In the previous number of "Review," Mr. Kemp wrote on his broad impressions of the United States. Here, he gives an appraisal of the political and economic situation in Britain.

BRITAIN—A Political and Economic Comment

SEVERAL months have passed since I was in Britain. In that time many things have happened. The Labour Government has been dethroned and the Conservative Party returned by an uncomfortably fine margin. A financial crisis of fateful proportions has appeared. The former was expected by almost everyone. But, to all but a far-sighted few, the latter has come as a nasty shock after the rather optimistic hopes that were widely held in the early part of the year.

The Conservatives have come to power at an unenviable time to say the least. They are confronted with a financial situation which may be beyond the wit of any government to resolve successfully. As financial crisis has succeeded crisis in Britain's affairs since the end of the war, the question is being insistently asked whether the British economy, as at present constituted, can ever pay its way; whether, in an economic sense, Britain can stand on its own two feet in the new conditions of the post-war world?
IT will be difficult for the new administration to make many changes of a dramatic nature in Britain’s economic policy; although with Mr. Churchill at the helm adventurous and unorthodox measures are not improbable. The broad outlines of British policy today are dictated in the main by three inescapable facts: First, the iron truths of her precarious economic situation; second, the “cold war”; and third, the political mood and temper of the British public. Party doctrines cannot be given a free uninhibited expression but have to be modified and shaped to fit these determinative considerations.

There was, of course, more than a mild socialistic bias in the policies of the Labour administration. Much of the work of the Labour Government, it will be impossible for the Conservatives to undo. For instance, the nationalised industries! Only with steel did I find Conservative politicians and thinkers adamant that a Conservative government would follow the path of “de-nationalisation.” This attitude was not, of course, based on the view that the nationalised industries were working well; on the contrary there is widespread disappointment at the results being achieved under nationalisation. It was based simply on the view that it was impracticable to try to put the clock back. Even with government bulk-buying of basic commodities, such as cotton and meat, I found Conservative opinion to be uncertain. True, as a matter of strict party principle, the Conservatives would wish to see a return to private trading. But the advantages of such a move in a situation of general undersupply and world shortages are not altogether clear-cut.

Even in the field of taxation—which is at present far too heavy for economic health and vigour—the Conservative Government will be restricted. Britain has a large re-armament programme of £4,700 millions over the next three years to finance. She has also to finance the immense social services and the National Health Service, the latter involving a mere £400 million a year. Perhaps in the reduction of the vast food subsidies lies the greatest hope of cutting taxes (or at least of avoiding increases). This might have some economic advantages, but politically it will be extremely difficult and dangerous, and when I was in England, I found little or no suggestion that the Conservatives were contemplating this policy. It is possible, however, that the threat of financial catastrophe might compel the slashing of the subsidies. It will be difficult, too, for the Conservative Government to greatly reduce the broad structure of government control and regulation. A large part of this is made unavoidable by Britain’s precarious economic situation, which compels import licensing and exchange control. From these facts and from the needs of re-armament follow logically the rationing of consumer goods and the system of materials allocation.

The fundamental conception and structure of the welfare services are now accepted by all major sections of British opinion and I do not think the Conservative Government will attempt to alter the essential foundations of either the social services or the National Health Scheme. The National Health Scheme is capable of great improvement. It contains many serious anomalies and the administration is excessively wasteful, but the relief it provides from the financial worries of illness has been enthusiastically welcomed by the British people.

The Conservatives will, no doubt, streamline the administration of the scheme, and through this effect substantial economies, but I gained the strong impression that they would not alter the basic framework of the health service.

There is no doubt to my mind, and speaking from the strictly economic standpoint, that Britain has gone too far too fast in the provision of state-financed social benefits and that the scale of the
social services in general imposes a most serious burden on her attempts to place her economy on a paying basis. She has taken on much more than, in her present straits, she can economically afford. But here again the rather inflexible political outlook and temper of the British public provide almost insuperable obstacles to radical change. Several people said to me that many of those things that would be economically wise and desirable in Britain's present circumstances are, from a political point of view, impracticable. The political mood and ideas of the British public today are quite largely the result of fifty years of enthusiastic education and unremitting propaganda by the socialists, and private enterprise is now paying dearly for its failure over the years to push ahead with necessary internal reforms and to engage in high-quality educational programmes on a scale adequate to counter the socialists.

WHAT of the record of the Labour Government in its six years of office? On the liabilities side are the ghastly errors of the groundnuts scheme (in which unbelievable millions have been recklessly squandered) and the Argentine meat purchases. It also wasted valuable time and energy in socialistic ventures, some of which bear no relationship to the needs of Britain's pressing economic circumstances. There has been a gross over-development of bureaucracy with some appalling examples of wasteful and uneconomic administration. The Labour Government, at times, sought the easy way out by refraining from placing the hard facts of their economic plight squarely before the British people.

Against these failures, it can place at least two achievements of substantial importance. These are the maintenance of industrial peace and the holding of the wage line. It is true that the former has been to some extent due to the national good sense and responsibility of the British people and the traditional steadiness with which they have faced up to a serious situation. But it is conceded, even by people whom one would not regard as Labour sympathisers, that the marriage of industrial peace and wage stability would have been very difficult to consummate under a Conservative government. The absence of serious industrial unrest and the generally sound state of industrial relationships are regarded by all as major factors in the British production recovery since the end of the war. Over the five years from 1946 to 1950, a yearly average of only 150 man-days per 1,000 workers has been lost as a result of strikes. The magnitude of this achievement can be assessed, when it is realised that over the same period Australia squandered over 1,400 man-days per 1,000 workers through industrial stoppages.

SOME credit is also due to the Labour Government for the efforts it has made to raise industrial productivity; although these have been to some degree negatived by socialist policies and by the restrictive economic climate of controls and mountainous taxes. Commencing in 1947, the Labour Administration appointed productivity committees; it gave financial backing to the British Institute of Management; it assisted in the establishment of the Anglo-American Productivity Council; it encouraged the use of wage incentives; and it engaged in widespread sustained publicity to create a greater "productivity consciousness" throughout the working population. (The last-mentioned is an example we could well have followed in Australia).

Over the last few years there have, apparently, been noteworthy increases in production. The Industrial Production Index showed a rise of 7% in 1949 and about the same in 1950. Industrial production according to the index is overall
about 40% higher than at the end of the war. Over 1951, the rate of expansion will almost certainly be less because of the dislocation caused by re-armament and by raw material shortages. The production indices, admittedly, are highly suspect, but it seems clear that fairly solid gains have been made.

A good part of these gains is attributable to the normal processes of post-war recovery, but practically everyone with whom I had discussions admitted that there had been a very considerable advancement in mechanisation, in the use of mass production methods, in managerial techniques, and in the general quality of the plant and equipment available in industry. British industry is now certainly better equipped than it has ever been, although there are still many factories that are old-fashioned and outmoded by modern standards. Several people told me that the most spectacular gains had been achieved in agriculture, and that British farms were now the most highly mechanised per acre in the world. According to figures I have seen, there were, in 1942, 116,000 tractors in Britain; today there are 350,000. In 1942, there were 1,000 combine harvesters; today well over 10,000. Over the same period milking machines have increased from 30,000 to 80,000.

These are all most praiseworthy advances, especially in view of the terrible battering of body and mind and material resources sustained by Britain through the six years of conflict of World War II. That they have been achieved under such great handicaps is evidence of the determination and persistence and the unique powers of endurance and survival of the British people.

At first sight it may appear paradoxical that these general improvements have been made at a time of unprecedentedly heavy taxation and of tight government control. But they are due in part to the fillip given to modernisation by American Lend-Lease equipment received during the war, to the public-spiritedness of many British employers, managers and workers who have recognised the clamant need for greater productivity, and, finally, to the whip provided by the prospect of national economic bankruptcy. They do not provide a justification of the present tax burden, because it is certain that with lower taxes progress would have been even more rapid.

* * * * *

What of the output of the worker? Generally I gathered the impression that the British workers were working steadily and well, although perhaps not as hard as before the war. The decline in intensity of work is attributed partly to over-full employment and its corollaries of absenteeism and a high labour turnover. It has to be recognised, I think, that the British worker, in spite of his qualities of steadiness and endurance, has serious psychological limitations. He has not the same intense “productivity consciousness” as his American counterpart. Nor has he the same driving urge to go on in the world and to provide himself with the good things of life, which in any case must today seem very remote. He is, perhaps, too apt to accept his place in the traditional scheme of things and in some ways lacks the sturdy democratic independence and self-regard of worker in the newer lands. Against these drawbacks, he possesses a high sense of responsibility and a respect for necessary discipline. His present outlook is to some extent a consequence of long years of chronic under-employment and union-imposed restrictions on output and of old-time rather rigid class divisions. It is surprising to what extent these division—which are now psychological rather than material—still exist despite th
socialist regime and the radical redistribution of income and wealth that has been made. Indeed the great failure of the socialist party might well be that it has failed to bring about a psychological transformation in the outlook of the mass of British people to the more generous democratic values that prevail in the newer countries. In a way socialism has prevented this very necessary transformation because it has, in effect, substituted a new master, the state, (on which the worker has come to lean and rely) for the old-time “ruling class.” It is my view that a great part of the British troubles today can be traced to the failure to achieve an orientation in attitude of mind of the British masses more in the direction of modern democratic conceptions. The Government that could bring this about would be half way toward solving the British economic problem.

Manhour output is probably, on average, higher than before the war. However, increased mechanisation and improved managerial methods have played a vital part. Also there has been a widening application of payment by results, backed by the socialist government and leading trade unionists, with beneficial effects on productivity. For example, Imperial Chemical Industries have now extended payment by results to cover 40% of their total work force of 100,000 and further large developments are in train. A senior executive of I.C.I. told me that output per manhour in his organisation was possibly somewhere around 10% higher than before the war.

A GREAT deal has been said about the standards of living of the British people in the post-war period. Repeatedly, claims are put forward that the British people are better fed and the majority, because of full employment and social security, better off than they have ever been. I made many inquiries on this point in most knowledgeable quarters and generally I got the following impression of the position: The lower 10% to 20% of income earners are better off than ever before. The standards of the skilled working class are certainly no better; they may have deteriorated slightly. The position of the middle and upper sections has declined sharply. Indeed the great middle and professional classes have suffered a tragic recession in their standards because of taxation, inflation, and the impossibility of obtaining the services to which they were previously accustomed. To some extent the wealthier people are able to maintain their position by living on their capital, but this cannot go on indefinitely. We should not overlook the fact that even the bread and butter standards of the British people since the end of the war have in part been made possible by the considerable dollar aid received from the U.S.A. and Canada.

The food situation, to an Australian, is little short of tragic. There is ample food of a kind. But the awful uniformity, the lack of good fresh meat and eggs and butter, and the high cost of the better-quality foods brings home to the visitor how much the British people have suffered as a result of the last war. When I was in England the rationed meats were so meagre and the unrationed meats, when available, so high in price and often so offensive to the palate, that I found families who had “solved” the problem by turning vegetarian.

The bare subsistence standards of the British people today are brought vividly home to one by the fact that out of her production of over half a million cars a year, Britain can retain only 80,000 for her own use, and of these about 50% are earmarked for the medical profession. The remainder has to be set aside for export to help purchase essential requirements of food and raw materials. This means that it is just about impossible for the ordinary Englishman to obtain a new car for his private use.
NOTWITHSTANDING the post-war recovery in production—in total possibly about 30% to 40% above pre-war—the British economic position is anything but secure. Britain is a country that lives by her exports. If she cannot achieve a sufficient volume of exports to pay for her requirements of food and essential raw materials, then a reduction in the standards of living of the British people must follow. When I arrived in Britain last March, there was a great deal of optimism about the balance of payments position. Gold and dollar reserves were building up to encouraging levels (nearly $4,000 million) and an overall favourable balance was being achieved in external payments. But when I left Britain, less than six months later, ominous clouds were looming on the financial horizon. Serious deficits were appearing in the dollar account (in the July-September quarter the deficit amounted to over $600 million) and it was anticipated that, for the current year, the overall deficit would be of the order of £250 to £300 million.

The striking improvement in the dollar position, which took place between the time of devaluation in September, 1949, and the middle of this year, encouraged over-optimistic hopes and led Britain to dispense with Marshall Aid a year before it was due to cease. Some attributed this improvement largely to the act of devaluation itself; others mainly to the revival of American demand brought about by the Korean war. The immense American re-armament programme encouraged many people, even experts, to believe that, while the “cold war” continued, the dollar problem was virtually solved. But today, a few months later, there is a dollar crisis and there is talk of Britain invoking the waiver clause in the American Loan Agreement which allows her to postpone interest payments on the Loan under certain conditions.

The spectacular improvement in the dollar position between 1949 and 1951, was greatly aided by massive American purchases of basic commodities from the Dominions and other parts of the sterling area—wool from Australia, rubber and tin from Malaya, tea and rubber from Ceylon, jute from Pakistan and so on. Britain also achieved a worthy increase in her own exports to the dollar countries but this played a comparatively small part in the picture as a whole. Now that the United States has ceased stock-piling temporarily at any rate, and the prices of basic commodities have fallen, the dollar deficit is reappearing.

I found it frequently argued in Britain that but for the increased armament expenditure, made necessary by the Korean invasion, Britain was beginning to get out of the wood and some relief of austerity conditions was in prospect. But there are two sides to this question. For there is no doubt that the Korean war and re-armament were instrumental in achieving some correction of the dangerously large adverse dollar balance.

As to the British economic position in general, I think we must assume that there is little likelihood of a rapid change for the better in the harsh austerity conditions under which the British people are living. The present severe standards of living in Britain are likely to continue for many years. It is even doubtful, from the long-term perspective, whether the British economy can again be made to pay its own way in the world. The British economy is so precariously balanced, it is existing on such fine margins, that a comparatively minor fluctuation in world trading conditions can have far-reaching consequences. The stark conditions of life which the British people are enduring are, we should remember, being sustained only under conditions which—apart from the terms of trade—are on the whole favourable to Britain. There is a world sellers’ market which means that Britain has little difficulty in selling all that she can export. The dollar areas are, in effect, being excluded from competing with
British exports by import licensing, the inconvertibility of sterling, and the general restrictions imposed by the sterling bloc. An artificial proportion of the total of British production (with severe restriction of consumption at home) is being pumped out overseas in order to purchase essential requirements of food and raw materials. And even with all these things, Britain is compelled to suffer austerity living and this year will probably incur a serious deficit in her overall balance of payments.

It is a matter for grave conjecture what would happen if the great production of the dollar areas should become seriously competitive in British markets, or if there were a world depression or severe recession with the return of a world buyers’ market. We have only to think of the effect on British exports to Australia of motor cars and machinery or piece goods, if ample dollars were available for the purchase of American goods. It is admittedly very difficult to estimate the consequences, but certainly it is hard to view the prospect with any solid confidence.

The roots of England’s troubles today go far deeper than mere questions of political doctrine. No political creed provides any ready solution to the problems of an economy which, in basic structure, is highly artificial and therefore highly precarious. Here are fifty million people crowded into a tiny little area, not over-endowed with natural resources, and depending for their prosperity on their ability to manufacture and export a huge volume of products in competition with the products of other countries. The British people have to import 3 out of every 5 meals which they eat. They have to import a very large proportion—I have seen a figure of over 70%—of the raw materials necessary to sustain their industries. These facts suggest that Britain’s economic destiny is to quite a large extent outside of her own control. Her prosperity depends, much more than most, on what is happening in other countries; on the prices and quantities of raw materials which she can import; on the prices she has to pay for food; and on the willingness of other countries to take her exports in sufficiently large volume to enable her to pay her way. An economy thus constituted must be dangerously exposed to every cold wind that blows through the world economic climate. There are no simple devices of monetary policy or manipulation, or of economic or social theory, which can serve to correct what may be a fundamental weakness in the structure of her economic life. You can patch up the building, but the foundations will remain insecure. True, a scientific miracle might alter the whole prospect, but if we rule that out, then eventually it may be necessary for Britain to tackle her difficulties not with temporary palliatives but with something which would amount in nature to a severe surgical operation.

One wonders sometimes whether the only solution to the British problem is to be found in the mass migration of British people to the under-populated areas of the British Commonwealth and Empire, thus relieving the pressure on Britain’s own limited resources. This would mean a migration of British industries and equipment as well as of workers, and it could only be carried out, if at all, on the scale necessary, by the united planning of all the countries of the British Commonwealth and by treating the resources of the Empire as a single economic entity. Some people are beginning to think this way in Britain, but so far their voices are in a minority and are ineffective in face of the natural reluctance of the average Englishman to leave his native land. But perhaps in some large-scale conception of this kind lies the only hope for the British peoples throughout the world of maintaining
BRITAIN—A Political and Economic Comment (continued)

British status and power in face of the gigantic developments of the United States.*

* * * * *

SINCE the end of the war, and in face of disheartening obstacles, the people of Britain have made a great effort—in many ways a more commendable one than we in Australia have made. They have not hesitated to deny themselves in their attempt to rebuild their economy on a sound basis. In the last decade they have taken some terrible body blows, military and economic, blows which would have rocked the foundations of any country in the world. They are enduring considerable material hardship and the tremendous setback to their personal pride of the decline of the British power in the world—all this uncomplainingly. No one could have anything but admiration for their persistence, their almost superhuman steadiness and their capacity for self-denial. In their qualities of leadership and their long-accumulated wisdom, in their culture and unequalled literary and intellectual attainments, they are still giving much that is vital and necessary to the world. But they are like a runner in a race with weights tied round his feet. The obstacles to any rapid relief of austerity conditions are almost overwhelmingly great, and this tends to induce nearly a kind of hopelessness.

All these are difficult things to say, but nothing is to be gained by running away from what appears to be the truth. On the contrary, perhaps the first step that must be taken if the British economy is to be reconstituted on a profitable foundation is to look the facts frankly and squarely in the eye.

POSTSCRIPT: CHARACTER AND MANNERS

(The following notes were written by the author of this article whilst in London).

THE English character is wonderfully well-balanced and calm and philosophic. If the English are capable of getting excited—and I doubt it—they are certainly not capable of the slightest suggestion of real fear or hysteria. In one of my first interviews, that with Geoffrey Crowther of "The Economist," I asked him why the English statesmen, judges, churchmen and businessmen live so long. He replied that they took life very calmly—they refused to be hustled or get excited. I quite believe it.

Look at their traffic! With their narrow, winding, unplanned streets and teeming millions of people, they have traffic problems of a magnitude which we can't even conceive in Australia. And how they have solved them! The traffic through most of London is continuous and unbelievably congested. The famous, two-decker, red buses with an average of only a few yards between each, and often three and four abreast, move continuously and unrelentingly. The small, dark taxis dart in and out as numerous as the flies around a piece of old meat on a hot summer day. The vans and lorries and private cars, from Rolls-Royces and Bentleys down to the old-fashioned baby Austins still on the road, add to what appears at first to be a stupendous, unbelievable confusion. There are mere inches between all the various vehicles. But the traffic actually moves through with remarkable speed and precision and effici-

* See the article on page 121 of this "Review" by Sir Guy Garrod.
ency. There is no tooting of horns or angry swearing drivers. There are no accidents—at least I haven’t seen one. The traffic, and particularly the red double-deckers, are among the wonders of London, and I venture to say of the world. I have nothing but admiration for them. But they are a triumph not of organization (although that is superb) or of intellect, but of character. You can’t ruffle the English. There are exceptions, but generally they refuse to get angry or even irritated. Their calmness in all circumstances is beyond belief. And whether they know it or not, they have a sublime confidence and trust in one another. They expect the other man to play his part in the scheme of London life and they don’t let one another down. It would need only one driver to make a false move in the traffic maelstrom and the whole would be thrown into confusion. But no one does. In the London streets you have an infallible index to the English temperament and make-up.

The English are exceptionally good-mannered and courteous. I had been told about this on many occasions while in Australia and, I thought the stories were exaggerated. But if anything they err on the wrong side. The good manners of the English are the product of a slow evolution. They are now deeply ingrained in the English make-up. Courtesy and kindness are taken so much for granted by the English people that they themselves are completely unselfconscious about them. The English don’t know what a tremendous achievement they have accomplished in the small courtesies, in the every-minute relationship of one person to another. But an Australian, contrasting the standard of his own country with that of England, can see this clearly. He is amazed and confounded and embarrassed by it. It is a great achievement because it makes everyday life so much pleasanter and smoother. On every hand, the English people seem really out to help one another in the small things of life, and the visitor from abroad is fortunate enough to benefit from it all. I have been overwhelmed with courtesy from all kinds of people since my arrival. Rarely have I encountered the faintest suggestion of rudeness or curtness.

What London may lack in colour and glamour, it makes up in dignity and solidity. It has plenty of that. Whether one likes it or dislikes it, one must admit that it is tremendously impressive in its suggestion of strength and massivity and what might be called “survival-power.” The historic monuments may be aesthetically unsatisfying but they are certainly solid. The buildings have been built to last a thousand years. “The Bank,” a huge structure, is itself a fortress. St. Pauls, in the centre of old London, misses something in beauty but it has a tremendous massivity and solidity and a strange dignity. No wonder the German bombs took one look at it and sheered off to find a softer place to land. They weren’t game to try conclusions with it. St. Pauls is surely the supreme symbol of the steady unyielding strength of the English character and the unique capacity of the Englishman to survive no matter what confronts him.

Whatever England and the English people may lack, they don’t lack the will or the capacity to survive. They have infinite “survival-power.” I wonder if they realise their own unique strength. The reasons for their long unbroken history, the reasons for 1940, are clear for anyone with the eyes to see. I am reminded of what the famous American, Ralph Waldo Emerson, said 100 years ago in his essays on the English character: “They have sat here a thousand years, and will continue to sit.”
A survey of 22 large Australian public companies shows that collectively they have 160,000 shareholders and they employ 104,000 men and women. Their total assets exceed £240 million which provides an average investment of over £2,000 per worker.

INVESTMENT BEHIND EMPLOYEES

CAPITAL equipment is the distinguishing mark of the modern industrialised community and the measure of its progress. A progressive economy must maintain a high level of investment; otherwise existing facilities become overtaxed and living standards may fall. Many of the burdens at present being suffered by the Australian community are due to neglect or inability in the past to make adequate provision for investment in housing, transport, power and other basic services. This has left a large leeway that must now be made good. The pressure for new capital goods pours in from all quarters—from private individuals for homes and motor cars; from industrial and commercial firms for buildings, plant and equipment to provide added capacity to satisfy pent-up demands for both durable and consumer goods; from primary producers for farm equipment and machinery; and from governments for vast long-range developmental projects.

Buoyant export returns and the dollar loan have assisted Australia to purchase motor vehicles and many items of machinery and equipment, but, essentially, capital development in this country must remain dependent on our own efforts. The rate at which homes and factories can be erected and equipped, or power projects and bridges brought to completion is in the end largely determined by local man-hour output. Delays in the production of basic materials such as steel, cement and bricks, combined with slow construction, mean the prolongation of radiator bans, transport bottlenecks and housing and commodity shortages.

Demand for both capital equipment and consumer goods and services is at present considerably in excess of the nation’s ability to meet it, either from local or overseas sources. The
community is, in effect, attempting to out-spend its production, and from this springs one of the prime causes of rising costs and prices. In an attempt to grapple with the situation the Federal Government has, in recent months, put a brake on new capital investment by cutting back loan monies for government works and by re-instituting capital issues control to supervise the raising of new share capital by public companies.

Probably because of its interest to investors much prominence has been given in the press to this last measure.

However, its importance in the overall policy to restrain unessential projects might well be overestimated. Investment by public companies during 1950-51 constituted less than 20% of total capital investment, compared with 30% by government authorities and another 30% by private individuals on homes and motor cars; the balance consisted of investment by farmers and private companies and firms. Also an examination of the capital raised by public companies suggests that the great part of it is used for the expansion of existing industries or the creation of new industries which cannot be regarded as luxury production except in time of actual war.

IMPORTANCE OF INVESTMENT BY LARGE PUBLIC COMPANIES

Because of the large-scale nature of their operations, the more important public companies require not only very large amounts of fixed capital to keep the most up-to-date machinery and tools at the disposal of their employees, but quite often an even greater volume of working capital to run the business. In addition the current inflation leaves in its wake the very real problem for management of financing stocks at greatly inflated prices.

The continuous demand for capital for large-scale enterprises is a by-product of advanced civilisation. As the nation's economy matures and incomes rise, people want more and more things other than elementary shelter, food and clothing. They demand motor cars, refrigerators, smart clothing, prepared food and a wide range of household equipment and gadgets. Many of these things could not be brought within
the reach of the average family, if it were not for the economies brought about by mass production, specialisation and mass distribution through warehouses and retail stores. Few individuals can raise the necessary finance for these large undertakings. They are rendered possible only by the pooled savings of thousands of small shareholders in joint stock companies.

The huge initial outlay required for research and development of new products is only possible to large concerns. Take an example dear to the ladies—nylon stockings. Nylon which was unknown prior to the war, cost Duponts 27 million dollars before a yard of nylon material was sold. Coming nearer home, research, planning and tooling-up cost General Motors-Holdens Ltd., £8½m. before the first Holden car was produced.

Until a few years ago, we imported nearly all our rayon yarn, tin plate, motor cars, and newsprint. Now the growing local demand renders it economic to set up large factories to manufacture these important products in Australia. For example, B.H.P. is currently establishing a new tinplate mill which will cost many millions; Courtaulds (Australia) Ltd., is building a new plant to manufacture rayon; and Imperial Chemical Industries is spending a considerable sum on factory extensions and new chemical plants for the production of hitherto imported materials. All these ventures will be financed to a great extent by thousands of small investors who are shareholders in these great companies. Announcements by public companies of new share issues are thus not merely of interest to investors, large and small, but to the whole community, for whom they mean better living standards.

A £2,000 INVESTMENT PER JOB

There are over 100 industrial companies listed on the Australian stock exchanges with more than a million pounds worth of assets. Some run to many millions. For example, assets of the Broken Hill Proprietary Co. Ltd. (including plant and equipment valued at original cost less accrued depreciation, and therefore well below replacement cost) are £50m. The latest figures for British Tobacco Co. are £28m., and for I.C.I., £15m.
In the table on page 112, details are given for 22 Australian public companies, each a leader in its particular field. In aggregate, the book value of the assets of these companies amounts to approximately £240 million, and collectively they give employment to about 100,000 men and women. *This represents an average investment of £2,300 per worker.* It provides the buildings, tools, machinery, equipment and raw materials to enable the employees to produce goods for the general public, to earn their wages and safeguard their future employment. In addition these assets provide the means for paying suppliers, and enable the company to pay taxes necessary for the general welfare of the community. The investment per employee varies widely with the type of industry conducted. For example, some companies use very expensive automatic machinery operated by a relatively small labour force. Other companies employ a high ratio of labour to capital and the investment per employee is correspondingly less. In some companies the greatest need is for capital to finance raw material stocks rather than plant and machinery.

It is interesting to compare the Australian position with the investment behind employees in industrial enterprises in the United States. An analysis of the annual reports of U.S.A.'s 100 largest manufacturing corporations, which collectively employ approximately 5,100,000 people, shows that their combined total assets exceeded $85 billion at the end of 1950. For these 100 corporations, as a group, total assets represented an average investment of about $16,600 for every worker. *At the current rate of $2.24 to £1, $16,600 equals approx. £7,411 per worker.* Admittedly, it is hardly possible to make a true comparison between Australia and U.S.A. because pegged rates of exchange do not necessarily give an accurate reflection of differences in internal price levels; also, the higher relative population of the United

*Vide the National City Bank of New York, Monthly Letter, July, 1951. This letter also states "These 100 largest corporations are owned by a total of 7,200,000 registered shareholders. While the total number of registered shareholders contains, on the one hand, duplications to the extent that some people own stock in more than one of these companies, it does not show, on the other hand, the large number of beneficial owners whose stock is registered in the name of a single bank, broker, insurance company, investment trust, or nominee."

"Large blocks of these stocks are owned by educational, religious, and other institutional investors."

The total number of shareholders in the Australian sample of 22 companies is around 160,000 also subject to the qualifications noted above for the American shareholdings.
States and its larger home market enables capital to be employed to a greater advantage than in Australia. Nevertheless, the figures suggest that investment per worker in the U.S.A. is much higher than in Australian industry. This disparity is further illustrated in the overall comparison of U.S. and Australian industry in terms of horsepower available per employee. The U.S. worker has an advantage of approx. 2 to 1 over the Australian worker. Plant by plant, it is possible that productivity in a few Australian enterprises may be equal to, or even better than, similar factories in U.S.A. But comparing Australian industry and U.S. industry as a whole, there can be no doubt that Australia has much to learn from the United States in providing additional and better mechanical aids to increase output per manhour. Nevertheless, whilst there is room for the employment of greater horsepower in Australian industry, a small scattered community, can hardly be expected to equal the industrial achievement of the American giant.

BIG BUSINESS DOES NOT DOMINATE THE ECONOMY

The existence of small and large concerns side by side, is one of the most significant features of our private enterprise economy. The growth of the large industrial undertakings has not led to a diminution in the role of the small firm. Indeed the multiplication in the number of small businesses over the last few decades has largely been made possible because of the dependence of the larger companies on the specialised assistance rendered by small firms in the supply of goods and services. In addition, the larger manufacturing concerns rely to a great extent on a multitude of small retail establishments to handle the distribution of their products. This has been a special feature in the growth of the automobile industry in Australia in the last few years. Many small engineering establishments manufacture machine parts to designs furnished by the large motor vehicle assembly plants, whose products when sold, are mainly serviced by relatively small garages.

Despite their size, the capital requirements of companies listed on the Stock Exchange, particularly for fixed capital, may be exceeded by the demands of the multitude of smaller
firms. More capital is invested collectively in buildings and machinery, in bakeries, sawmills, tailoring and motor garages operated in the main by working proprietors, than the combined investment in fixed assets in steel, industrial chemicals, paper mills and motor assembly plants which are large-scale industries.

The construction and assembly of motor vehicles by large enterprises, and the repair of motor vehicles, predominantly by small businesses, provides a most interesting example of the relative investment in large and small scale industry. In the former group, over 80% of employment is concentrated in 16 factories each employing 100 hands or more. In the latter group, 60-70% of employment is spread over 4,000 establishments each employing less than 20 hands. Most of the firms engaged in motor repairs are small service stations owned by working proprietors, whilst ownership of the larger motor assembly works is vested predominantly in the thousands of shareholders in public companies. A noteworthy point is that the total fixed capital invested in motor repairing is four times that invested in the assembly and construction of motor vehicles.

* * * * *

All types of business, big and small, are essential parts of private enterprise. The popular impression that small business is continually losing ground to big business is unfounded. Each has a necessary place in the national life. Bigness is certainly not synonymous with badness as some people so frequently assert. To assail some enterprises, just because they are large, is to be a Don Quixote tilting at windmills.
### Table: Investment per Employee

#### 22 Leading Public Companies

<table>
<thead>
<tr>
<th>Company</th>
<th>Approx. No. Shareholders</th>
<th>Approx. No. Employees</th>
<th>Approx. Total Assets £000</th>
<th>Assets per Employee £</th>
</tr>
</thead>
<tbody>
<tr>
<td>B.H.P.</td>
<td>31,000</td>
<td>23,568</td>
<td>49,702</td>
<td>2,109</td>
</tr>
<tr>
<td>British Tobacco</td>
<td>13,884</td>
<td>5,546</td>
<td>23,025</td>
<td>4,152</td>
</tr>
<tr>
<td>I.C.I.A.N.Z.</td>
<td>7,346</td>
<td>4,672</td>
<td>15,327</td>
<td>3,281</td>
</tr>
<tr>
<td>General Motors-Holdens</td>
<td>1,780</td>
<td>10,114</td>
<td>14,839</td>
<td>1,467</td>
</tr>
<tr>
<td>Aust. Cons. Inds.</td>
<td>9,000</td>
<td>7,650</td>
<td>14,434</td>
<td>1,887</td>
</tr>
<tr>
<td>Electrolytic Zinc</td>
<td>10,970</td>
<td>2,364</td>
<td>15,955</td>
<td>6,749</td>
</tr>
<tr>
<td>Felt &amp; Textiles</td>
<td>13,000</td>
<td>7,893</td>
<td>20,000</td>
<td>2,534</td>
</tr>
<tr>
<td>Australian Gas Light</td>
<td>7,725</td>
<td>3,349</td>
<td>11,131</td>
<td>3,324</td>
</tr>
<tr>
<td>Dunlop Rubber</td>
<td>12,150</td>
<td>5,407</td>
<td>16,595</td>
<td>3,069</td>
</tr>
<tr>
<td>Aust. Paper Manufacturers</td>
<td>18,000</td>
<td>6,451</td>
<td>14,478</td>
<td>2,244</td>
</tr>
<tr>
<td>E.M.A.I.L.</td>
<td>5,365</td>
<td>5,500</td>
<td>7,633</td>
<td>1,388</td>
</tr>
<tr>
<td>McPhersons</td>
<td>2,032</td>
<td>1,645</td>
<td>3,968</td>
<td>2,412</td>
</tr>
<tr>
<td>Containers</td>
<td>3,500</td>
<td>2,085</td>
<td>4,728</td>
<td>2,268</td>
</tr>
<tr>
<td>Herald</td>
<td>4,365</td>
<td>3,460</td>
<td>3,466</td>
<td>1,443</td>
</tr>
<tr>
<td>Ampol Petroleum</td>
<td>7,416</td>
<td>3,121</td>
<td>4,197</td>
<td>1,305</td>
</tr>
<tr>
<td>J. &amp; A. Brown Collieries</td>
<td>1,400</td>
<td>3,117</td>
<td>4,197</td>
<td>1,305</td>
</tr>
<tr>
<td>Taubmans</td>
<td>1,603</td>
<td>4,100</td>
<td>2,659</td>
<td>1,699</td>
</tr>
<tr>
<td>Repco</td>
<td>2,750</td>
<td>1,980</td>
<td>3,596</td>
<td>1,807</td>
</tr>
<tr>
<td>Associated Leathers</td>
<td>1,650</td>
<td>1,044</td>
<td>2,499</td>
<td>2,393</td>
</tr>
<tr>
<td>Wunderlich</td>
<td>2,050</td>
<td>1,844</td>
<td>2,177</td>
<td>1,180</td>
</tr>
<tr>
<td>General Industries</td>
<td>3,537</td>
<td>3,071</td>
<td>2,831</td>
<td>922</td>
</tr>
<tr>
<td>Com. Ind. Gases</td>
<td>700</td>
<td>2,079</td>
<td>4,298</td>
<td>2,067</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>161,223</td>
<td>103,939</td>
<td>241,522</td>
<td>2,324</td>
</tr>
</tbody>
</table>

**Source:** Latest published Balance Sheets or figures supplied by Companies concerned.
NOTES ON TABLE DEALING WITH
INVESTMENT PER EMPLOYEE

1. The table on page 112, gives a broad picture of the large outlay re-
quired to operate some of Australia's leading industrial enterprises.
It gives also some idea of the vast number of shareholders, who have
contributed their savings to enable private enterprise to produce for
the welfare of the community and to provide a solid financial backing
behind each employee in industry.

The figures show that most of the companies listed in the table
have more shareholders than employees. It is not generally known
that this wide spread of ownership of shares exists. For example,
the number of shareholders in B.H.P., roughly equals the population
of a city the size of Bendigo, in Victoria. It is true, that a number
of people hold shares in more than one company. On the other hand,
this duplication may be very largely offset by the fact that the man
in the street, who may not be a shareholder himself, has an indirect
interest in the shares which are held as investments by life assurance
and investment companies, pension and superannuation funds, charit-
able organisations, friendly societies and other associations of which
he may be a member.

Large blocks of shares are also held by companies. For example,
General Motors (U.S.A.), with half a million shareholders, has a
large holding in General Motors-Holdens Ltd. and I.C.I. (United King-
dom), with over one quarter of a million shareholders, is a large
shareholder in I.C.I.A.N.Z.

2. Caution should be exercised in drawing any conclusions from inter-
company comparisons without a full study of all the factors involved.
Variations in asset backing per employee do not necessarily indicate
differences in mechanisation and efficiency, but may be due in the
main to differences in the nature of the business concerned.

3. Owing to inflation the value of stocks included in the assets shown
above is much greater than they would be normally. On the other
hand, it is probable that fixed assets such as land, buildings, plant
and machinery are in many cases considerably undervalued at today's
prices.

★ ★ ★
PAYMENT BY RESULTS

PRODUCTION remains the No. 1 problem of the Australian economy. Except in certain items of consumption there is hardly one field of production where output is adequate to meet the demands of the Australian people or the needs of an economy striving to meet the triple requirements of defence, development and migration.

We have repeatedly pointed out in these pages that, by any standards of overseas comparison, the Australian performance in production over the last decade falls a long way short of what should be possible to a people possessed of such undoubted resources of skill, improvisation and energy.

Since before the war industrial production in the United States has substantially more than doubled. Canadian production is little behind—it has increased by 110%. To take one item only: steel production in the U.S. has risen by 120% since 1938/39; in Australia it has risen by 20%. Britain, a country labouring under manifold handicaps, has expanded her industrial production by around 35%. No official figures of overall industrial production in Australia are available, but it is extremely doubtful whether our performance would better this, notwithstanding our many fortuitous advantages over the Mother Country. A world-renowned statistician has estimated that output per manhour in the manufacturing industries of the United States is three times output per manhour in Australian manufacturing. It is true that in a limited number of fields the Australian performance in production is highly meritorious, but taking it all round, every statistical indication confirms the view that this country is achieving very much less than that which should be within our reasonable capacity.

How, then, can production be increased? There is no single simple solution. A radical improvement depends upon
a combination of strong measures, political, financial, technical and industrial. But one method, immediately to hand, would be a wider application of wage incentives, or payment by results.

AN I.L.O. REPORT

A comprehensive survey of payment by results (possibly the best yet produced and a most valuable document) published this year by the International Labour Office,* suggests that Australia makes considerably less use of wage incentives than any other of the modern industrialised countries. A survey made by the Commonwealth Bureau of Census and Statistics in September, 1949, showed that only 10.9% of the workers in the establishments covered were paid under either piece work or a bonus system based on output. In manufacturing, 17% of all manual workers were remunerated on a payment by results basis.

What of other countries? In the United States, a survey conducted by the U.S. Bureau of Labour Statistics in 1945 and 1946 suggested that about 30% of all plant workers in manufacturing were paid on an incentive basis. Statistics for the United Kingdom indicate that a somewhat higher proportion of workers (close to 40%), operate on payment by results. The socialist government and leading trade unionists have supported a campaign since the war to widen the use of wage incentives. In many European countries there has been a considerable increase in recent years in the use of piece rates—the commonest type of payment by results.

The I.L.O. Report publishes a table showing the number of hours worked at piece rates of every 100 hours worked in industry of certain European countries.

* The purpose of the I.L.O. is to promote social justice in all countries. To this end it collects facts about labour and social conditions, formulates minimum international standards and supervises their national application. It is financed by governments and controlled by representatives of government, management and labour. The Survey referred to above, "Payment by Results," was published this year and is obtainable from H. A. Goddard Pty. Ltd., 265A George Street, Sydney.
PAYMENT BY RESULTS (continued)

PROPORTION OF HOURS WORKED IN INDUSTRY AT PIECE-RATES IN CERTAIN EUROPEAN COUNTRIES.

<table>
<thead>
<tr>
<th>Country</th>
<th>1938</th>
<th>1946</th>
<th>1949</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czechoslovakia</td>
<td>—</td>
<td>38</td>
<td>55(1948)</td>
</tr>
<tr>
<td>Denmark</td>
<td>41</td>
<td>37</td>
<td>41</td>
</tr>
<tr>
<td>Western Germany</td>
<td>—</td>
<td>—</td>
<td>37</td>
</tr>
<tr>
<td>Hungary</td>
<td>—</td>
<td>36</td>
<td>70</td>
</tr>
<tr>
<td>Norway</td>
<td>39</td>
<td>41</td>
<td>57</td>
</tr>
<tr>
<td>Sweden</td>
<td>48</td>
<td>52</td>
<td>58</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>34</td>
<td>—</td>
<td>38</td>
</tr>
</tbody>
</table>

Countries behind the Iron Curtain, notably Czechoslovakia and Hungary, show a remarkable increase in the use of piece rates over the last five years and also suggest a remarkably high proportion of piece rate workers. This is, to say the least, sweetly ironical in view of the stubborn opposition of communist-controlled unions in Australia to anything that savours of payment by results. Communist opposition in Australia was instrumental in preventing the 1948 Trade Union Congress from even proceeding with an official investigation of incentive schemes.

UNION OPPOSITION

The limited application of payment by results in Australia is in very large measure due to the strong official opposition maintained by the trade union movement. This has continued in the face of repeated expressions of opinion in favour of payment by results by highly regarded industrial experts, and despite the fact that Judges of the Commonwealth Arbitration Court have, for many years, urged the general adoption of incentive schemes. When the 40 hour week was introduced in 1947, Judge Foster made his famous—but unheeded—pronouncement that "given incentives Australia could take the 40 hour week in its stride."

Admittedly, over the last few years, there have been some signs that moderate unionism is beginning to relent in its attitude to payment by results. At the national conference between the manufacturers and the A.C.T.U., called by the then Prime Minister (the late Mr. J. B. Chifley) at Canberra in 1947, the union representatives undertook to investigate modern incentive payments to determine where they could
be of advantage to the workers and the community. This undertaking was later vetoed by the A.C.T.U. Congress in 1948 under pressure from the militants. However, at the Congress held in September this year, the moderates obtained a reversal of this decision and permission was granted the A.C.T.U. executive to conduct a full-scale inquiry and submit a report to the next trade union congress—probably in 1953. This is, at least, a promising move. Of course it is well known that in many industries incentive payments are already operating successfully, if not with the full acquiescence of the trade union concerned, at least without its overt opposition. Moreover, it is safe to say that the majority of workers under existing schemes would strongly resent any attempt to re-impose time rates of payment.

But time and the needs of the Australian economy, and the interests of the workers, do not wait upon the slow pace of the trade union movement. And there is, in the report of the I.L.O., something for trade union officials to get their teeth into without delay. The report, after a frank examination of the disadvantages and difficulties of incentive systems, gives a clear decision in their favour: "Most of these disadvantages and difficulties can, however, be avoided in many industries by appropriate safeguards. Given such safeguards there would appear to be a wide range of cases in which well-designed systems of payment by results, introduced after the necessary consultation and agreement between workers' representatives and management, can yield a substantial balance of advantages to all concerned."

**OBJECTIONS**

Some of the main objections raised against incentive payments are that:

1. They lead to speeding up and endanger the health of the worker.*
2. They increase the risk of accidents.
3. They reduce the quality of the product.
4. They affect adversely employer-employee relations.
5. They lead to ill-feeling between workers.
6. They involve costly overhead expenditure.

* On this point the I.L.O. survey reports: "Most Governments and workers' and employers' organisations stated that the introduction of payment by results had not brought about any noticeable change in the health of the workers concerned."
PAYMENT BY RESULTS (continued)

The I.L.O. report examines these alleged disadvantages and shows that generally they are not inherent in the nature of incentive schemes as such. They arise only from wrongful or inefficient administration of these schemes and can be avoided through the use of proper safeguards.

Moreover, against any possible disadvantages, the whole body of experience proves that payment by results leads to substantial increases in output, to higher earnings for the workers concerned, and to lower costs of production and therefore selling prices. For instance, surveys by the Institute of Industrial Management in Victoria show that, on average, workers on incentives earned something like 30% more than would have been possible on time rates. In the U.S.A., investigations by the Bureau of Labour Statistics in 1945 and 1946, showed that in many industries incentive earnings were between 15% and 25% higher. Often the margins between earnings on piece rates and time rates are very much greater. Considerable increases in production as a result of incentive schemes have also been reported from different countries which have tried to assess the overall effect of such schemes. The Labour Minister for Transport in N.S.W., Mr. Sheahan, stated last October that in one railway workshop where incentives had been introduced, the amount of work accomplished had increased by 150%.

WORK STUDIES

There is, too, an advantage arising from payment by results, which is often overlooked but which is perhaps even more important than the stimulus given to greater individual effort by the worker. This is the stimulus given to management to improve factory organisation, work methods and production processes. Before satisfactory standards of performance can be set, the job of the worker must be closely studied together with all the details of factory organisation bearing upon it—such as layout, equipment, materials, machine speeds and so on. This detailed preliminary work, which now goes under the technical appellation “work-study,” cannot but lead to greatly improved factory efficiency and productivity.
One of the fears at the root of the opposition of some workers to "payment by results" is that higher output per manhour may result in some workers becoming redundant. This is a fear that should be frankly acknowledged and adequately met by industrial managements. The I.L.O. Report suggests that managements should guarantee that if any workers are rendered redundant through the introduction of an incentive system, they should not be laid off for a period of time. The Report indicates that in practice such a guarantee would not prove difficult to apply since normal labour turnover should be more than sufficient to offset any reduction in labour requirements.

A NEW ATTITUDE REQUIRED

The basic economic context in which any general application of payment by results is feasible is that of full or high employment. This context exists today. It calls for and justifies a new policy by the trade union movement to all methods designed to raise productivity, and a transformation of old-time attitudes shaped by long periods of chronic underemployment.

The raison d'etre of the trade union movement is the welfare of its members. Today, it is broadly true that the well-being of the workers can be only advanced through greater productivity. Gone are the days when tangible gains could be secured through obtaining for the worker a larger share of what is already produced. This is a battle that the trade unions have already won, and won well. The trade unions in this country should therefore now devote themselves energetically to the task of raising production and of securing for the workers their just increment of the additional output. In adopting this policy they would not be doing anything revolutionary. They would merely be following in the footsteps of their fellow unionists in the United States and, today, in Great Britain. In payment by results they have something to which they can devote their immediate attention.
Here is an extract from an article that appeared in “The Sunday Times” (26th July, 1951), written by the General Secretary of the United Kingdom Chemical Workers’ Union.

“New equipment and plant are not sufficient in themselves; they are only the means, the tools, of abundance. The chemical industry, and indeed all industries, must bring average production up to the highest in the industry; this involves the general application of incentive schemes. Our own experience is that in every factory where these schemes have been introduced—on the basis of co-operation rather than arbitrary management decision—higher productivity and greater output at lower cost have resulted, and workers’ earnings have increased from between thirty per cent. to sixty per cent. over national basic wage rates. The incentive schemes adopted have varied according to local conditions and products; they have been based on payments by time and motion study, piece-work and payment by results, and on a combination of all three.

“Our members, like those in other industries, feared the introduction of these schemes (not without good reason in view of experience between the two wars). But during the post-war years there has been an entirely new approach and a new appreciation of their purposes and consequence. The workers generally, and particularly our shop stewards, have themselves accepted the new responsibility and understand the principles and methods of the incentive schemes. Consequently the demand for these new methods of industrial management have come from the rank and file workers themselves.”
This article deals with an issue of momentous importance to the British people throughout the world. How is British power and leadership to be maintained in the post-war world and in face of the great developments of the U.S.A. and the emergence of a new giant in Soviet Russia? The author sees the answer in a better distribution of population and industries between Great Britain and the countries of the British Commonwealth and in a new enthusiasm for the utmost individual productivity.

The author of this article, Air Chief Marshal Sir Guy Garrod, is a great airman with an outstanding career in two World Wars. He finished World War I as a Squadron Leader in the R.A.F. In the early years of World War II, he was Air Member for Training in the Air Council, London, with special responsibility for the Empire Air Training Scheme, and in 1945, he became Commander-in-Chief of the R.A.F. in the Mediterranean and the Middle East. After the war, he was appointed R.A.F. Representative on the Military Staff Committee of the United Nations, and from 1946 to 1948, he was head of the R.A.F. Delegation at Washington. He retired from the active list in 1948.

Sir Guy Garrod is an Honorary Fellow of the University of Oxford. His "Commonwealth outlook" is no doubt in part attributable to the experience gained with the Empire Air Training Scheme and to his visits in 1920 and 1921 to Australia and New Zealand as a member of the British Rifle Team. He has written this article specially for "Review" in response to our invitation.

A RICHER AND STRONGER BRITISH COMMONWEALTH

By Air Chief Marshal SIR GUY GARROD, G.B.E., K.C.B., M.C., D.F.C., LL.D.

The British Commonwealth excites the admiration of the world as the perfect example of free political development within a closely-knit family of nations. It forms a major bulwark against the advance of Communist tyranny, because its widespread geographical distribution enables it to provide rallying-points and centres of resistance in every quarter of the globe. Nor is it only in political wisdom and maturity that the British race excels. It has proved itself to be outstanding in scientific inventiveness, though it has often allowed others to apply British discoveries in the industrial field.
Another notable quality which we can claim is a levelheadedness, which gives us a steadying influence in international affairs. And the whole Commonwealth in the last half century has given a shining example of courage and determination in defending liberty and the rule of law in human relationships.

It is thus no idle boast to say that, together with the United States, the future of civilisation depends largely upon the vigorous leadership of the British Commonwealth in world affairs. This leadership is unfortunately being weakened by our grave difficulties in restoring our battered economy after two World Wars, in which we have borne the brunt and have been unstinting in our expenditure of blood and treasure. We find ourselves unable to produce within our own family all the food and goods that we require and we are forced to depend for some of our essential supplies upon the U.S.A. and the dollar area, whose economic strength in both World Wars suffered far less drain than our own.

A REMEDY

We in Great Britain never cease to be grateful for the magnificent generosity shown by the United States in our hour of need. The flow to us of Marshall aid has now ceased but we have not solved the problem and the dollar gap is yawning widely again. If there were nothing we could do about it, we should have to accept the consequences, among which would be the surrender of our position of joint leadership in the world. But this is far from being necessary. There is a remedy that lies in our hands if only we will seize it with imagination and urgency.

Within the British Commonwealth, there is a family of six nations settled by European stock (mainly British) or controlled by European settlers. These are Australia, Canada, Great Britain, New Zealand, South Africa, and Southern Rhodesia (or the proposed British Central Africa Federation). These six British countries contain a total habitable area of over 5 million square miles with a European-settled population of nearly 74 million. This population if evenly spread would provide an average density of 15 per square mile. I have used this average figure solely to illustrate the extreme
The agricultural and mineral resources and industrial potential of these six countries equal those of the United States of America or of Soviet Russia. If there are any deficiencies they can be made good from the British Colonial Empire. The wealth is there that can make the British family of nations self-sufficient and the richest in the world. But the younger nations are not able to develop their wealth owing mainly to lack of man-power.

There have been periods in the last half century, when these young nations have been reluctant to admit a large flow of immigrants, lest the newcomers might depress the standard of living of those already there. This stage is now past and it is realised that the development of national resources is the surest way to increase the wealth of the whole community.

This has led Australia to set her population target at 20 million, and she plans to reach this figure within fifty years by an annual intake of 170,000 to 200,000 immigrants, together with the natural increase of her own population. This is the most progressive scheme yet published, but even so, it does not fully meet the urgency of the need. Australia’s resources in coal and iron, lead and zinc, copper and silver, antimony and tin, are wanted now together with a great increase of food production to help towards rebuilding the economy of the whole Commonwealth and of the sterling area. There is no time to waste.

AN EXAMPLE IN THE EMPIRE AIR TRAINING SCHEME

If the present extreme lack of balance of population within the British Commonwealth is to be corrected, with the speed which the world situation demands, we need the same wide sweep of imagination that inspired the Empire Air Training Scheme with which I had the privilege of being closely connected as Air Member for training on the Air Council in London from 1940 to 1943. Here was a combined operation which made the best use of each country’s geo-
graphical advantages as well as its manpower and materials. Here was a true decentralisation of responsibility and effort, a great easing of the air congestion within the British Isles, with all the participants contributing freely and enthusiastically towards the common good. The results surpassed all expectations and played a decisive part in ultimate victory.

* * * * *

We need a similar co-operative endeavour today, in order to speed forward the mass migration from Great Britain to the Dominions (yes, and from Continental Europe also) which is the only way of developing their latent resources in time to restore the British Commonwealth, before it is too late, to its old strength and power in the world.

There need be no fear that this large-scale movement will weaken the defensive power of the Commonwealth in the event of war. Indeed, it would give it added strategical strength. Let me quote from the pamphlet, "Operation British Commonwealth," recently issued by the Migration Council in London:

"Should there be a war with the Communist powers, their aim would clearly be to defeat Britain, the Western democracies' chief base: and this either by bombing or by the method that has most nearly succeeded twice before—the method of starvation by blockade.

"And if Britain fell, not one of the Commonwealth countries overseas would possess the manpower or the industrial capacity for self-defence. As things now stand, to knock out Britain would be perilously to weaken the British Commonwealth.

"How greatly the picture would change in favour of the British peoples everywhere if, before the war began, large numbers of them and a substantial armament industry had, in full security and in a well planned manner, migrated from the British Isles to Australia, Canada, Africa, and New Zealand.

"This view has the authority of the Chiefs of Staff. On the 26th April, 1946, they advised the Commonwealth Prime Ministers' Conference that dispersal of population and plant from the United Kingdom should be put in hand, on the grounds that Britain is the most vulnerable of all Great Powers, and that it was essential that some considerable portion of Commonwealth industries then in the United Kingdom should be nearer the sources of raw materials.

"Once such a migration had gathered momentum, the Commonwealth countries overseas would obviously be stronger to defend themselves. They would have more men to do the fighting, and an industry capable of supplying them with the necessary weapons."

What organisation is required to give effect to the policy which I have been advocating?
GOVERNMENT GUIDANCE NEEDED

The vast influx into the United States of 33 million immigrants during the 50 years following the Civil War was unplanned and undirected and in consequence there was much hardship and suffering. Government planning can easily have a deadening influence. But some guidance and direction are clearly needed for a movement of population on the scale which I have visualised, since some of the problems will have to be solved on a Government level.

For example, Great Britain has incurred during the last fifty years a great increase of its national debt, mainly for the purpose of financing two world wars. The money for paying the interest and expenses of management of this debt is obtained by taxes, and amounted in the year 1948-49 to over 500 million pounds sterling. The wars that imposed this heavy burden on the British taxpayer were fought in defence of the whole Commonwealth and Empire. It would not be fair for those who migrate from the British Isles to off-load their share of this burden on to the shoulders of the reduced population that they would leave behind. It is reasonable that the country which receives a good investment in the valuable new citizen should also accept the tax burden which he was carrying in his country of origin. This solution has already been accepted by Australia. Mr. Dudley Barker in his book "People for the Commonwealth" has stated that the Minister for Immigration early in 1948 made a public offer. "If Britain would send Australia large numbers of migrants," he said, "Australia would take over their share of the British national debt."

A kindred problem is that of National Insurance. It is only reasonable that the new country should ensure that its new citizen does not lose any of the accumulated benefits which he may have won by his contributions to the National Insurance scheme of his old country.

There should be no difficulty about these financial adjustments, but they make it necessary that there should be an organization on the Government level that will supervise this resettlement within the Commonwealth.

An agency will be needed at the despatching end to ensure that each batch of migrants contains the right types for
the stage of development of the plan that has been reached at their destination. Another agency will be needed at the receiving end to supervise the smooth absorption of the new arrivals and deal with their problems of settling in. Indeed in the case of Australia, two councils to deal with aspects of this problem have been set up for this purpose. Care will have to be taken that the withdrawal from Great Britain avoids dislocating industry or restricting production. It should be possible to fill the gaps by drawing extensively upon the reservoir of men and women of excellent quality and of all classes that is to be found in Western Europe. Apart from the surplus populations of Italy, Holland and other countries there are some millions of Germans driven from countries now incorporated behind the Iron Curtain, as well as the smaller number of non-German political exiles. These people are a burden to the communities on which they have been dumped, and many of them are of the same type as made such good settlers in the United States. Their resettlement will therefore benefit both Europe and the country that adopts them.

In drawing upon the surplus population of Europe, care will doubtless have to be taken that these settlers are absorbed into the stream and are prepared to adopt without qualifications the nationality and language of their new country. This has been successfully achieved by the United States, although the number of immigrants admitted during the 50 years following the Civil War was greater than the whole population of the country at the beginning of that period.

The valuable contribution that Italy can make with its surplus population of from 1½ to 2 millions needs special mention. Many excellent Italian artisans are being brought to Uganda to assist in the development of its rich resources, and Northern Rhodesia is ready to accept Italians for the same purpose. Both countries will encourage them to settle, when they have completed the engineering or building contracts which brought them there. Italians are accustomed to a better climate than the peoples of North Western Europe. It is gratifying to learn that Italians should make first-rate settlers in some of the more Northern districts of Australia, on which, so long as they remain sparsely populated, the teeming millions of Asia will always cast covetous eyes.
A NEW ATTITUDE TO PRODUCTIVITY

To obtain the fullest benefits from this resettlement a new attitude is required towards increased productivity in industry. The Anglo-American Council for Productivity has sponsored a number of teams that have studied specific industries both in the United Kingdom and in the United States. Forty-eight reports of these teams have now been published. A recent article in the Sunday Times of London summarises their conclusions. It is most interesting to note that all these reports agree that the secret of the far higher rate of productivity in America lies not so much in machinery or "prodigious production lines" as in a fundamentally different approach to the whole problem. The article continues:— "There are three outstanding factors in this new approach, none of them mechanical:—

1. A highly developed and widely disseminated standard of management.

2. Active co-operation of the workers in a drive for higher production.

3. A high standard of training for supervisors and foremen as the link between management and operatives."

These three factors produce a harmonious team of employers, foremen, and artisans, with the latter every bit as enthusiastic for high productivity as their managers and boards of directors. The American factory worker sees quite clearly that his own standard of living as well as that of all his fellow citizens depends on his own output and in this he is fully supported by his foreman and his trade union. It is remarkable how unanimous all the reports are in forming these conclusions. This is a most hopeful feature since the teams were all composed of representatives of management and labour and technicians. There is thus a good prospect of these teams developing a new spirit throughout British industry. They have estimated that, given the same standards of management, factory planning, supervision and enthusiasm as they found in America, British productivity could be increased by 15 per cent., using existing industrial plant.
Here then are the means for solving the economic problems of the British Commonwealth if we have the vision and courage to act. A better distribution of population and industrial power between Great Britain and her sister nations, combined with a new enthusiasm for the utmost possible individual productivity in factory and farm, will enable the Commonwealth to become once again rich and strong in this highly competitive world and to continue to exercise the leadership which is its heritage.

* * * * *

In order to set the whole scheme in motion there should be a Commonwealth Prime Ministers' Conference with the subject of Migration as its first and main item of discussion. This Conference would establish, and frame the charter for, a "Migration and Development Organisation" which would be entrusted with the task of planning the details and translating them into action.

There is no more urgent task facing the British Commonwealth today. Our whole future depends upon the energy with which we tackle it. "That Our House stand together and the pillars do not fall."

Contributed articles by noted authorities in Australia and overseas dealing with matters of public interest are published from time to time in the I.P.A. Review. This Institute is not necessarily in full agreement with the views expressed in these articles. They are published in order to stimulate free discussion and inquiry.