February, 1941, was received by Mr. Hollins, from Birmingham: "Hearty congratulations on magnificent stand against financial racket." Signed, Sutton Coldfield.