

Australian Letters

From A. G. HUIE

[The first of these two letters was received by us in the latter part of February, its delivery having been somewhat delayed. It was post-marked December 6, 1941—the day before Pearl Harbor and the Japanese offensive in the Pacific. The second letter was received by us shortly before going to press, having been mailed in February—when it seemed clear that danger to Australia was imminent.—Ed.]

I.

THE NEW FEDERAL LABOR GOVERNMENT

AFTER a lapse of nine years we have a Labor Government in office again. As the party upset the previous administration by an attack upon the budget proposals, its first task was to recast the financial proposals for 1941-42. Its chief efforts were to lighten tax burdens upon lower incomes and to increase them on higher. It increased the very high total of the Fadden budget by \$22,636,000. It raised the income tax minimum.

It provided for an immediate increase in pay for the members of the fighting forces and an increase in old age and invalid pensions. To get more revenue it made several proposals. Estates of deceased persons are taxed pretty heavily, as both Federal and State Governments come in for a share. Shrewd property owners have long used their wits to secure their possessions for their dependents or to dispose of their property as they thought fit before death.

The Federal Treasurer now provides for a pretty stiff "Gift Tax" on amounts from \$2,000 upwards. There are cer-

tain exemptions for gifts to charitable institutions, etc. Property owners and their legal advisers will be set a new problem as to how to avoid this attempt to appropriate a substantial portion of their possessions. There will be a higher income tax exemption, no increase in the tax up to \$6,000 and then steep increases. Correspondents have been writing to the press pointing out that in some cases taxes will exceed the entire income. An effort, however, is being made to limit depreciations to eighteen shillings in the pound.

As Mr. Chifley, the new Labor Treasurer, proposed to spend more than his predecessors and to tax less, he has to borrow more. It is hard to say what will eventually happen to the mountain of debt being built up on account of the war. It may come to repudiation, or partial repudiation, through inability to pay. From our point of view the best and safest plan would be to make the economic rent of land provide the interest. That would do much to liberate industry and insure the efficient use of all valuable land.

The Treasurer is also imposing a super Land Tax of 20 per cent on land values of \$80,000 and upwards. It is estimated to produce \$2,000,000. Our Federal Land Tax is a very clear example of the wrong way of doing things. There is an exemption of \$20,000. Seeing that a reasonable estimate of land values is \$800 per head of the population, it will be seen that the exemption is absurd. The proper purpose of a tax on land values is to get a portion of the economic rent of land as public revenue. As this rent is made and maintained by the community and rightly a public value, exemptions are unjust and illogical.

Further, the tax is graduated as values increase above the \$20,000 minimum. The original idea of the Labor Government which brought in this tax was to promote the subdivision of large areas in the country. It has failed to achieve this object. The Minister admitted that 75 per cent of the tax was paid by city property owners. Much of this land is very fully used and incapable of subdivision. The Treasurer has also increased a number of excise taxes. While he claimed to give the poorer wage earners exemption from income tax, he put it on them in higher living costs through increased taxes upon commodities.

THE GOVERNMENT AND THE BANKS

Formerly banking in this country was in the hands of several private banks. They had a very severe lesson in 1891 at the time of the banking crisis brought on through lavish loan expenditure by Governments and land speculation. The banks profited by their experience and have since been more cautious. A Labor Government, with its itch for socializing, established the Commonwealth Bank in 1911. Its main purpose was to be a central bank, but to some extent it competes for business with the private banks.

The right to issue notes was taken away from the private

banks, the gold was taken out of circulation and depreciation of the currency set in. We have here some of those people with the peculiar mental kink that all governments have to do to raise money is to print notes. Payment of interest is unnecessary, according to them. The Labor Government has issued regulations for licensing private banks, and extending governmental control over their operations. The hot-heads want nationalizing of banking.

The Commonwealth Bank is really a political bank. From time to time the Government appoints members of the Bank Board. It has recently appointed a young Sydney lawyer, a political partisan, to fill a vacancy on the Board. We have already had a good deal of experience of the muddling in consequence of politically appointed Boards. Heavy losses and much inconvenience has been caused to many wealth producers while the taxpayers have had to pay up large amounts from the public revenue. In a year of great abundance of apples and pears, for example, they were scarce and dear, while the Apple and Pear Board built up a loss of about \$8,000,000 in two years—an unjust burden upon the taxpayer.

A NEW SOCIAL ORDER

From time to time, more or less prominent authorities in the various churches talk vaguely about the need for a new social order after the war. In fact, the ordinary man in the street has got hold of the idea that a new social order is due and must arrive in the near future. The politicians also speak about it. Busybodies talk of the need for more and better housing accommodation. The need for improvement in many ways is painfully apparent but there is a general lack of understanding as to the form the "new order" should take, or of the practical steps necessary to bring it about.

In the meantime politicians are fixing prices, pegging rents, increasing taxes and restrictions. All are agreed that the war must be won, but what then? There is a Department of Labor and National Service at the Federal Capital, Canberra. It has been giving some consideration to post-war problems. A request recently came to me from them to state a case for Free Trade. I took advantage of the opportunity. Judging by the reply I have received from the Secretary, I gave them rather more than they bargained for. A friend referred to it as "a worthy piece of work, simple, temperate, convincing and arresting." The official reply thanking me for "the enclosed statement" on trade policy, continued: "This is being carefully studied. The case you present undoubtedly has considerable force, although it has been argued by many notable Australian economists that a policy of selective protection can, on balance, confer benefits upon the nation." I am unacquainted with these so-called economists. Economists usually confess to being free traders, although they do balk at extending freedom of exchange of wealth to freedom of production of wealth from the land.

As far as possible I take advantage of opportunities to point out the real steps necessary as a basis for a new social order after the war. A minister of religion, or a public servant, or a university man, or a politician indulges in vain talk about existing conditions and the need for a change. This is his limit, as he stops short of suggesting a single practical step to bring about the desired result. So I send along a letter of comment, sometimes pretty caustic, and point out what must be done to achieve what is admittedly necessary.

If we are to have a new order, then full use of our valuable lands is essential. We have tried increasing tariff protection for forty years since Federation. It is a ghastly failure. It has tended to crowd people into the capital cities while building up wealthy monopolies. These exert an undue influence over politicians. It is a repetition of American experience on similar lines. What will happen when the men return from the war and the war industries are no longer needed? Are we to blunder into another and greater depression, or face a smash-up through revolution? Or are we to listen to the voice of reason, open our natural resources for the use of the people and promote freedom of exchange of wealth with all the world?

II.

JAPAN ATTACKS

SINCE my last letter Japan has thrown off the mask and attacked. This brings the war much closer to Australia. In the war of 1914-18 distance from the battlefields saved us from many perils. There was some damage from raiders on the high seas. But on this occasion we must expect to be affected more directly.

What we must do is to make the best of the position by taking all possible precautions. Some people are disposed to be panicky—it is a mistake. We must brace ourselves in view of possible, perhaps probable dangers. In London the headquarters of our movement were destroyed by enemy action. But they are still carrying on from another address.

It will be understood that propaganda work under present conditions can only be carried on with considerable difficulty. When a fire is on you do not bother about renovations. In the same way with the war threat to the north, the first consideration is to preserve our right to occupy this land and to secure the future for our people. If we fail in that, no economic reforms along our lines will be possible, as our freedom to manage our own affairs will be gone.

In many ways Australia has made great progress in the past 154 years since the first fleet entered Port Jackson and founded Sydney. For all that, our population is too small, as is now painfully apparent on account of the Japanese menace. General Sir Iven Mackay, who made a name for himself in Libya, has recently publicly drawn attention to this matter. He said that

our population was too small, that we should have 20,000,000 in order to be fairly secure.

He is right. I have for many years been directing attention to the same thing. On propaganda tours throughout the country I have many times spoken about it for over twenty years. Our public policy has been so narrow-minded, because of tariff protection and land monopoly, that effective settlement upon the land and development of natural resources has been severely restricted. People are ready to go to any country where they can do well. Unemployment in a country is a bad advertisement. It has the effect of warning off men of our own race who would be willing to come here and to help us develop our resources.

We have hitherto relied on distance and the strong arm of the British navy to supplement our own forces. They have served us well, but it is numbers that we need. When we survive the present peril we will need a more enlightened policy for the future. The industries natural to a country do not need or ask for protection unless forced to do so because of inflated costs due to protection for industries unable to pay their way without assistance.

GOVERNMENT AND INDUSTRY

War brings many restrictions and disabilities. For a good many years Governments have been prone to set up boards to supervise and control various industries and services. Instead of politicians laying down general principles as a guide and leaving industries free to carry on, the socialistic itch for governmental meddling has prevailed.

Australia under normal conditions produces a substantial crop of apples and pears for export. The war has practically killed the export trade for the time being. Instead of allowing those engaged in the industry to make the best of it and affording help where it was most needed, a board was set up to control the marketing of these fruits. The board and its officials have shown gross incompetence, involving the taxpayer in a loss of about \$8,000,000 and a large further loss this year is forecast.

Last year was a year of great abundance of these fruits. Because of the board's meddling, millions of cases were allowed to rot while shopkeepers were often at their wits' end to get supplies. When apples and pears should have been plentiful and cheap they were scarce and dear. At the same time the board was appealing over the radio to the people to eat more apples. The right people to carry on an industry at all times, war or no war, are the people engaged in it and who understand it. They alone can make the best of a bad job. Incompetent government officials make a mess of things while being well paid for it.

The sugar industry is another case in point. Our sugar industry, like that in the United States, has been spoon-fed for many years. The position was made much worse by a former

Prime Minister in greatly increasing the price for raw sugar against expert advice. The effect was to promote a large increase in production, far beyond local requirements.

The latest Year Book shows that more than half the sugar produced is exported. It is worth only a shade over \$32 per ton. It would be less but for British preference. The price for local consumption is \$96. Refining and distribution charges have to be added before it reaches the consumer. Australians normally pay an excessive price for sugar while a huge surplus is dumped abroad for the best price we can get. Our silly electors make up the losses and complain about the high price of sugar.

It was advanced as a reason for nursing the sugar industry that it was necessary to populate the northeast coast of Australia. Protection for sugar attracted a large foreign element. This has long been a sore point with many Queensland workers. Today it is a positive danger. Many of these foreigners are of alien birth, language and tradition. Our policy of being self-contained with respect to sugar has proved mad in several ways.

POST-WAR RECONSTRUCTION

A good deal of attention is being paid to post-war reconstruction. Mr. Roland Wilson of Canberra recently sent me a long article on "And What Shall We Do Then?" by A. A. Berle, Jr., United States Assistant Secretary of State. It was taken from the American magazine *Fortune*, October, 1941. He would build a new order after the war without paying any attention either to the necessary basis—land—or the need for free trade. He ignored the Atlantic Charter signed by Mr. Churchill and President Roosevelt. If that is to be intelligently carried into effect it means ready access to natural resources and international free trade.

I felt constrained to write a comprehensive reply commenting on it for the consideration of Mr. Wilson and his friends. Mr. Berle writes of the vast amount of reconstruction necessary and the houses which should have no place in a modern civilization. But he is, or seems to be, totally unaware that the landowner must first be satisfied, and then exorbitant prices must be paid for materials due to taxes and restrictions upon trade. The problem of finance does not trouble him. Sensible people, however, recognize that the prodigal expenditure of war-time cannot be continued indefinitely.

Mr. Berle evidently feels that something must be done. He fears that another great depression may not be taken so meekly as the last and that we might have to fear the gun-barrels of revolution. That is a very real danger of the future. Men will not be forever ground down. They will patiently suffer a great deal before striking out wildly and blindly. Revolution is to be feared if sufficient sanity is not developed in our politicians to throw open natural resources to the people and cease taxing their labor.