CHAPTER XIX
PRICES AND PRICE FIXING

A rise in the prices of commodities was one of the unavoidable consequences of the war. It was not sufficiently marked to form a subject for political criticism in 1914 while the average price index number for the whole year showed an advance of no more than 5.6 per cent. on that for the preceding year. But towards the close of the year prices increased fairly rapidly, "owing to the double calamity of drought and war." By May, 1915, bread in Melbourne was 50 per cent. dearer than it had been in July, 1914, flour was 86.9 per cent. dearer, butter 62.5 per cent. dearer, and nearly all other articles of food and household necessity showed heavy percentage increases. Within a year from the commencement of the war the prices of some commodities had doubled. Thus, taking the index number of the wholesale price of meat in Melbourne at 1,000 in July, 1914, the index number of the same food in August, 1915, was 2,210. In the same period the index number of agricultural produce rose from 1,000 to 2,339; dairy produce from 1,000 to 1,577, groceries from 1,000 to 1,146. Over all groups of commodities the increase of prices in Melbourne within the year was from 1,000 to 1,629.

Prices varied in different parts of the Commonwealth at different times; commodities which were dear at one place at one time would be cheap at another place at the same time. Climatic influences made differences even in the prices of commodities which were not directly affected by the weather. Good, timely rains might cheapen groceries; drought conditions might make wire nails dearer. The Commonwealth

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1 Price fixing was administered by the Department of Trade and Customs, but the papers relating to this subject are not available. They were, according to an official memorandum, "destroyed in 1926 under Ministerial sanction."


Statistician, Mr. G. H. Knibbs, went to great trouble to obtain accurate estimates of the cost of living in all parts of Australia, and the tabulated statements and graphs which he published in the quarterly *Bulletins* from 1914 to 1919 give as close an analysis as could be obtained of prices prevailing at stated periods. Five towns were chosen from each State, for the purpose of the earlier calculations, but it was found that the results were not satisfactory because prices varied between towns within States to a greater degree than had been expected. In the later *Bulletins*, therefore, details were given for 49 towns in New South Wales, 40 in Victoria, 24 in Queensland, 12 in South Australia, 14 in Western Australia, and 11 in Tasmania. The figures show that during the war period the average cost of food and groceries throughout the Commonwealth increased by over 71 per cent. and house rents increased by more than 10 per cent. Over the whole period Victoria was the cheapest State in which to live, and New South Wales was the dearest, the figures for them being respectively 955 and 1,052. The following table gives a conspectus of the variations in price levels throughout the Commonwealth for the years 1915-1919, commodities being grouped under eight headings, and the month before the declaration of war being taken as the base.

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The average weekly rate of wage paid to male adult workers throughout the Commonwealth advanced from 55s. 3d. in June, 1914, to 74s. 11d. in December, 1919, an increase of 19s. 8d.; and the average wage of female workers advanced during the same period from 27s. 2d. to 37s. 1d., an increase of 9s. 11d.
The Parliamentary debates on prices generated much heat and occasionally a little light; but the currents which produced most heat seemed to be equipped to avoid illumination. Thus, the declaration that "the man who is prepared to starve the families of our soldiers at the front is one of the biggest traitors in the country," though in itself quite undeniably true, assumed too readily that the rise in the price of bread was due to millers and bakers. Bread did not rise because of the evil designs of avaricious traders. The average price of wheat, which had been 3s. 9d. a bushel in 1913, was 4s. 1d. in 1914, 5s. 7d. in 1915, 4s. 10d. in 1916, 4s. 9d. in 1917, 4s. 9d. in 1918, and 5s. 1d. in 1919. The price of flour was 173s. 9d. a ton in 1913, 178s. 1d. in 1914, 235s. 1d. in 1915, 226s. 9d. in 1916, 215s. in 1917, 215s. in 1918, and 221s. 9d. in 1919. The weekly wages of men engaged in the baking trade ranged from 42s. to 84s. in 1915, from 45s. to 84s. in 1917, from 50s. to 92s. in 1918, and from 55s. to 92s. in 1919. The wages of men engaged in the various branches of the milling trade rose in similar proportions. The wheat farmers of Australia were fortunate in securing excellent prices for their produce, and the workmen concerned with milling and baking were justifiably paid the higher rates necessitated by the fall in the value—that is, the purchasing power—of money during the war years; but the consequent increase in the cost of producing bread did not convert those who sold bread into traitors who were prepared to starve the families of the soldiers serving at the front.

Bread and flour were not, however, the only food-stuffs about which questions were raised in Parliament. A wide range of the necessaries of life, and of things which contribute to its amenities, incurred enquiry by the representatives of the people. There was a disposition to attribute all rises in prices to "profiteering," and to disregard the fall in the purchasing power of money, the rise in wages, and, in some instances, scarcity. The prices of the following articles therefore, extensive in scope and as various in values, came under parliamentary scrutiny during the war period: apples,

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4 *Parliamentary Debates, Vol LXXVII, p. 3632.*

5 The figures are taken from the Labour Bulletins for the years mentioned.
bread, boots and shoes, butter, second-hand bags, bacon, cornsacks, cement, coffins, coal, cotton goods, sewing cotton, chaff, cream, drapery, eggs, firewood, fertilisers, flour, fish, flannel, galvanised iron, gloves, groceries, hats, honey, hay, ironmongery, jams, lard, leather, linen, matches, milk, meat, methylated spirit, kerosene, onions, oats, oatmeal, olive oil, petrol, potatoes, phosphorus, rice, rabbits, sago, caustic soda, salt, sugar, timber, tea, tin, tobacco, vegetables, woollens, wire netting, and fencing wire. In addition, the prices of the following articles were at various times the subject of complaint in newspapers, or were investigated by the Prices Adjustment Board: arrowroot, arsenic, biscuits, bricks and tiles, brown coal, cream of tartar, cocoa, coke, flax, broken glass, glass bottles, glue, glucose, linseed oil, pineapples, shellac, soap, syrup and treacle, sulphate of ammonia, soda bicarbonate, tallow, tar, and white lead.

II

The control of prices was one of the matters dealt with at the conference of State and Federal ministers called by the Cook Government shortly after the outbreak of war, and both the Federal and most of the State Governments took action with a view to such control. The Federal Government on the 31st of August, 1914, appointed the already mentioned Royal Commission to enquire into and report upon "the supply of food-stuffs and other necessaries of life required by and available for the people of Australia during the war," and the amounts available, or likely to be available, for export. The Commissioners were Mr. Alfred Deakin; Mr. Dugald Thomson, formerly a member of Parliament and minister, a man of large commercial experience; and the Commonwealth Statistician, Mr. Knibbs. The commission reported on October 30th, after the Fisher Government had come into office, having in the meantime held 36 meetings and examined a number of witnesses. It had also made a number of recommendations to the Government. But the commission had no

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* See Chapter I, p. 27.
* See Chapter XIV, p. 519.

executive capacity. It could recommend, but the decision as to what action, if any, should be taken upon any recommendation rested entirely with the Government. The War Precautions Act was not passed till the 29th of October, 1914, and that act did not confer any powers upon the commission. It was no part of the function of the commission to fix prices, nor was it clear at that time that the Commonwealth Government had power to fix them. The powers of the commission were exclusively confined to enquiring and making recommendations; and criticisms which were made on the ground that it had not initiated price-fixing disregarded the limited degree of authority which it was capable of exercising.

The new Fisher Government came to the conclusion that the commission was not fulfilling the purposes which the needs of the time required. Mr. Tudor, the Minister for Trade and Customs, in reply to a member of the House of Representatives, complained that "they sat for some months and did nothing," and the acting Minister for External Affairs, Mr. Mahon, wrote to Mr. Deakin (October 21st) that "in view of the information available to the Government through departmental channels, Ministers consider that further investigations by your Commission are not at present necessary." After further correspondence, Mr. Mahon informed Mr. Deakin (November 18th) that "the desire is that the Commission shall at once terminate." The Commonwealth Gazette of December 5th contained a proclamation notifying that the members of the commission had resigned on November 20th.10

There was doubt in the minds of some members of the Fisher Government whether the Commonwealth had power to regulate prices. The Minister for Trade and Customs, in reply to a member who urged action, said, "In my opinion, under the Constitution as it now stands, we cannot do all the honourable member says we can."11 Eminent constitutional authorities outside Parliament shared that opinion. But the Attorney-General, Mr. Hughes, brushed aside these

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10 The report of the commission, and the correspondence between Mr. Deakin and Mr. Mahon, are printed in the Commonwealth Parliamentary Papers, 1914-17, Vol. V, pp. 143-192.
11 Parliamentary Debates, LXXVII, p. 3660.
objections with the declaration that "the defence powers of the Commonwealth were most elastic; he would be a bold man indeed who would set a limit to them, especially at such a juncture as this." The Cabinet came to the conclusion that the War Precautions Act was sufficiently wide to enable the Commonwealth to establish machinery for price fixing, and, by the War Precautions Prices Adjustment Regulation, proclaimed on 24th March, 1916, a Commonwealth Prices Adjustment Board of five members was established. The board was clothed with power to take evidence on oath, to require the production of documents, books, and papers, and to enter upon any premises and inspect any documents, books, papers, or any stocks of flour or bread. The Governor-General might on the recommendation of the board determine the maximum prices which might be charged for flour or bread sold in any proclaimed area, and the conditions under which such commodities should be sold, and any person who in a proclaimed area sold or offered for sale flour or bread at a greater price than the maximum price fixed, should be guilty of an offence. The areas proclaimed under the regulations were those within certain distances from the general post offices in Sydney, Newcastle, Melbourne, Brisbane, Adelaide, Perth, Hobart, and Launceston. The members of the board, appointed as from 27th March, 1916, were Mr. J. H. Catts, M.P. (chairman), Senator J. Barnes, Mr. W. M. Fleming, M.P., Mr. H. Sinclair, M.P., and Mr. G. E. Yates, M.P. Whereas the personnel of the previous commission had been selected for the more or less scientific investigation of the subject, it was noted at the time that the new board was purely political; and some protest was raised against the regulation of buying and selling being entrusted to a body so composed.

Meanwhile action had been attempted in several States. At the conference held in Melbourne in August, 1914, it had

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been agreed that uniform legislation should be passed by the State parliaments for the purpose of controlling the prices of food-stuffs. Bills were accordingly introduced in all States. But they were amended to such an extent that the principle of uniformity was destroyed. In Victoria the Legislative Council adopted an amendment which would have made the working of the Prices of Goods Bill difficult if not impossible. The Legislative Assembly refused to accept the amendment. The bill was twice returned to the Council, which after a month of controversy did not insist upon its amendment. In Tasmania the Legislative Council rejected the Control of Necessaries of Life Bill and the Food-stuffs Commission Bill, and no legislation was passed in that State. In Queensland, under the Control of Trade Act, prices were fixed for bread, groceries, meat, patent medicines, and tobacco; but after a few months the regulated price lists were rescinded on the ground that trade might be permitted to pursue its normal course, and that there was no reason for thinking that stocks were being accumulated for the purpose of raising prices. In South Australia the commission appointed under the Prices Regulation Act concluded, after investigation, that no case had been made out for official interference with the ordinary processes of trade. In Victoria the Minister of Agriculture, Mr. Hagelthorn, pointed out that after a trial of the experiment of price fixing the ministry came to the conclusion "that it was too dangerous to deal with any considerable number of commodities," and that "price-fixing was unnecessary." After a few months all the State acts, though not repealed, were practically moribund. The matter of price fixing was left to the Federal Prices Adjustment Board. A critical observer of the State legislation commented:

Though the Acts have not been productive in so far as the actual fixing of prices is concerned, it is commonly believed that their general moral effect in restraining exploitation has been substantial. This view is to some extent borne out by the fact that, on the average, prices of food and groceries have not advanced in Australia to nearly so great an extent as in other countries, although the gravity of the situation has been accentuated in this country by one of the most severe droughts ever experienced. On the other hand the opinion of many competent observers is that the whole effect of the regulation of prices, as carried out by a set of different uncoordinated authorities, has been pernicious,

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inasmuch as it has prevented operations in the world's markets to secure supplies for Australia at an early stage when prices were comparatively low.\textsuperscript{16}

The Prices Adjustment Board functioned from the 28th of March to the 10th of August, 1916, when, as a member (Mr. Sinclair) alleged, it was "rather ruthlessly booted out of existence."\textsuperscript{17} It claimed to have been a diligent body, having held 65 meetings, made 45 recommendations for price fixing to the Government, enquired into 3,000 bakery businesses and 300 flour mills, fixed prices at 3,150 centres, and dealt with 2,500 police reports. One of its officers calculated that it had saved the people £803,782 by fixing the prices of bread, flour, bran, and pollard. But details were not furnished as to how this figure was determined, nor was account taken of the expenditure in travelling and other incidental expenses, and the cost of its "capable and expensive staff."\textsuperscript{18} In one instance the board made the mistake of fixing the price of bread higher than the price actually charged by bakers. This occurred at Hobart and Launceston. When attention was directed to the fact, the chairman replied that the fault lay with the consumers of bread in those towns. They had been invited by advertisement to attend and give evidence, but did not. "If," he said, "prices are fixed on evidence which does not fairly represent the local facts, the consumers are partly responsible."\textsuperscript{19} On the other hand, the case showed that the local bakers without official compulsion were charging a lower price for bread than the Prices Adjustment Board deemed fair and reasonable; and the consumers did not make complaint to the board because they had no complaint to make.

"Ruthlessly booted out of existence" is a somewhat violent description of what occurred. The board, in fact, resigned because its members concluded that they had been virtually superseded by the action of the Commonwealth Government in establishing a new authority, which came to be known as the Necessary Commodities Commission. On the 20th of July, 1916, the Government appointed the following persons commissioners to fix prices for the States to which

\textsuperscript{16} The Round Table, June, 1915, p. 685.
\textsuperscript{17} Parliamentary Debates, LXXXIII, p. 2474.
\textsuperscript{18} Mr. Sinclair's phrase, The Argus, 26 Aug., 1916.
\textsuperscript{19} The Argus, 14 July, 1916.
they were allotted, namely: New South Wales, Mr. V. Ackerman; Victoria, Mr. W. H. Clarke; Queensland, Mr. R. Sumner; South Australia, Mr. D. R. Davidson; Tasmania, Mr. G. F. Martin; Western Australia, Mr. G. Rae. On October 23rd Mr. R. J. Evans was appointed a commissioner for the Northern Territory, and on December 8th Mr. Reuben Ovington was appointed an additional commissioner for Victoria, Mr. Clarke acting as Chief Prices Commissioner. Power was given to these commissioners to fix the prices of "food-stuffs, necessary commodities, and services." Food-stuffs were defined as "any goods declared by the Minister by notice in the Gazette to be foodstuffs for the purposes of these Regulations." Necessary commodities were defined as "goods declared by the Minister by notice in the Gazette to be necessary commodities." Services were defined as "transport services declared by the Minister by notice in the Gazette to be services."

Upon the appointment of this commission the Prices Adjustment Board held a special meeting, and, on August 10th, handed in its resignation, which was at once accepted. The Government had not formally asked for the resignation, but, inasmuch as it had requested the board to endorse whatever

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20 V. Ackerman, Esq. Prices Commissioner, N. S. Wales, 1916/18. Barrister and solicitor; of Sydney and Hill End, N.S.W.; b. Cook's River, N.S.W., 3 Nov., 1875. (Mr. Ackerman resigned in 1918 and was succeeded as Prices Commissioner by Mr. R. W. King.)


27 Mr. Clarke subsequently resigned, his place being taken on 6 Sept., 1917, by Mr. Percy Whitton.

recommendations might be made by the commissioners, the board reasonably considered that it no longer had any functions to perform. "Our resignations took place," said Mr. Catts, "because the Government issued regulations making it absolutely impossible for our work to be carried on."

The previously doubtful question whether the Government had the power under the Commonwealth constitution to fix prices was determined by the High Court in the case Farey v. Burvett. W. A. Farey was a baker carrying on business in Glenferrie-road, Hawthorn, a suburb of Melbourne within the proclaimed ten-mile radius of the general post office. A. S. Burvett was an inspector in the Commonwealth service. The fixed price of bread when two loaves were bought at Farey's shop, on 20th April, 1916, was 6½d. for a 4-lb. loaf, or 3¾d. for a 2-lb. one; but the order provided that "when 4-lb. or over of bread are purchased at the same time, the selling price shall be based on that of a 4-lb. loaf." It would therefore have been easy for Farey or any other baker to obtain 7d. for 4 lb. of bread by the simple process of declining to sell 4 lb. at one time, requiring the customer to buy a 2-lb. loaf, go out of the shop, and return in a few moments for the second 2-lb. loaf. But Farey did not resort to this or any other technical device. He desired to test the constitutional right of the Commonwealth Government. Consequently his counsel did not dispute the facts, but challenged the authority. The police magistrate who heard the evidence in the court of first instance confessed that he had grave doubts, but resolved to inflict a fine, knowing that, whatever way he decided, an appeal would be made to the High Court. That court, by a majority decision (Chief Justice Griffith and Justices Barton, Isaacs, Higgins and Powers being of opinion that Farey's appeal should be

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20 Mr. Sinclair's statement. The Argus, 28 Aug., published extracts from a memorandum which had been presented to the Government by the chairman of the board, explaining its point of view.

21 Parliamentary Debates, LXXXVII, p. 855.


dismissed; Justices Gavan Duffy and Rich dissenting) held that the sections of the Constitution upon which the War Precautions Act was based, included the power, during a state of war, to fix within the limits of locality the highest price which, during the continuance of the war, might be charged for bread.

The ground of the decision substantially was that the power to make laws with respect to defence covers everything which may contribute to victory in war; that the responsibility for defence policy lies not with the court, but with the parliament and the executive, and the court will not ask: "Is this wise? Is this necessary?" Those are, according to this judgment, political questions. Unless it can be shown that the Commonwealth act—or a regulation made under it—which is challenged, cannot possibly affect the result of the war, the court will not interfere. In the particular case, the court was not prepared to hold that the price of bread might not have social and psychological reactions which might affect the result of the war, and accordingly upheld the regulation fixing the price.

This wide interpretation of the defence power gave the Government confidence that it had a free hand, during the war, so far as constitutional power went, in the regulation of social, commercial, and industrial conditions. The confidence was justified; despite the wide scope of the War Precautions Regulations, none of them was ever held by the court to be invalid.

The Federal Government now confidently gave authority to the Necessary Commodities Commission to fix the prices of "food-stuffs, necessary commodities and services;" and the new commission set about its task of fighting the rise of prices with the vigour and zeal of a St. George doing battle with the dragon. The Commonwealth Gazette swelled with proclamations adding fresh articles to the list of goods, and the prices fixed for them, which came under the watchful eye of authority. Notices such as the ensuing imparted an unwonted fragrance and flavour to the ordinarily vapid pages: "The following shall be a food-stuff for the purposes of the

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War Precautions (Prices) Regulations, namely, Lemon Peel.” As Christmas approached, plum puddings steamed their spice-laden aroma into the Gazette. But all the efforts of the commissioners could not prevent the pot from boiling over. Plum puddings rose; they refused to be frowned down. The Gazette of September 27th proclaimed that the maximum price which might be charged for plum puddings in the proclaimed area comprising the County of Cumberland and the County of Northumberland, in New South Wales, should be at the rate of 1s. 3\(\frac{1}{2}\)d. per pound net, retail. But a month later, October 25th, the Gazette signified that plum puddings could be sold for 1s. 4d. per pound; and that continued to be the price till after the season when it is the special privilege of plum puddings to play havoc with weak digestions.

It was sometimes complained that the commissioners showed an aggressive fondness for the principle of the adage, “Take care of the pence and the pounds will take care of themselves.” During the period when Mr. Massy Greene was Acting Minister for Trade and Customs, with the additional title of Minister in Charge of Price Fixing, he was criticised in Parliament for refusing to sanction the prosecution of traders who, it was alleged, had charged a halfpenny too much for specified articles. Prosecutions, he said, had been recommended “for the most trifling breaches of the regulations. The amount in question was frequently 1d., but more often 1\(\frac{1}{2}\)d.;” and he admitted that he had issued instructions that prosecutions were not to take place on such trifling grounds.\(^8\) Another instance related to a regulation gazetted for fixing the price of a certain infants’ food. The wholesale price was fixed at so much per dozen tins. A trader was called upon to deliver a number of broken packages. He followed the usual custom of the trade in adding a small percentage per tin for a broken package. A prosecution was recommended, which the Minister refused to sanction, as it was within his knowledge that the custom of the trade had been followed, and the regulation did not contemplate the breaking of wholesale packages.

Any thoughtful critic, however, will realise that there was great difficulty in avoiding some such incidents. If the

\(^8\) Parliamentary Debates, LXXXVII. p. 8442.
commissioners overlooked deliberate breaches of the regulations, where a penny or a half-penny was overcharged, where were they to draw the line? Their method was to warn a trader who had overcharged, and, provided that he observed the regulations thereafter, no action was taken. On the other hand it was contended by the suburban shopkeepers, against whom most of the charges were made, that the prices fixed by authority left them with too small a margin of profit for the conduct of business. In some instances it paid a shopkeeper to run the risk of a fine rather than to continue to sell at a price which was not remunerative. Instances were mentioned in Parliament of traders in Sydney suburbs whose prices had increased since the official price lists were proclaimed; and the same might have been said of other capital cities and large provincial towns. In principle, the price fixing experiment was akin to the "Law of the Maximum" enforced during the period of Robespierre's dictatorship in the French Revolution; but, whereas in Paris in 1794 the guillotine made short shrift of some thousands of persons who offended by charging more for goods than the fixed schedule permitted, suburban police courts in Australia inflicted fines for charges in excess of the prices prescribed by the Australian price fixing commissioners. Some public men thought that the penalties were not sufficiently severe. A member of parliament related that he had travelled in the train to Queensland with three or four much perturbed graziers, who said that they would be ruined if the Government fixed the price of meat at that time. "They wanted a little time to get out of the obligations they had contracted." The narrator said that "I told them that if it rested with me I would give them four or five years to consider the matter in a place where they would not be disturbed. That did not console them very much."

The general policy of the commissioners has been stated by one of them as follows: "They were men who knew perfectly well that during the war and for some time subsequently prices were certain to be on the rise, and the only

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77 Out of 14,000 persons condemned to death in Paris in 1794, 7,545 were peasants, artisans and shopkeepers. (Pierre Gaxotte, La Revolution Francaise, Vol. II, p. 128.)
78 Parliamentary Debates, LXXXV, p. 5746.
thing they could do was to see that *profits*, as distinct from *prices* were not unduly high . . . . . That the existence of such a commission acted as a check on those who may have been inclined to take advantage of the disturbed state of the markets, there can be no doubt." With this very moderate claim probably few students will disagree.

The commissioners were also responsible for advising the ministry concerning the need for embargoes on scarce commodities; for the purchase and distribution of cornsacks for the farmers in 1918, when it appeared likely that they would be unobtainable through the usual channels; and for the purchase of rabbit skins for the British Government in the same year. Both the latter operations were conducted on the basis of prices which were estimated as being fair, but a profit resulted to the government—£250,000 on the rabbit skins, and £17,500 on the cornsacks. "We were criticised as profiteers," said one of the commissioners afterwards. "Doubtless, if we had shown a loss, we should have been criticised as inefficient."

III

One important food-stuff which did not come under the control of the price fixing commissioners was sugar. This industry constituted a problem apart, being supported both in peace and war by the Federal Government as a means of populating a large part of the tropical east coast lands with Australians and Europeans. Any cost involved has always been shouldered mainly from considerations of defence. Prior to 1915 the industry was protected by a duty on imports; its control had been virtually in the hands of the Colonial Sugar Refining Company Limited, and the production of raw sugar was kept within the requirements of local consumption. The deficiency, which occurred in most years, was covered by the importation of raw sugar. The wholesale price was fixed by the company, and based on the world's market values. In 1914 and early in 1915 the raw-sugar producing mills received £15 1s. 9d. per ton of raw sugar.

The devastation caused by war in beet sugar producing areas on the continent of Europe resulted in reduction of output, and a sharp rise in price in the world's markets. In order to prevent sugar from being exported from Australia
with a view of gaining advantage from the high price overseas, an embargo was imposed by the Commonwealth Government upon its export, the import of sugar also being prohibited; and the Commonwealth Government assumed full control of the industry, this control including the purchase of raw sugar, its transport to the refineries, its manufacture into refined products, and the sale of the refined products. Thus the Australian producer was prohibited from obtaining the high prices available in world markets, and the Federal Government determined the price to be paid to the millowners for their output of raw sugar and the prices at which refined products were to be made available to the trade. The prices paid by the Commonwealth Government for raw sugar were as follows:

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<td>1917-1918-1919</td>
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The assumption of control was effected by an agreement between the Commonwealth and Queensland Governments, whereby the Queensland Government first acquired the Queensland raw sugar, and then sold it to the Commonwealth Government at the agreed price. The principal objects of the Commonwealth control were:

(a) to ensure adequate supplies of sugar to all Australian consumers during the war period by preventing the Australian sugar producers from exporting their sugar so as to profit by the increasingly higher prices obtaining in other countries;

(b) to protect Australian consumers from possible price exploitation by the local producers on account of rising values occasioned by the war;

(c) to protect those engaged in the sugar industry from the operations of food prices boards.

The refining companies by agreement with the Commonwealth Government carried out the handling of raw sugar and the distribution of refined supplies.89

After the war period prices overseas rose further and rapidly, and the Queensland producer in 1920, 1921 and 1922 received £30 6s. 8d. per ton for his raw product. In May, 1920, the price of raw sugar in the world's markets reached £146 per ton, but by December there was a rapid fall to £25

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89 On the Commonwealth's side the operation of the agreement was supervised by a Sugar Controller, Colonel W. J. N. Oldershaw, C.B.E., V.D., until 1923, and afterwards by a Sugar Board and by the Customs Department. (Colonel Oldershaw, who died on 13 Oct., 1926, was of Melbourne)
per ton. A condition made by Mr. Hughes, when fixing the price at £30 6s. 8d. for the years 1920, 1921 and 1922, was that the industry should produce sufficient sugar for Australia's requirements. The immediate result of these factors added to the tariff-preference given by the British Government to sugar grown within the Empire was that production outdistanced consumption, and large quantities of sugar—in some years nearly half the product—have since been exported at the world's market price which is now much below the Australian price.

In 1923 the Commonwealth Government passed over the arrangements for the purchase and handling of the raw sugar and the responsibility for the distribution of refined supplies to the Queensland Government, who in turn entered into agreements with the refining companies to act as its agents in these activities, and similar arrangements still obtain. The system of control is of particular interest, the whole industry being regulated, from cane fields to consumer, the rates for labour and transport, as well as the prices to growers, refiners, and consumers, being fixed by statutory authority.

IV

The Inter-State Commission was brought into existence in 1913 under section 101 of the Commonwealth Constitution, which provided that:

There shall be an Inter-State Commission, with such powers of adjudication and administration as the Parliament deems necessary for the execution and maintenance, within the Commonwealth, of the provisions of this Constitution relating to trade and commerce, and of all laws made thereunder.

The commission consisted of Mr. A. B. Piddington,40 (chief commissioner), Mr. George Swinburne, and Mr. Nicholas Lockyer.41 Section 92 of the Constitution provided that trade and commerce among the States, whether by means of internal carriage or ocean navigation, "shall be absolutely free."


In December, 1914, the Parliament of New South Wales passed the Wheat Acquisition Act, which, in view of a drought which had prevailed in a large part of the State, and the expected shortage of a major food material, empowered "His Majesty"—i.e., the Government—to acquire any wheat grown in New South Wales, and to pay for it at a price fixed by the Government. The price which the Government determined to pay was 5s. per bushel. The drought had not seriously affected one part of the State, Riverina, where there was a fairly good harvest. The market price for wheat in Victoria, shortly after the passing of the act, was 5s. 6d. per bushel. Riverina farmers protested that the Government was robbing them of the true value of their product. Angry meetings were held in nearly all the towns in the wheat-growing areas of the State. Funds were raised by subscription to bring the case before the Inter-State Commission, which, it was believed, had power to prohibit the New South Wales Government from contravening the constitutional requirement that trade and commerce between the States should be "absolutely free." The tone of the resolutions passed by the meetings of farmers may be gauged from that unanimously adopted at Molong on the 14th of January, 1915:

That this meeting of wheat-growers strongly protests against the Government's action in seizing the wheat, the product of our labour, at a price less than its market value, such course being, in our opinion, deliberate premeditated robbery.42

Several calculations were made as to the loss to the wheat growers entailed by the act of the Government. Mr. Patten, M.P., at a meeting at Albury, said that the difference between Government price and the legitimate market price in Australia of the wheat represented a loss of £750,000.43 Another calculation, based upon a difference of 1s. 6d. a bushel for 14,000,000 bushels, estimated the loss at £1,000,000.44 Strange incidents occurred. A small group of farmers on the Glen Innes road, about 25 miles from Inverell, had been in the habit of selling their wheat every year to the mill at Glen Innes. One morning in January, 1915, a farmer

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42 The Sydney Morning Herald, 19 Jan., 1915. A large number of similar resolutions were passed at meetings reported in the same journal during Dec., 1914, and Jan. and Feb., 1915.
43 The Sydney Morning Herald, 28 Jan., 1915.
44 Ibid., 2 Dec., 1914.
who wanted money immediately, sent his son with a load of wheat to deliver it to the mill and bring back the cash. A sergeant of police stopped the boy and told him that he would not be allowed to sell the wheat at Glen Innes as his father's farm was in the Inverell district. The boy was compelled to return home with the wheat and without the money. A Riverina farmer had contracted with a Victorian miller to sell his wheat for 6s. 3d. a bushel. He was not permitted to carry out the contract, but was ordered to sell the wheat to the Government at 5s., and cart it to a railway siding 25 miles away. Another waggon-load of Riverina wheat was crossing a bridge over the Murray. A policeman stopped the waggon, turned it back, and impounded the wheat. Some growers evaded the vigilance of the New South Wales police by conveying wheat across the river in boats at night. The angry farmers sent a deputation to Melbourne to bring pressure to bear upon the Commonwealth Government. The Attorney-General, Mr. Hughes, pinned his faith to the section of the Constitution which guaranteed that trade and commerce between States should be free. But evidently a doubt flashed across his mind when, during a debate in the House of Representatives on the vexed question, he interrupted the indignant oratory of a farmers' representative with the query: "Do you contend that it is beyond the power of a State to do what the New South Wales Government has done?"

There was, indeed, a clash of principles. True, the Constitution required trade and commerce to be "absolutely free," but a State was sovereign within its own territory even in respect to the property of its citizens. Was that sovereignty overridden by the trade and commerce section of the Constitution, or did that section limit the sovereignty of a State?

The Inter-State Commission seemed to be the suitable body to settle the question, and to the commission, accordingly, it was remitted. On 20th January, 1915, the Commonwealth Government made formal application for an order to prohibit the New South Wales Government, and the Inspector-General of Police of that State, from preventing the exportation of wheat to other States. The commission examined a number of witnesses, and heard argument by counsel. On February

22nd it issued the order asked for by the Commonwealth. But the decision was not unanimous. The two lay commissioners, Messrs. Swinburne and Lockyer, were of opinion that the State of New South Wales had contravened the Constitution by compulsorily acquiring wheat which was the subject of contracts for interstate sale, and was in the course of interstate transport; but the legal member, Mr. Piddington, held that the State act was valid, because "the power, in case of necessity, of acquiring food for the civilian population, and seed for future cultivation, by the expropriation of private ownership, is an essential power of self-government, springing from a fundamental law of society," and because that power had not been withdrawn from the States by the Federal Constitution. 40

When, however, the case went on appeal to the High Court of Australia, the order of the Inter-State Commission was set aside on two separate grounds: first, that the order was wrong in law, because the State act did not violate the provision of Section 92 of the Constitution that "trade commerce and intercourse among the States shall be absolutely free;" and, next, that the commission had no power to make such an order, because it "is not in any relevant sense a court, and it cannot therefore exercise the powers of restraint which are vested in a court." 41

The New South Wales Wheat Acquisition Act was an instance of price fixing within a State affecting a particular commodity, and it stands alone in State legislation during the war period as exhibiting the power of a State, notwithstanding the Commonwealth Constitution, to "commandeer" the property of its citizens. The fact was not disputed that the New South Wales farmers were deprived of the opportunity of securing full market value for their wheat. It was said that the 5s. a bushel paid by the State Government for f.a.q. wheat was a good price, higher than that ruling at the time in the United States and Great Britain. That is true;

40 Commonwealth Parliamentary Papers, 1914-15, No. 69, F.5242, p. 29.
41 N.S.W. v. Commonwealth, Commonwealth Law Reports, Vol. 20, p. 54. It may be noted that the Judicial Committee of the Privy Council, in the case of James v. Cowan, 47 C.L.R. 386, dealing with another problem of restriction of interstate trade, holds that, "if the real object of arming the Minister with the power of acquisition is to enable him to place restrictions on interstate commerce," the State legislation is invalid. This is substantially the view taken by the lay commissioners and overruled by the High Court.
but, when the price of wheat rose in the United States to nearly 3 dollars a bushel in 1917, the farmers were not deprived of the benefit of the increase.\[48] Wheat production is not only subject to the erratic fluctuations of the markets, but, peculiarly in Australia, to violent, and sometimes devastating, seasonal conditions. Years of good harvests and prices balance bad harvests and prices. The action of the State Government was popular in industrial electorates, but farmers who had battled with drought in ruinous years not unnaturally felt ill-treated by what they termed “the Government grab” when the promise of recompense came.

The judgment of the High Court, by denying to the Inter-State Commission the power which it was previously believed to possess, deprived it of much of its importance. Mr. Swinburne resigned in 1917 because, as he wrote to a member of the Government, “the Commission with its powers depleted became merely a very expensive permanent enquiry board without much reason for existence, and for such I had no inclination.”\[49] But, though shorn of mandatory authority, the commission was still available for investigating problems relating to trade, commerce, and tariffs; and in August, 1917, the Commonwealth Government referred to it the following questions:

(1) Causes of the increase of prices of the staple commodities consumed by the great mass of the people;
(2) the extent to which the increased costs of raw material and of labour are responsible for higher prices.
(3) what effect, if any, the export of portion of our products oversea has upon local prices; and
(4) the extent to which the increase of prices is due to exploitation of the public through the operation of rings, combines, and manipulation of the market.

In pursuit of these enquiries the Commission produced a series of reports dealing with bread, meat, farm products, groceries, boots and shoes, fruit and vegetables, clothing, and rents.\[50] These reports, presented in a well-arranged form, precise in statement and based upon tested evidence, give the

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48 See the graph in Surface, The Grain Trade during the World War, p. 336
49 See Sugden and Eggleston’s biography, George Swinburne, pp 351-2.
best account of price fixing to be found in any documents of the period. They elucidate the problem of price increases by analysing the causes in each instance, and they show how erroneous were the views commonly expressed in political speeches and writings as to why the cost of living mounted ever higher despite official efforts to pinion the wings of prices.

V

The word "profiteer" during the war consolidated its position in the already rich vocabulary of English. There must have been something like what the word signifies in earlier times, but our forefathers never found it for it. The great *Oxford Dictionary*, ploughing its majestic way through the vast ocean of English speech, arrived at the letter "P" in 1909, but the stout volume which contains all the words commencing with that consonant does not know a "profiteer." It acquired the dignity of parliamentary usage in the Queensland "Profiteering Prevention Act of 1920," and it appears in Professor H. C. Wyld's *Universal Dictionary of the English Language*, published in 1932, with the following definition:

One who makes an exorbitant or unjustifiable profit out of a business or trade by taking advantage of a shortage of supply or of the necessities of consumers.

Profiteers, during the war, were persons who were supposed to have made such inordinate profits; and the newborn word, appearing first in English speech, soon found acceptance in Australia. Doubtless it was employed by newspapers before it shone in parliamentary debates, where, indeed, it was late in making an appearance. The earlier discussions on price fixing were conducted without the assistance of the new word; and the first use of it that has been observed in the Commonwealth parliamentary reports occurs in a speech by Mr. Heitmann, the member for Kalgoorlie, on the 17th of April, 1918, when he urged the Government "to give more attention to the prevention of profiteering." Thenceforth it was a popular feature in public speeches and writings, and "profiteering," as a fresh form of heinousness, was denounced in innumerable orations.

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82 Parliamentary Debates, LXXXIV, 3 3994
The reports of the Inter-State Commission do not support the conclusion, at which many speakers and writers arrived, that there was "profiteering" on a large scale, or much of it at all, in Australia during the war. Different causes are attributed by the commission for increases of the prices of different commodities. Thus, butter prices increased owing to drought and a rise in wages for production, marketing, and distribution; but, said the commission, "there is no exploitation." Cheese increased in price as the result of the increased cost of dairy cows, labour, and plant; but "there is no combination or manipulation of market in the industry, nor any exploitation of the public." Boots and shoes increased in price owing to the increased cost of hides, leather, and accessories; but, although there were boot manufacturers' associations in the trade, "there is no evidence that the increase in prices is due to any formal combined action on the part of these associations." The cause of the increased price of bread was found in 1917 to be "due chiefly to the rise in the price of flour; hardly at all to increases in wages or other material of the baking trade." As to meat, the commission was satisfied that, except in New South Wales, the supply was not under the control of any association or combine, either in regard to the supply of stock on the hoof for market, or amongst wholesale buyers of stock, or amongst wholesale or retail butchers. In New South Wales there did exist a combination of wholesalers on whose operations in controlling the market, tending to increase prices, the commission commented severely. Elsewhere the chief causes of the rise in the price of meat were "the heavy losses of stock during the drought of 1914-15, and the consequent shortage of cattle and sheep;" the operation of a meat embargo in Queensland; and the increased cost of production, which graziers and farmers had to sustain. Under the Queensland Meat Supply for Imperial Uses Act, 1914, passed at the instance of the Imperial Government at the outbreak of the war, the whole of the stock in Queensland was declared to be held by the State Government, and could be from time to time acquired; and

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53 In reports dated 9 Feb., 1918, however, the Commission says, in regard to Sydney and Brisbane: "Increased cost of flour, increases in wages, and the introduction of day baking, account for the price of bread being higher now than before the war."
by a subsequent arrangement the Queensland Government agreed to sell the whole exportable surplus of meat at an agreed price. The result was that other States were deprived of their normal supply of meat from Queensland, and the shortage necessarily affected prices. Again, as to bacon, the commission found that the increased price was due to the higher cost of pigs; but "there is no evidence of exploitation." As to groceries, the principal cause of increased prices was the increase in the cost of materials.

In none of these instances, except that of the wholesale butchers in New South Wales, did the Inter-State Commission, after exhaustive enquiry, find that there was anything like "profiteering." The increased cost of clothing, however, was found to be "directly attributable to the war and to the fact that local manufacturers, wholesale and retail distributors, have to a large extent taken advantage of abnormal conditions for the purpose of increasing their profits." In this trade certain other facts contributed to the increase, such as cessation or limitation of supply of piece goods, scarcity of raw materials, restriction of shipping facilities, increased freight, insurance and exchange, increased customs duties, and "increased prices charged and excessive profits made by Australian manufacturers of woollen piece goods." While pointing to these causes, the commission added that "there is no evidence of the existence of any combination of manufacturers or distributors for the purpose of fixing prices or manipulating the market."

A doubt was likewise expressed as to a section of the trade in fruit and vegetables. While there was no evidence of the existence of combines which caused prices to rise, either in regard to fruit or vegetables, in New South Wales again, which drew its supplies of potatoes and onions largely from other States, there was "evidence of fixation of prices by a body of merchants," and, although the precise effect of their operations could not be stated, "there is no doubt that they often cause prices to be needlessly high."

Rents were investigated by the Inter-State Commission in Sydney, Melbourne, and Brisbane. In Sydney the evidence showed that rents "had not sensibly risen in the city since 1914." In Melbourne, "in spite of the competition for
houses,” increases in rent were “neither so numerous nor so great as might have been expected.” In Brisbane, “there were no complaints made by any witness that rents had gone up or were unreasonable.” Generally it appeared that rents had risen from 10 to 15 per cent., “but, while some individual instances of oppressive action were brought under notice, there was also evidence that in many cases no increases have been demanded.”

A feature of the evidence affecting all products is that it affords no indication that tradesmen—in order to meet complaints of rising prices and in view of their own inability to carry on business at former rates—resorted to the device of adulteration. The newspapers reported a few instances of dairymen being prosecuted for watering milk, but scarcely more than might have been found at other times. Price fixing in other countries has been undoubtedly accompanied by general adulteration, and there was a range of commodities in which it might perhaps have been expected that harassed tradesmen would feel driven to lowering quality. The confectioner who could not, if he wished, save ½d. a pound on the cost of producing plum pudding, would have exhibited inferior fertility of resource. But there is every reason to believe that the Australian producers and tradesmen treated their customers honestly, and that, in spite of many loose accusations, no general charge of adulteration, where it was possible, any more than of “profiteering,” can be sustained against them.

It was sometimes alleged that the denunciation of “profiteering” was no better than a political manœuvre. Opposition members, said a speaker in the House of Representatives, had begun a campaign which was “nothing but a party game, to make the most of existing conditions.” But the sincerity of the feeling about rising prices admits of little doubt; the trouble was that the true cause was in hardly any instance recognised or indicated. Making due allowance for particular causes in regard to particular commodities, and for the existence of certain combinations tending to increase prices in New South Wales, as shown by the reports of the Inter State Commission, the general and dominant cause of the rise of prices in Australia during the war was not wilful and

64 Parliamentary Debates, LXXXVIII, p. 10629.
unpatriotic action by traders, or nefarious operations of combines and trade agreements. It occurred because the inflation of the currency depreciated the purchasing power of money. Before the war, people had become accustomed to a fairly stable currency; not entirely stable, since the value of money has never at any time in any country been rigidly fixed. But, during the war, money was suddenly and largely depreciated in value, and the consequences thereof were misunderstood. Money is the measuring rod by which the market value of commodities is determined. If the measuring rod by which cloth was sold had been increased so that the yard-stick was extended from 36 inches to 50, it would have been recognised at once that the dealer in cloth could not sell 50 inches of cloth for the same price as he had sold 36. But, although the money measuring-rod was increased in length, the trader was expected to sell his goods at the same price as before, and increases were bitterly denounced as "profiteering." The Commonwealth Government, like other governments, used the note issue as part of the machinery for expanding credit, in order to finance the war and the ordinary processes of administration. The note issue was increased from £9,573,738 in June, 1914, to £32,128,302 in June, 1915, £44,609,546 in June, 1916, £47,201,564 in June, 1917, £52,535,959 in June, 1918, and £55,567,423 in June, 1919. The consequence was, as stated by Professor D. B. Copland, that "this expansion of the currency largely explains the great increase in prices in Australia during the war. In a word, the methods of war finance produced a serious inflation of the currency, leading to increases in prices." An economist quotes the remark made by Dr. Johnson when he was informed that in Skye twenty eggs might be bought for a penny: "Sir, I do not gather from this that eggs are plenty in your miserable island, but that pence are few." If the pence in Skye had been multiplied sixfold, eggs would have increased in price, and perhaps the islanders would have appointed a prices adjustment board; which, however, would not have been able to prevent eggs from becoming dearer, any more than prices in Australia were prevented from rising in the period 1914-1919.

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58 D. B. Copland, Esq., C.M.G. Professor of Commerce, and Dean of the Faculty, University of Melbourne, since 1924. Of Canterbury, Vic.; b. Timaru, N.Z., 24 Feb., 1894.

59 Copland, Currency and Prices in Australia, p. 14