

Register 29th May / 15-

# FINANCES AND WAR.

## DISCOURSE BY MR. HAWKES.

There was a large audience at the Prince of Wales Theatre, Adelaide University, on Friday evening, when Mr. R. J. Hawkes delivered an instructive lecture on "War in its relation to finance" in connection with the University Society of Commerce. Professor Jethro Brown presided.

The lecturer, who was received with applause, said a sufficient gold holding was the surest foundation for a country's credit. Holding that view strongly, he took steps as early as August 2 (three days before the receipt of the news of the declaration of war by England) to conserve the gold holding as far as his own institution (the English and Scottish Bank) was concerned, by declining to issue other than the note currency provided under the Commonwealth Notes Act. This action was dictated by a conviction that it was necessary from a national point of view. Gold coin had always freely circulated among the people of Australia, and the amount held by the public must have reached a very large sum. The result of restricting the currency to notes for internal trade was to release that gold, and transfer it from the pockets of the people to the banks or Commonwealth Treasury—to place it where it became practically visible and capable of being stated in balance sheets. A strong gold position prevented the depreciation of paper currencies, and added considerably to the nation's credit as a borrower. According to the bank returns in the early days of August, 1914, the visible gold holding of Australia was, roughly, £35,000,000. The world's gold production had risen from £75,682,000 in 1905 to £91,000,000 in 1914, and the Australasian contribution to the latter sum was £10,250,000. There did not, therefore, appear to be any present ground for fear of a shortage of the precious metal.

Referring to the Commonwealth note issue, Mr. Hawkes said they were good value for the amount named on them, because of their gold backing, and because the nation's credit was behind them. But the circulation must always be kept within bounds, that was, within the ability of the country to redeem them. A gold backing of 40 per cent. had been fairly well maintained, although the statutory reserve was only 25 per cent. The war had an immediate effect on the note circulation. In August and September it was necessary for each country to look after itself in regard to money, and it was at the time impossible to go to London for loan funds. Australia was also confronted with the effects of the drought. Governments were committed to heavy expenditures. To enable the Governments to continue some of the public works a scheme for raising part of the necessary funds was agreed to between the Commonwealth and the Governments of the States, and subsequently the Commonwealth Government by arrangement with the banks, accepted £10,000,000 in gold in return for notes of a like amount, the loan to be free of interest, and the notes to be unconvertible until after the war. This issue of Australian notes should be considered an emergency war loan, to be redeemed in gold at the close of the war. The Commonwealth Note Act had worked smoothly and satisfactorily, and the issue had not overstepped the bounds of safety.

Speaking on the question of overseas loans, the lecturer said the British public had for many years past responded to Australia's call for financial assistance for the development of the country's resources. The public indebtedness was, before August 1914, well over £300,000,000, and the annual interest charge was about £12,000,000, partly payable locally and partly in London. The external charge had to be paid in goods or gold. Staple products were wool, wheat, and gold, and with a shortage in the wool clip, and with a probability that from £10,000,000 to £12,000,000 worth of wool would be unsaleable in the early stages of the war, owing to the inability to ship to the enemy, and to factories in France and Belgium not requiring their normal supplies, Australia was seriously affected in the London market in regard to her obligation to cover the cost of her imports and interest on loans. The British Government, however, in asking for a war vote in the early stages of the conflict included a sum of £38,000,000 for the dominions, and about £18,000,000 was allotted to Australia. Subsequently a further advance of £10,000,000 was arranged. Then followed the assistance for internal purposes from the Commonwealth to the States. The posi-

tion with regard to wool soon vastly improved. Prices unexpectedly rose, and a ready market was found for the supplies. In the latter months of last year the Bank of England made a suggestion that to assist the banks of the dominions to meet their calls for London payments on behalf of their importing customers it was prepared to pay 97 per cent. of all gold lodged at certain centres in the dominions for its credit. Only one or two banks in Australia had availed themselves of the arrangement, which showed to what length the mother country was prepared to go to assist the dominions in the early stages of the war. (Applause.)

Mr. Hawkes criticised the "hurriedly passed" legislation in various States to fix prices, particularly in respect to wheat. It had been estimated that the farming community of New South Wales had lost £1,000,000 as the result of the fixing of prices and the subsequent seizure of wheat in the State. The legislation was all wrong. The idea was to keep prices steady in Australia, but the inexorable law of supply and demand was lost sight of. Even if there had been sufficient wheat in Australia to provide seed and food till another harvest, the Government had a simple remedy against undue increases in prices by in the first place placing an embargo on exports, and in the second place they could have bought up all the supplies at the market prices of the day. (Applause.)

Referring to the future, the lecturer said unless the people husbanded their resources and lived economically there would be accentuated trouble. They must live less extravagantly, and make their exports more effective in the discharge of their overseas obligations. Various estimates had been made of the cost of the war, but these generally omitted to take into account the economic loss by reduction of commerce and the actual destruction of property and the capital value of the men killed. Considering the issues at stake and the fact that London was the selling centre for the world's commerce, that its people had thousands of millions of money invested all over the world, that its commitments of the whole of the nation's liability to be embroiled in the struggle were so heavy to English investors and others, the result of the war was an entirely unknown quantity. At the beginning of August there was chaos, but this was soon set right. In a few days financial stability was reached, and measures taken to safeguard the various interests.

It was astonishing, added the speaker, with what ease the financing of the war had been accomplished. Not only had England found the means of paying her own way, but she had also provided scores of millions for Russia and neutrals of her dominions. The most marvellous thing of all was that money in Lombard street had become more plentiful and was cheaper during the last few months than before. The total annual trade of Great Britain was about £2,000,000,000, and the investments in the dominions and foreign countries about £3,000,000,000. At the present time the national debt was nearly double what it was in July, 1914, and it was increasing at the rate of £2,000,000 a day. An authority had said that the effects of the war, so far as it had gone, on Lombard street, had given a striking proof of the usefulness and adaptability of the Bank of England, the prudent and successful courage of the Government in pledging the abnormal credit in order to maintain the country's trade, and the masterful power of England's wealth. (Applause.)

Dealing with the financial position of Germany, the lecturer said there were signs of trouble ahead. The Germans claimed that the war loans had been over-subscribed, that subscriptions had been made from purely patriotic motives, that the people of small means had invested, and that they could successfully finance the war no matter how long it lasted. Good authorities, however, believed that provision was made for compelling the owners of property to pledge it, and to invest the loans in the war fund, and German exports had fallen off tremendously immediately the war broke out, and to-day they were said to have nearly ceased altogether. There were tremendous expenses for wastage, forced loans, high paper issues, export trade with the outside world at a standstill, and these things were sufficient to cause embarrassment, if nothing more. (Applause.)

On the motion of Mr. John Shields, seconded by Professor Mitchell, Mr. Hawkes was cordially thanked for his lecture.

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BALAKLAVA, May 29.—On Thursday evening Professor Henderson lectured to a large audience at the Balaklava Institute. His subject was "The great war." The dispassionate and judicial manner in which the professor treated his theme was heartily appreciated, as his hearers were enabled to intelligently realize the great moral force behind the action of Belgium and Great Britain compared with the German view. The professor was frequently cheered during his address. Dr. K. McEwin (President of the local committee of the Belgian Relief Fund) occupied the chair. Professor Henderson was thanked for his lecture on the motion of the Rev. A. H. Reynolds, supported by the Revs. E. Bullock and T. P. Davis. The proceeds, which were in aid of the Belgian Relief Fund, amounted to £12.—This afternoon

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#### LECTURES ON SHAKSPEARE.

On Tuesday evening next, at 8 p.m., in the Prince of Wales Theatre at the University, Professor Henderson will deliver the first of his course of lectures on "Shakspeare's Home and Homeland." The main objects of the course are to illustrate by means of lantern slides Shakspeare's environments in Warwickshire and London, to explain some of the results of the latest researches into the history of the poet's life, and to indicate the chief places of interest for the benefit of those who intend to visit England and investigate the facts for themselves. Each lecture will be illustrated with 50 or 60 lantern slides.

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The case of another patriotic law clerk who has temporarily deserted his books for the service of his country, came before Mr. Justice Gordon, Mr. Justice Murray, and Mr. Acting-Justice Buchanan, in the Full Court, on Tuesday. Mr. W. J. Isbister moved that Arthur Vernon Davenport should be granted an exemption from obligations under his articles during such time as he served at the front. Mr. Davenport was now a member of the Army Medical Corps. Mr. Justice Gordon, in granting an order in terms of the application, remarked that he was proud that Mr. Davenport, as a coming member of the profession, was going to the front to fight for his country. Mr. Justice Murray remarked that he was of the same opinion. The order was made with very great pleasure.

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#### NEW EDUCATIONAL SYSTEM.

The teachers chosen by the Education Department to proceed to New South Wales for the purpose of receiving instruction in the Montessori system, which it is proposed to introduce into South Australia, are Misses Lydia Longmore, of the Norwood Public School staff, and Janette I. Davidson, of the Observation School, Currie street. They will go to Sydney as soon as the authorities there have made preparations for their coming.

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PORT WAKEFIELD, August 31.—On Friday evening Professor Henderson lectured on the great war. The mayor occupied the chair, and there was a good attendance. Supper was provided by the ladies committee. The proceeds of lecture and supper are to be devoted to the Belgian Fund. During the last few days a large number of dogs have died through poisoned balls.

Advertiser 3rd June/15-

Following the procedure of last year Professor Darnley Naylor will give a course of 14 lectures in elementary Greek. The first will be given at the University on June 17 at 8 p.m., but the evening can subsequently be changed if not suitable to students. Full particulars may be had from the registrar.