

The Advertiser  
August 10/8/14

## SAVING AND SPENDING.

SOME INTERESTING FACTS.

### LECTURE BY PROFESSOR GONNER.

No part of the great theme of economics could appeal to the masses more strongly than that dealing with saving and spending, and no one is more qualified to express authoritative views on the subject than Professor E. C. K. Gonner, M.A., president of the Economics and Statistics Section of the British Association, and professor of political economy in the University of Liverpool. The Town Hall was crowded on Sunday evening to hear Professor Gonner give his promised lecture, which was delivered under the auspices of the Workers' Educational Association, recently formed in the city. While the hall was filling Mr. W. R. Knox (city organist) played patriotic and other music. The building presented an attractive appearance, the walls being hung with flags and decorated with wattle. Mr. T. Ryan (president of the South Australian council of the Workers' Educational Association) presided, and the audience included the Governor, Lady Galway, and Miss D'Erlanger, Sir Oliver Lodge (the retiring president), Professor Bateson (president-elect), Lady Lodge, Mrs. Bateson, the Hon. G. J. Mulholland (the Governor's private secretary), and Miss Macauley.

Professor Gonner said he never anticipated that one would be confronted in South Australia with the grave financial problems which beset the use of wealth. It was usual to draw contrasts between those who saved and those who spent, sometimes to the disadvantage of both. It did not always follow that a man who spent freely did good to the community. They could not have a better instance of unprofitable expenditure than they had at the present time in war. (Cheers.) It was wasteful, quite independent of the suffering produced by war itself. In praising the lavish



Professor E. C. K. Gonner.

man they sometimes overlooked the nature of the expenditure, and failed to discriminate between productive and non-productive expenditure. A saving person deserved the title of prudent, but they need not go further and call him virtuous. Thrift might and did, benefit a community, but a person who practised thrift did so for his



own advantage. The man who saved was saving in view of needs of his own, and not the needs of the community. (Applause.) There was some reason for the contradictory estimates formed of different people—of those who saved and those who spent. An Australian said to him, "One of the great things to remember in Australia is that we do know a good deal about spending, but we know less about saving." That was the same all over the world, because it was an immediate action, while saving had as its object something deferred or postponed. Speaking roughly, spending was a gratification of present needs and desires. Saving was much more difficult to define, because it had differed with the progress of the ages. Saving was sometimes spoken of as abstinence, but it should be remembered that the person who saved abstained in the present so that he should not abstain in the future. (Laughter.) They could not eat their cake and keep it. Saving meant only present abstinence.

### The Origin of Saving.

The origin of saving was so far back in prehistoric times that it was impossible to speak of it with authority. How did primitive man conceive the idea of an economic future which would hold needs which would demand gratification? Tribe after tribe had been exterminated because they had not learned to make provision against the time that food could not be obtained immediately or with ease. There were various surmises regarding the origin of saving. One was that it started in a chance surplus of food and things which might satisfy demand. There were two processes of saving in early times—the production of a reserve of food, and the improving of appliances and weapons. Those two processes were absolutely distinct—one was a saving in kind and the other in quality. In modern times those two processes became closely assimilated. Why should people save at all now? It was not with a view to improve their own tools and implements, but to be able to obtain a reserve in future or in times of need. People could not save in kind. If they did they would have to build large storehouses, and half of what they saved would go bad and the rest be out of date when it was required. (Applause.)

### Modern Saving.

In modern times saving was accomplished by lending. People who placed their money in the bank allowed other people to have their power of exchange. That was why saving was profitable to the community, because it enabled the productive classes to obtain employment and machinery by the use of the savings on the whole community. As a matter of fact, the loans and investments that were made were in productive undertakings, and therefore those savings went into the conduct of the big industrial machinery, that complicated mechanism on which the well-being and satisfaction of the existing community so largely depended. Saving depended on a realisation of the risks, wants, needs, desires, and possibilities of the future. As they became more developed in their economic instincts they became anxious as to the future and its needs, though it was possible to be over-anxious. Saving had very different effects, according to the methods adopted. On the whole, people put aside for the future rather less than they should, although some people provided for a great many wants and needs which obviously could never occur. Speaking generally, the effect of saving was to place the community of the future in a better position to produce things. (Applause.)

### Capital and Labor.

The capital of a country did not consist of the money in the banks, but—apart from that human capital represented by skill and intellect—in ships, railways, factories, and so on, and by these means the future action of production was greatly facilitated. Some people spoke of saving as over-production, accompanied by an under-consumption, but he did not think so. Capital was essential to labor, and labor was essential to capital. (Cheers.) Differences might arise because capital had fallen into the control of a small number of people, while labor had been more widely diffused, and



it might be owing to that the people were able to see quite clearly the mistake of speaking of over-production as taking place when capital was accumulated. It was not over-production. They would always want as much as they could produce, and the more they produced the better would be their economic satisfaction in the present and future. He had heard it said that it was very unwise for a working man to save, because he would be willing to work for less wages than if he did not save. He did not think the working man who saved was willing to work for smaller wages, but that he was in a position to ask for higher wages, and if there was any conflict it was the people who had saved who could stick out longest. (Applause.)

#### Benefits of Insurance.

People could not save enough to provide against every possible emergency, and that was the reason why in some cases insurance was advocated instead of saving. In all communities the development of forms of insurance was very important, and the part which could be played by an enlightened State manifested itself most conspicuously in that problem. Systems of

insurance, although they might be faulty at detail, contained in them a great safeguard for need and necessities which might beset individuals by illness or old age. It was quite necessary to develop systems of insurance, and it was necessary at times that the State should undertake that development. The State could compel people to insure whether they wanted to or not. (Applause.) He did not advocate compulsion in every respect, but there were many occasions when compulsion was desirable.

#### The Economic Aspect and War.

Let them think of the effect on their present position by the saving in the past. If the industries of the Empire were stable in a time of crisis like the present, it was because of the saving which had gone on in the past. (Applause.) If the Empire could stand the great strain imposed upon it, it would be because of the attention paid to that problem in the past. When the war was over—and he was sure they would all pray that that would be soon—(applause)—the problem would become a very pressing one over the whole Empire. The Empire would have to live simply and would have to spare much. The economic losses, which were great, could be repaired, but there were other losses which could not be repaired. The economic losses could only be repaired if they were to make up their minds to live a simple, a somewhat meagre, and it might be a sparing life. Then they could, as it were, reset that great economic machinery which had been developed in the past, which they trusted would soon be working again, and progress and develop in the future. (Applause.)

For their children they were paving the way for a higher education all round. They in Australia had a high standard of comfort, and he was glad of it. A high standard of comfort raised mankind. (Cheers.) It gave an opportunity for the soul to develop. There was a wholesome poverty, if it could be called poverty. It was the degrading, grinding poverty which they had had for the past few months in the old land, which was injurious to the soul. It was not creature comforts alone that the workers desired. They realised that life was more than livelihood, and it was the richness of life in every sense that they ought to be aiming at. It was a great possession. They themselves were of far more value than their property. They themselves, their own character, was what they really could save in a permanent way. Other things they did not take with them, but their character determined their destiny. (Cheers.)