

Immigration and Alien Restriction.

The force of what was said in our earlier bulletin is stronger to-day. We then remarked that Professor Ross, an eminent American scholar, when asked, what was America's greatest problem, said, "The thing that causes the most foreboding to me is how to preserve democracy and a popular Government in a people that has become so heterogeneous as ours."

Might not we in Australia ask ourselves the same question, when, compared with the U.S.A., we stand to-day only at the threshold of this problem.

The application of the principle of the 2 per cent. quota to alien immigration into Australia would at once substantially reduce the flow of alien migration to our shores, and thus make possible the easy assimilation into our social, economic, and national life, of a smaller stream that would flow in.

In the second place, it would minimise the increasing tendency of the concentration of aliens in communities, a thing which has been definitely established already.

Finally, it would lessen the discontents and dangers that uncontrolled alien migration plans have demonstrated to us through the clear pages of both recent American and Australian history.



Bulletin No. 18.



VICTORIAN BOARD OF DIRECTORS

Monetary and Banking Systems in Australia

RECOMMENDATIONS OF ROYAL COMMISSION.



Issued by direction

AUSTRALIAN NATIVES' ASSOCIATION

(Victorian Board of Directors)

28-32 Elizabeth Street, Melbourne.



1940

Monetary and Banking Systems in Australia

The Victorian Board of Directors A.N.A. directs attention to the policy of the Association, as adopted by the Annual Conference of the Association, viz.,

(1) "This Conference urges the Commonwealth Government to implement, without delay, all the recommendations of the Royal Commission on Banking."

(2) "This Conference instructs the incoming Board of Directors to focus immediate public attention upon the report of the Royal Commission on Banking, particularly paragraphs 503-4, in order that the finance for the prosecution of Australia's part in this war, shall not become a legacy of debt on the shoulders of posterity."

Extract from Report of Royal Commission on Monetary and Banking Systems.

Paragraphs 503 and 504.
Central Bank Credit.

503. *The central bank in the Australian system is the Commonwealth Bank of Australia. This bank is a public institution engaged in the discharge of a public trust. As the central bank, its special function is to regulate the volume of credit in the national interest, and its distinctive attribute is its control of the note issue. Within the limits prescribed by law, it has the power to print and issue notes as legal tender money, and every obligation undertaken by the Commonwealth Bank is backed by this power of creating the money with which to discharge it.*

504. *Because of this power, the Commonwealth Bank is able to increase the cash of the trading banks in the ways we have pointed out above. Because of this power, too, the Commonwealth Bank can increase the cash reserves of the trading banks, for example, it can buy securities or other property, it can lend to the Governments or to others in a variety of ways, and it can even make money available to Governments or to others free of any charge.*

In order to direct public attention to the important decisions of such Commission, the Board of Directors has pleasure in submitting herewith, details of the recommendations of the Royal Commission "appointed to inquire into the Monetary and Banking Systems at present in operation in Australia, and to report whether any, and if so what, alterations are desirable in the interests of the people of Australia as a whole, and the manner in which any such alterations should be effected."

Branches, District Councils and members are urged to avail themselves of every opportunity of discussing the Association's policy, and the recommendations of the Royal Commission in respect to this problem.

The Board of Directors will particularly appreciate expressions of views from those interested therein.

J. PARKER, General Secretary.

SUMMARY OF RECOMMENDATIONS. COMMONWEALTH BANK.

(a) Directorate.

- (1) The Governor should be Chairman of the Board by virtue of his office * and should possess qualifications and receive a salary commensurate with the importance of the office. The appointment of the Governor should not be made on the basis of seniority, nor is it even essential that he should already be in the service of the Bank. (Para. 576.)
- (2) The six Directors other than the Governor and the Secretary to the Treasury should be appointed for a term of six years instead of seven as at present, one should retire each year, and be eligible for re-appointment, but provision should be made that no director shall continue to hold office after reaching the age of 70. (Para. 576.)
- (3) The limitation on the field of choice of directors in Section 11 (2) (b) of the Act should be removed. The members of the Board should be selected for capacity and diversity of experience and contact, and not as representatives of special interests. (Para. 576.)
- (4) The "Commonwealth Bank Act 1911-1932" Section 12B, which provides that there "shall be" a Board of Advice in London, should be made permissive. This Board is not at present constituted, and there seems to be no necessity for such a Board in present circumstances. (Para. 576.)

(b) Savings Bank.

- (5) The provision in the Commonwealth Bank Act, Section 35E, for the separate control of the Commonwealth Savings Bank, should be repealed. (Para. 578.)
- (6) Power should be given to the Commonwealth Savings Bank to make deposits with trading banks if the Board so chooses. (Para. 578.)

(c) Note Issue Reserve.

- (7) The statutory provisions which require the Commonwealth Bank to hold gold or sterling in proportion to the amount of Australian notes on issue should be repealed.* (Para. 580.)
- (8) The note issue should be limited by law to a fixed maximum (for example, £60m.) subject to the right of the Bank to exceed the maximum by a stated amount (for example £10m.) with the consent of the Treasurer.* (Para. 580.)

(d) Deposits by Trading Banks with Commonwealth Bank.

- (9) The Commonwealth Parliament should legislate to provide that the Commonwealth Bank Board, with the consent of the Treasurer, may require every trading bank to keep with the Commonwealth Bank a deposit of an amount not less than a percentage, specified in the requisition,

of the liability of that bank to its depositors in Australia.* (Para. 589.)

- (10) Each trading bank should be required to keep on deposit the same percentage. The Board should have power at its discretion to vary the percentage from time to time within the limit fixed by the consent of the Treasurer. (Para. 589.)
- (11) The authority to requisition should not remain in force for more than six months after the consent of the Treasurer has been given, but the Treasurer should have power to consent to its extension for a further period not exceeding twelve months. In any period of two years the power should not be exercised for a longer period or periods than eighteen months. (Para. 589.)

LONDON FUNDS OF THE AUSTRALIAN BANKING SYSTEM.

(a) Commonwealth Bank's Requirements.

- (12) A new Exchange Mobilization Agreement on the lines suggested, binding for a period of years, should be entered into between the Commonwealth Bank and the trading banks.* (Para. 597.)

(b) Publication of Amount of these Funds.

- (13) The aggregate figures of the London funds of the banking system should be published regularly.
- (14) The figures should not be published until at least six months after the date to which they relate.* (Para. 599.)

TREASURY-BILLS.

- (15) The Governments and the Commonwealth Bank should explore the possibility of establishing an open market for treasury-bills by way of regular offers of bills for public tender.* (Para. 610.)

RELATIONS BETWEEN GOVERNMENTS AND THE COMMONWEALTH BANK.

There should be some permanent machinery for the Loan Council which would enable the Loan Council, Commonwealth and State Treasuries, and the Commonwealth Bank to establish and maintain close contact with one another. (Para. 611.)

PREVENTION OF BANK FAILURES.

- (16) In the public interest the Commonwealth Bank should take control of the affairs of any bank which is unable to meet its immediate obligations, and should be given any additional powers which it may require for this purpose. (Para. 617.)

STATISTICS.

- (17) The Commonwealth Bank should be given statutory power, similar to that of the Commonwealth Statistician, to obtain statistics which it requires for its purposes as a central bank, and it should take steps to obtain such statistics. (Para. 619.)
- (18) The Commonwealth Bank should publish a monthly bulletin containing such statistics as the Board thinks fit, together with explanatory comment, and other information and advice which may be of value to the public. (Para. 619.)

DISTRIBUTION OF CREDIT.

- (19) In order to promote a wise distribution of credit the Commonwealth Bank should equip itself with all possible facilities for ascertaining economic trends in Australia and abroad, so that it can advise trading banks as to the directions in which it is desirable in the national interest that advances should be made. (Para. 621.)

TRADING BANKS.

(a) Accounts.

- (20) In addition to any accounts required by the law of the country or State in which it is incorporated, every bank should supply, to a prescribed authority, accounts relating to—
 - (a) Its liabilities in Australia and its liabilities elsewhere than in Australia incurred in respect of its Australian business.
 - (b) Its assets in Australia and its assets out of Australia in respect of its Australian business.
 - (c) Its liabilities elsewhere than in Australia and its assets elsewhere than in Australia, in either case not being in respect of its Australian business, either in detail or in an aggregate amount.
 - (d) Its capital, reserves, and undistributed profits, and
 - (e) A profit and loss account. (Para. 631.)
- (21) Such accounts should be in a form to be prescribed, by legislation or regulation made in accordance therewith, and should in the case of the balance-sheet be made up as at the date prescribed and in the case of the profit and loss account cover the period prescribed, and insofar as the particulars relate to its Australian business shall be expressed in Australian currency. Where an item is not expressed in Australian currency, the nature of the currency used should be indicated.

These accounts should be published in the "Commonwealth Gazette." (Para. 631.)

(b) Disclosure of Profits.

- (22) (a) Before arriving at the profits of any accounting period, the directors should be entitled to make reasonable provision for debts which are doubtful, and interest which

may not be received, without disclosure except in the circumstances referred to in (f), provided that such provision does not exceed the amount required to cover the anticipated losses under these headings.

(d) If the directors desire to make any additional provision for either of these purposes, or for other contingencies, such additional provision should be made out of disclosed profits, as is the present practice of one of the trading banks.

(e) Provision for the depreciation of premises or to write down the value of premises or for depreciation of investments should be made out of disclosed profits.

(d) Transfers from inner reserves to the credit of the profit and loss account during the accounting period should be disclosed.

(e) The existence of inner reserves should be indicated in a similar manner in the accounts of all the banks (Para. 650.)

(f) (Note.—These recommendations are subject to our further recommendation, included in "Banking legislation," that the Treasurer be given power to direct the Auditor-General to investigate the affairs of any bank.)

(c) Regulation of Profits.

If trading banks' profits are found to exceed what may be regarded as a fair return for services rendered, the Government should consider whether these profits should be regulated or limited.* (Para. 653.)

(d) Statistics.

(23) The Commonwealth Statistician should obtain from the trading banks, and publish, statistics covering at least—

(a) Monthly averages of assets and liabilities within Australia, analysed in more detail than the existing quarterly averages, e.g., showing separately treasury-bills, deposits with Commonwealth Bank, and advances;

(b) Monthly totals of debits to customers' accounts within Australia;

(c) Monthly figures of assets and liabilities outside Australia, in respect of Australian business (subject to our recommendation relating to the publication of London funds);

(d) An annual analysis of total advances within Australia, classified according to industries. (Para. 656.)

BANKING LEGISLATION.

(24) The enactment by the Commonwealth Parliament of banking legislation upon the following lines:—

(a) Prohibit any person, firm or company, from carrying on the business of a bank without license or authority from the Treasurer of the Commonwealth. For this purpose, include any cheque-paying bank or savings bank and any branch established in Australia by any

bank founded elsewhere; but exclude any State bank which does not extend beyond the limits of the State concerned.

(b) In the case of any institution carrying on the business when the Act comes into force, provide for the authority being given, in the first instance, as a matter of right.

(c) Give discretion to grant or refuse any application to establish a new business, but prescribe conditions (a) as to capital, in the case of a company wherever formed, and (b) as to registration of an attorney, and of the constitution, in the case of any company formed outside Australia.

(d) Define "trading bank" and "savings bank" by reference to schedules of the existing institutions, but provide for additions thereto by proclamation.

(e) Prohibit the use of title "bank" except by—

(i) State banks and trading or savings banks authorised under the Act; or

(ii) Other banks with the consent of the Treasurer.

(f) Provide, in the case of trading banks, for—

(i) Minimum deposits in the circumstances and in the manner recommended.*

(ii) Publication of annual accounts and balance-sheets in the form prescribed by the Act or by regulations.

(iii) A statutory declaration in the form prescribed.

(iv) Power to the Treasurer to direct the Auditor-General to investigate the affairs of any bank and to report upon such matters as the Treasurer directs.

(g) Give the Treasurer power to withdraw the licence or authority in the event of wilful or persistent failure to comply with the provisions set out under (f). (Para. 666.)

BANK CHARGES.

A comprehensive and systematic revision of charges by banks for the collection of cheques and on drafts within the Commonwealth is considered necessary. (Para. 667.)

CLEARING POOL.

If continuance of the guarantee provided by each bank by way of a deposit of notes, against default in settlement of clearing balances, is considered necessary, it is thought better that the guarantee should take the form of deposits with the Commonwealth Bank, which would allow of a reduction in the note issue. (Para. 668.)

NATIONALISATION OF BANKING.

The most desirable banking system in the present circumstances of Australia is one which includes privately-owned trading banks. The system contemplated is one in which—

- I. A strong central bank regulates the volume of credit and pays some attention to its distribution;
- II. The distribution of credit is left to privately-owned trading banks, working for profit, but regulated in the manner already indicated.* (Para. 669.)

SAVINGS BANKS.

- (25) The savings banks should consider the desirability of lowering the maximum amounts on which interest is paid for deposits at call or very short notice, and of encouraging the conversion of any excess over this maximum into fixed deposits with themselves. (Para. 671.)

THE SAVINGS BANK OF SOUTH AUSTRALIA.

- (26) The Government of South Australia should consider the question of an amendment of the State law for the purpose of—
 - (a) Giving the Trustees of the Savings Bank of South Australia a wider discretion over the allocation of the profits, and
 - (b) Authorising them to declare a current rate of interest. (Para. 673.)

MORTGAGE BANKING.

- (27) A mortgage bank or mortgage banks should be established to provide facilities for fixed and long-term lending. (Para. 681.)

CAPITAL FOR SMALL SECONDARY INDUSTRIES.

- (28) The Governments, with the assistance of the Commonwealth Bank, should investigate the problem of setting up institutions to supply the needs of small concerns in secondary industries. (Para. 687.)

DECIMAL COINAGE.

- (29) A system of decimal coinage should be introduced based upon the division of the Australian pound into one thousand parts. (Para. 689.)

MINTS.

- (30) The Commonwealth should take over from the States of Victoria and Western Australia their interests in the Mints. (Para. 691.)

* Majority decision.