SIR WALTER MASSY-GREENE, a member of the Institute’s Council, died on the 16th November at the age of 78.

Sir Walter was associated with the I.P.A. from its inauguration in 1943. During those years, he gave to the Institute the benefit of an experience and knowledge that were probably unique in Australia. There was hardly a phase of Australian life with which he was not personally familiar, for in his time he had been timber worker, banker, farmer, politician and statesman, financier and industrialist. He had travelled the length and breadth of the Continent; he knew the mines and stations of the outback as well as he knew Collins Street. His business interests were manifold and varied—non-ferrous metals, gold mining, paper, textiles, rubber, pastoral pursuits. His knowledge of industrial, commercial and political Australia was encyclopaedic.

But he was not just a practical man of affairs; he was also a thinker, and a student. He was well read in economics; he knew the jargon and the theoretical background of the science, and the significance of the Keynesian Revolution; he was aware of its merits and its limitations in practical matters; he could have participated in the most abstruse discussions by the experts of the profession without fear of being over-shadowed.

Out of his range of experience and knowledge, he had evolved a firm philosophy of life, based on a belief in the simple, homespun virtues of work, integrity, thrift and responsibility. In his view of things there was no sub-
stitute for good hard work honestly and faithfully performed; and he applied this rule sternly and unfailingly to his own life. He was an uncompromising advocate of the doctrine of self-help.

He was unable to contemplate with equanimity much in the newer order of things and he could not help but view with something that was almost dismay some of the modern tendencies in political thinking and government legislation. He was essentially a product of a more rugged and individualistic era. He was too honest to find it easy to compromise with his own set philosophy and he made concessions to some of the newer ideas only with reluctance and misgiving.

He was a superb public speaker, colourful, forceful, yet jovial and good-humoured, with a turn of phrase that was arresting and compelling.

Above all he was a gentleman in the very finest sense of a very much misunderstood word. No one could be more forthright or outspoken in expressing opinions on controversial matters, but he was invariably courteous, considerate, and charming in personal relationships.

In his association with the I.P.A., extending over nearly ten years, it is literally true that there was hardly one subject discussed in our publications on which he did not generously give of his time to express a viewpoint which was usually comprehensive and always commanded respect and attention. One was always aware that behind the opinion was the authority of an extraordinarily wide and mature experience and of high intellectual power. Many bulky files of correspondence bear witness to the labour and conscientious concern which he bestowed on the Institute's work. The Institute leant on him perhaps more than was, strictly speaking, fair, considering the vast scope of his business responsibilities, but, no matter how busily occupied, he never failed to give our problems the most meticulous and prompt attention.

Sir Walter Massy-Greene was one of Australia’s “great men.” He was no seeker after personal publicity—although public affairs were meat and drink to him—but in the last 20 years of his life he was content to do his work, steadily and faithfully, and, except to those in financial and business circles, the remarkable range of his activities was possibly little appreciated by the great mass of the Australian public. But in that time the volume and value of his work would be surpassed by few, if any, Australians.

He has left a gap which cannot be filled—partly because he was the product of a world now gone, partly because he had a breadth of experience so extensive as to be almost unattainable, partly because of his own innate qualities and substantial character. He will be sorely missed by the numerous companies which prospered under his leadership, by his many personal friends, and not least by the I.P.A. of which he was a loyal, unwavering supporter and an “elder statesman.”

★ ★ ★
WHAT IS AHEAD?

The last issue of "Review" for 1952 is an appropriate one in which to assess briefly the economic and financial prospect for the next twelve months or so. Such an assessment cannot pretend to any high degree of definitv. Economic prediction is in any case a perilous pastime. When it is reduced to terms of mathematical certainty it enters the realm of intellectual bravado.

Today we are inclined to judge business conditions by the boom years of 1950 and 1951 and to entertain the rather pious hope that these conditions may return. But to get our ideas in the right perspective we should recognise these years for what they were—that is, years of altogether abnormal prosperity brought about by unimaginably high prices for wool and an unprecedented inrush of capital from abroad. The combination of circumstances which gave rise to the "enchanted evening" of 1951 is not likely to be repeated for many years.

Experience since the war shows that business conditions in Australia are still largely governed by the size of the export cheque. Indeed one might go even further and say that business prosperity in Australia varies with the price the world is prepared to pay for one product, wool. Certainly the businessman, anxious to assess the probable state of business conditions and confused by intricate economic analysis, could do much worse than keep both eyes glued on the wool market. Seasonal variations in the average price of wool can add tens of millions of pounds to spending power within Australia.

So far in this financial period, wool prices are holding up encouragingly and the average price for the whole year may be somewhat above that of 1951/2. With the possibility of lower returns for metals—because of reduced prices—and for wheat—because of a smaller acreage—export income may be around the same level as last year, say £650 to £700 million.

Why does the size of the export cheque exert such a decisive influence on business in Australia?

There are three reasons:

1. It decides in large part the level of spending. The exporter receives a greater income; he spends more; the people from whom he makes his
WHAT IS AHEAD? (continued)

purchases thus increase their sales; in turn they have more money to spend, and so on in a kind of chain reaction. The material and psychological inducement to business expansion is strengthened. The economist has summed up this sequence of events in the technical term “multiplier.” It simply means that a given increase in export income tends to multiply spending in the economy by several times the amount of the increase itself. The total economic influence of a given addition to export income is thus considerably greater than the size of the increase itself.

2. The export cheque affects the liquidity of the banking system and consequently the amount of credit which the banks are able to extend without financial embarrassment. An increase in export income means an increase in deposits and a reduction of overdrafts and therefore an improvement in the lending capacity of the banking system.

3. A higher export income means that Australia is able to purchase more imports without running down essential overseas financial reserves. The larger proportion of imported products, contrary to popular opinion, consists not of consumer goods, but of materials and equipment necessary for the healthy expansion of industry within Australia.

As we have indicated, Australia should be able to anticipate a fairly high level of export income for the current financial year, although well below that of the boom year of 1950/51. On this ground, then, the business outlook is reasonably promising.

But the prospect darkens when we come to examine the purely domestic economic factors. Here the main immediate influence is the volume of investment made both by private businesses and public authorities. Investment in new plant and additional stocks generates income and spending power in a similar way to export income. An increase in investment provides the people engaged in constructing the plant or supplying the stocks with additional income which they will in turn use to purchase the products of businesses supplying consumer goods. A falling away in investment has the reverse effect.

UNFORTUNATELY the underlying economic conditions which would be conducive to a large volume of private investment—namely, a buoyant business psychology, stock shortages, ample supplies of cheap money, low costs—are at present conspicuously absent. Moreover, the scope for offsetting lagging private capital expenditure through expanding public investment is limited by the chronic scarcity of
savings. Indeed programmes of public investment for the current financial year will have to be financed to a substantial degree through the provision of central bank credit. But Treasury Bill finance is an economic drug which can be used effectively and safely only so long as the doses are of moderate proportions. It may soothe or stimulate the patient but it does not touch the underlying causes of his trouble.

The extreme shortage of investment capital is thus a critical point of weakness in the Australian economy at the moment. Interest rates are rising, but are unlikely to attract additional savings on any scale, primarily because the savings are just not there to attract.

There is no easy solution to this problem. Basically the shortage of investible funds can be traced to the heavy demands of taxation on the earnings both of individuals and of companies. The combined effect of high taxes and high costs on these incomes leaves little scope for the accumulation of savings. If Governments, through heavy taxes, slice the fat off the people’s earnings, they can hardly expect an overwhelming response to their appeals for loan funds.

Is there any way in which this shortage of savings can be made good? One way is through higher productivity at lower costs which would enable present standards of consumption to be maintained or improved and at the same time lead to increased savings. Productivity in some fields is at present showing an encouraging improvement, but there is little likelihood of raising productivity over the whole economy, in the next twelve months sufficiently to have any marked effect on the general outlook. When a nation becomes geared and accustomed to a certain tempo of work, it is not easy, and it takes time, to raise the tempo.

Another way to overcome the savings famine would be by obtaining increased capital from abroad. Certainly if Australia were successful in doing this, the whole domestic business outlook would improve immeasurably. But what are the prospects? Overseas capital today means American capital. But it is unlikely that private American investors or lending institutions dominated by the American Govern-
ment will be induced to put money into Australia in a big way when the return on their investment is likely to prove much less than that obtainable elsewhere, and while Australia continues to suffer chronic difficulties with her balance of payments. One hope—it is probably a faint one—is that as a result of the Commonwealth financial discussions to be held in London in November, the United States may be persuaded to provide developmental capital to the British Commonwealth for primary industry and basic public projects on a substantial long-term basis.

At the core of all the economic difficulties of Australia lies the inordinately high cost structure, and this casts a cloud over the immediate business prospect. The high level of costs hampers the expansion of vital export production; it acts as a psychological and material deterrent to both private spending and industrial and public investment; it discourages savings; it compels import restrictions; it makes Australia a less favourable place for investment in the eyes of overseas financial interests. Indeed, in the cost structure is to be found the key to the Australian economic outlook perhaps for the next two or three years. If costs should fall, the economic prospect would greatly brighten.

Sooner or later Australia will have to bring its costs closer to overseas levels. Until that is done, economic policy will proceed by a series of expedients which may—or may not—give strictly temporary relief, but at the expense of greater troubles in the future.

In the immediate future, while the drugs retain their effectiveness and provided export prices hold, there seems little reason to expect a dangerous slump. Nevertheless, it has to be frankly recognised that the happy, but enervating, South Sea Island economic climate of the post-war years has gone. Business, and indeed the whole community, are now confronted with a much more rigorous and challenging environment. Every improvement in industrial efficiency will strengthen the Australian economy and enhance its capacity to cope successfully with the new conditions. This is what business, to play its part, must continue to strive for.
IN recent years the attention of economists and politicians has become increasingly concentrated on the matter of "productivity"—a word rarely heard in political discussion or in economic analysis a decade or so ago. The reason is fairly plain.

Before the war, political and economic policy were concerned in the main with two broad issues—first, the swings in the tempo of economic activity and especially the periodic recurrence of crisis or near-crisis conditions marked by large-scale unemployment; and, second, with the controversial question of the division of the total available production among the different sections of the community. Both of these problems have in recent years become of less importance; the first, because of continued high employment in the seven years since the end of the war; the second, because the scope for raising the standards of living of the mass of the community through the policy of "fair shares" has been exhausted. The sole remaining avenue for improving living standards is through greater production per head of population.

THE WILL TO WORK

In the search for means by which this can be achieved, a great deal of emphasis has been placed on two related factors—the provision of more and better tools of production and of more horsepower to drive the tools that aid the worker. This emphasis arose largely from knowledge of conditions in the United States where production per head is very substantially greater than in other countries, and where capital equipment is on a massive scale, mechanisation has been carried further, and the horsepower-worker ratio is more than double that of any other industrial country with the exception of Canada.

This explanation of U.S. supremacy in production is perfectly valid as far as it goes. But it has two shortcomings.
In the first place it is superficial. In the second it is incomplete. It is superficial because it disregards the fact that the provision of adequate supplies of the most efficient capital equipment is a consequence as much as a cause of high productivity. A machine, or a plant for the production of electrical power, has to be produced just as much as a suit or a radio set. It is incomplete—and to that extent dangerous—because it distracts attention from the all-important human factor. It leads to an under-estimation of the major contribution to higher production that can be made by the human will to work, the relationship of boss to worker, the general psychological climate prevailing in the individual plant and in the economy as a whole, the attitude of mind that management and labour bring to their tasks, in fact all that is covered by the generic term “industrial relations.”

A CATALOGUE OF ADVANCES

It would be wrong, of course, to give the impression that little has been done in the last ten or fifteen years to promote better industrial relationships. Indeed, a catalogue of advances in this field makes astonishing reading.

The employee of today works in a startlingly different environment from the employee of even twenty years ago. On the physical side, and especially in the newly constructed plants of which there have been a vast number in the last ten years, conditions of work have been improved out of recognition. The modern factory is designed to give the maximum of physical comfort to those employed in it. One has only to compare the multitude of newer manufacturing plants which dot the outskirts of Melbourne with the old-fashioned conception of the factory, still to be seen in the inner industrial suburbs, to appreciate the immense advances which have been made. In the newer factories, the physical and mental well-being of the worker has become of paramount concern. Colourfully painted, designed to achieve a maximum of light and air, attractive in general architectural outline, often with its carefully laid out garden section, the modern plant is a far cry indeed from the “dark satanic mills” of the 19th century. Within the factory adequate provision is planned for amenities such as wash-rooms, recreation halls,
canteens, locker facilities and so on. Amenities such as these are today accepted as the general rule; not so long ago the factories that contained them were regarded as exceptional.

Ten minutes rest periods in morning and afternoon with free teas are universal. Free medical and dental inspection for employees is frequently provided, and increasing numbers of companies are employing their own doctors for this purpose. Careful study is given to the provision of adequate safety measures and the elimination of accidents. Many plants employ trained "safety officers." The health of employees is made a matter of first concern in the modern industrial plant. Apart from the almost general provision in industrial awards for one week's sick leave on full pay, many businesses provide special financial assistance in event of illness.

The last ten years or so have seen a great expansion in the provision of retirement benefits for employees by way of superannuation schemes and the such like. Private industry is subsidising superannuation plans to the tune of many millions of pounds annually. Other types of financial assistance to employees have become quite common. For instance, many large companies undertake the erection of homes which can be rented by their employees at specially low rentals or purchased with the assistance of finance provided by the company at low rates of interest.

Growing numbers of companies arrange holiday centres where the employee can obtain a cheap, pleasant vacation for himself and his family. Organised sports and social activities, the facilities for which are often provided by the business, are a commonplace in most factories today. The practice of providing employees with information about the company's activities is growing and is becoming regarded as an almost indispensable part of modern industrial relations policies.

Schemes for encouraging and assisting employees to obtain a financial stake in the business through the purchase of shares are extending.

It is rare today to find a business of any proportions without its personnel officer or department with the responsibility of organising and administering the whole range of activities bearing on the welfare of employees.
The matters mentioned above by no means exhaust the list of provisions made in the great majority of modern factories for the welfare and happiness of employees. But sufficient should have been said to indicate the transformation that has occurred in the physical and social environment of the factory in recent times. It is fair to claim that in so short a space as the last 20 years, a 20th century factory environment has supplanted one that still contained perhaps too many reminders of the 19th century.

All these changes—revolutionary in sum—have been directed toward three immediate objectives:

First, of providing for the employee a comfortable, healthy and pleasant place of work.

Second, of providing greater financial security for the average worker.

Third, of enlisting the real interest of employees in their organisations by making them feel a real part of the show, or, to use the jargon of modern industrial relations, by increasing their sense of "belonging."

THE PARADOX

At the back of all, of course, lay the general desire to foster good feeling between employers and employees, to overcome prevailing suspicions and distrust, to minimise discords, and to develop a real co-operative industrial team-work aimed at achieving the highest productivity from which all would benefit. The strange paradox of recent industrial history is that in spite of the remarkable advances made for the physical and financial welfare of employees, and in spite of many notable exceptions, over a wide area the attainment of a really enthusiastic co-operative industrial team-work remains almost as far off as ever. Possibly many industrial workers are more contented than ever before. But this feeling of greater contentment, insofar as it exists, does not appear to have been accompanied by any notably enthusiastic co-operation in what is after all the fundamental purpose of all economic effort—the achievement of maximum efficiency and productivity. A 20th century revolution in the physical and financial environment of industry has not yet been accompanied by a 20th century revolution in attitude of mind. The psychology of industrial relationships, in spite of all, is still strongly tainted with 19th century attitudes.

What is the reason for this?
GOOD INTENTIONS

It would be wrong and, worse, hypocritical to suggest that all the recent advances in industrial welfare are attributable to the initiative of employers. Some came about as the result of union pressure. Some, such as the two weeks' annual leave and the 40 hour week, are embodied in compulsory orders and awards by industrial tribunals. Numerous concessions made during the post-war years of over-full employment were the outcome of the competitive efforts of employers to attract labour in a period of labour scarcity. But when all this is said, it remains true that a large part of the transformation is due to a genuine desire on the part of many employers to improve the conditions of life of their employees and to achieve a new and better era of industrial relationships.

This statement may be scoffed at by some union officials and workers, but if they could have sat in on the innumerable discussions concerned with industrial relationships by Boards of Directors and managerial executives, they might appreciate the large reserves of goodwill and of good intentions that are to be found among the great majority of industrial leaders. The average employer is, after all, not greatly different from the average employee. He is a decent chap with a desire to do the right and fair thing. He may sometimes be misinformed or misguided, he may not always be brimful of initiative, but in the overwhelming number of cases he is keen and anxious to do the best by his employees. There are exceptions. There are a few sharks in every sea, but they are in a very small minority compared with the great majority of decent, well-intentioned people.

It has to be frankly recognised that, for many employers, the period of over-full employment was one of considerable disillusionment. Industrial discipline and irresponsibility were widespread. There was, among a minority, a great deal of slacking. Absenteeism was rife. Timekeeping was poor. Late starting and early stopping with rest periods that frequently exceeded the allotted interval tended to reduce the real hours of work substantially below the nominal standard. The turnover of labour between jobs reached record levels and became a serious addition to industrial costs. Jobs were
accepted and discarded with little sense of responsibility. Work stoppages and strikes in some key industries reached an all-time high. Output per man failed to respond to the needs imposed by the 40-hour working week. Overall, there was no great recognition of the inescapable requirement in industry of order and authority.

It began to be realised that full employment was anything but synonymous with full production, that the mere assurance of job security did not, of itself, create over a wide area that co-operative enthusiastic response to the demands of production for which many had hoped.

A RETROGRADE STEP

With the appearance in recent months of some unemployment, reports that have come to hand indicate an improvement in labour discipline, a toning up of the tempo of work, greater output per man, and generally a more settled state in industry. These experiences, naturally enough, have led a few employers to incline to the belief that some unemployment is necessary in order to assure a reasonable degree of order in industry. It would be a great pity, and a serious retrograde step, if this belief gained general acceptance or if some employers were to use in any arbitrary manner the additional power placed in their hands by the existence of a small labour surplus. In an address a few months ago to the Junior Chamber of Commerce in Melbourne, Mr. C. A. Smith, of the Ford Motor Company, pointed out that the real test of enlightened management comes now that many industries are no longer short of labour.

"In the next few years management will either re-awaken the distrust of the thirties, or it will give proof that it is not fundamentally antagonistic to labour. If I were a junior employee I would, over the next year or two, finally make up my mind whether I was to be 'anti-boss,' or whether I would be sympathetic and co-operative with him."

Mr. Smith gives here the soundest of advice; but the next few years will provide a test not merely for the employer in his relationship with his immediate employees, but for employers considered as a whole, as a group, in their relationship with labour as a whole. Indeed the most serious breakdown in industrial relations in this country lies not so much at the plant level as at the national level. In a great
number of modern plants relationships between the boss and the workers are reasonably sound, certainly infinitely better than much political and industrial propaganda would lead people to think. The most serious trouble seems rather to be on the plane of national teamwork, in the broad relationships between employees as represented by their trade unions and employers considered in their group capacity. It is here that attitudes of mind in too many cases still seem to be dominated by the industrial environment of the 19th century rather than by the transformed environment of today. To those who have had the good fortune to have studied in recent years industrial relationships in other English-speaking countries, the institutions that have been developed for industrial co-operation and negotiation, and the broad approach of both employers and union officials to questions of national economics, this anachronism is most striking.

It is not the intention of this article to try to apportion blame for the unreal and outdated industrial psychology that still predominates in this country. The Institute fully recognises the shortcomings on the side of employers, and the failure of some of its associates to readjust their thinking to the new social and industrial climate of the post-war years. It believes that in some respects the national leadership provided by employers, in spite of notable advances, still falls short of present-day needs—and certainly short of the type of leadership now being provided by employers in other countries. To take one or two examples: Australian employers have lagged a long way behind those of the United States in organising both at national and plant levels, information and education about the economic system on which Australians depend for their livelihood. Ignorance in this country of the simplest facts and principles of industrial economics is disturbingly widespread. Little has yet been done to correct this lack of knowledge and thus to destroy the fallacies and prejudices that abound.

To take another example: Australian employers have perhaps been slow to take the initiative in developing institutions for co-operative discussion with employee bodies of national problems that are common to both capital and labour. Here we have much to learn from Britain where
employer and employee representatives have sat together on bodies such as the Anglo-American Productivity Council concerned with work of the highest national moment.

A 19th CENTURY APPROACH

However, when all has been said in criticism of employers, the most sympathetic supporter of trade unionism can only be disturbed by the distressing failure of Australian trade unions to evolve a really constructive 20th century attitude to the problems of industrial relations. It is no exaggeration to say that a large number of union officials in this country are still living way back in the 19th century. The modern conception of unionism, as it is evolving in the United States and Britain, is that the trade union should be applied primarily to positive constructive purposes. Top union policy in those countries is based on the recognition that virtually the only path now to the goal of better living standards for the worker is that of higher productivity. The old purely protective functions of the unions are consequently assuming less importance. But trade unionism in this country is still, by and large, dominated by a protective and negative industrial philosophy that has been rendered out-dated by the march of time. For the most part it is no longer relevant to modern social and industrial conditions. Every week in this country leading labour journals circulating among the workers concentrate on building up antagonism to the "boss," on teaching a form of economics that is fundamentally invalid, and generally on preaching an industrial philosophy that is as archaic and as futile in the modern age as the horse-and-buggy.

THIS out-dated approach has begun to be realised by some of the more far-sighted representatives of Australian trade unionism itself. Mr. Keenahan, vice-president of the N.S.W. Trades and Labour Council, who recently returned from a tour of investigation overseas, had some strong words to say on union policy on his arrival in Australia. Mr. Keenan stated that no Australian union had a concrete plan for efficient conduct of its own industry and that British unions which did not think along lines of productivity were considered twenty-five years out of date. Productivity, he said, meant a great deal to British workers, and incentive pay-
ment schemes were largely used. The thinking of British trade unionists was more along economic lines than the purely industrial lines of their Australian counterparts. The British Trade Union Congress believed first in serving public interest, realising that greater efficiency lifted the standard of living. Urgently needed in Australia was a trade union educational system that would direct attention to national and economic needs as against parochial aspects. What Australian unionism as a whole still had to learn was: To get a fair share of the production cake, first bake the cake.

Mr. Keenahan's address was one of the most constructive and courageous by a trade union official that has come to our notice. When will sufficient numbers of trade union officials, with the same qualities of perception and vision and courage as Mr. Keenahan, arise to give the movement the 20th century leadership it urgently demands? Certainly there could be no greater contribution to the welfare of the Australian worker and the building of a great Australian nation, than a re-orientation of union policy along the lines Mr. Keenahan has indicated.

* * * * *

The opportunity is there. Will trade union leaders of the requisite stature and vision make their appearance? It is difficult to imagine the Australian economy emerging from its present stumbling gait unless the entire Australian community is imbued with the spirit of true individual advancement and of national achievement. But the emergence of this new spirit can be achieved only through an up-to-date positive unionism based on present day economic realities, and concerned with the shining promise of the future rather than with the drab bitterness and injustices of an era now long past.

★ ★ ★
BOOKS taking for their central theme the subject of “free enterprise” are rather rare. Thus it is quite an event in the arena of economic controversy when they make an appearance.

Two have come to our notice in recent months. Both, as one might guess, are written by Americans. One, “A Creed for Free Enterprise”, is by a leading figure in American heavy industry—Clarence B. Randall, the President of the Inland Steel Company. The other, “Capitalism”, is by an economist of high distinction, David McCord Wright, Professor of Economics at the University of Virginia—an associate worker of one of the greatest of modern economists, the late Joseph Schumpeter.

“A Creed for Free Enterprise” is a personal philosophy, rather than a scientific analysis—an affirmation of the beliefs of the author distilled from a long and successful business experience. It is racy and easy to read. “Capitalism,” on the other hand, is subtle, analytical and highly technical, often profound, but, given the determination, the intelligent layman should be able to follow the main course of its sometimes intricate reasoning. Although differing widely in method, the two books have at least one thing in common—both amount to a defence and justification of the free enterprise system and express a faith, if a somewhat qualified one, in its future.

Their own Enemies.

Both writers are perfectly satisfied with the intrinsic merits of the system. But they are somewhat doubtful whether businessmen, taken as a whole, are themselves sufficiently wide awake to the conditions necessary if the system is to survive. Take Wright: “It is my sincere conviction that the capitalists themselves are frequently the greatest enemies of their own system. There is, for example, a persistent tendency to recur to die-hard financial orthodoxy.” Here the writer no doubt has in mind the unyielding opposition of some sections of American business to the concept of “deficit financing”. He suggests also that the American businessman is more seriously infected with socialist ideas of planned security than he realises. “We cannot tell the people of other countries”, he writes, “that the protection of economic vested interests will inevitably cut off the progress of their society if we insist on protecting our own vested interests ourselves.” With a flash of dogmatism—rare and unexpected in one in whom the scientific conscience is so pronounced—he adds: “The American tariff makes no sense whatever in the light of the perpetuation of capitalism or the future development of the world”. Again, he accuses Americans of adopting an undiscriminating attitude towards the rights of private property. He points out that property rights obtained within the framework of the American way of life are a very different thing from ownership that may be the fruits of “a thousand years of feudal stagnation”. “We can scarcely claim to be the forerunners of democracy if all that we are going to do is to underwrite the results of aristocratic privilege.”

Clarence Randall also has his bone to pick with the businessman. He charges him with being too complacent and inactive. If business is misunderstood and undervalued by the public, it is the businessman himself who is at fault. “It is not the fault of the way of life we represent. Actually the free enterprise method of production, carried on within the political climate of democratic freedom, is the social system which has brought the highest degree of welfare to the most people. We know that, but can’t say it. Our public is told about business by professors and commentators and politicians and preachers and labour leaders but seldom by the men who know
most about it, the businessmen themselves."

Accordingly, Clarence Randall wants businessmen to do a great deal more personal thinking about the wider problems of the economy and of society generally. "We easily convince ourselves that we are making great efforts when we measure ourselves by the number of engagements we keep, people we see, and reports we read, but, actually, the thing business needs most today is an occasional quiet hour for the boss. To reflect before doing may be more important than the doing, but as executives we are much happier doing than reflecting." And he wants the businessman to devote some of his thinking to gaining a proper understanding and just evaluation of the system in which he believes. "Free enterprise," he writes, "is our favourite theme on those rare occasions when we talk; no banquet would be complete without sonorous phrases in its praise, our advertisements proclaim it by word and picture; yet, actually, who among us so comprehends its significance that he can persuade an honest sceptic of its virtues?" And yet he says the free enterprise "record of performance is magnificent".

Thus, from two very different perspectives, the economist from his secluded tower of thought, the businessman from his busy executive's chair, arrive at a similar conclusion:—The future of free enterprise will be better assured if businessmen themselves take the trouble to acquire a greater insight into the system in which they believe. Professor Wright's book would itself be an invaluable aid toward this understanding.

The Difficulties of Persuasion.

Professor Wright has no illusions about the extreme difficulties confronting the businessman or anyone else who sets out on the task of persuading people to support the free enterprise way. For instance, two key groups who present an especially difficult problem are the rank and file trade unionists and the intellectuals—the first because their thought on economic problems tends to be dominated by trade union leaders who often find it to their personal interest to isolate their rank and file from outside thought as much as possible. "A constant stream of vilification and misrepresentation is poured forth in their organs and all contrary suggestions are ignored. Any doubts, however friendly or valid, are treated as an attack."

Then there is the large body of intellectuals to whom it has become a custom to blame everything on to the businessmen. "If we are poor, it is because of the businessman; if there is war, it is because of the businessman; if democratic decisions are sometimes foolish, it is because of the businessman; if we have unemployment, it is because of the businessman; if we have inflation it is because of the businessman; if we have deflation, it is because of the businessman." Ten years ago this withering piece of irony might have been used at the expense of the intellectuals of this country, without doing them a grave injustice. Today the attitude of intellectual circles to the businessmen is tempered with a little more tolerance.

What, then, has free enterprise to offer? What are its special virtues? And are these virtues sufficient to outweigh any shortcomings?

"The Cycle Problem Far Transcends Mere Capitalism."

Professor Wright puts his emphasis on growth and progress. It is in its potentiality for effecting rapid improvements to man's material condition, as shown by its past record and its present achievements in North America, that free enterprise must base its claim for the community's support. He is not so hypocritical, or unscientific, as to pretend that progress of this kind can be combined with perfect security, either for the busi-
nessman or for the worker. Progress means change and change must bring with it some degree of instability. Some businesses will decline and fall, some workers will lose their jobs and be faced with the necessity of finding others. Perfect job security is attainable only in the theoretically perfect stationary state—or in jail. A socialist society would be confronted with this problem of progress and change equally as much as a capitalist one. If it endeavoured to encourage progress and growth it would be faced with the same instabilities that occur under free enterprise. "The cycle problem far transcends mere capitalism."

"Definitely", says Professor Wright, "we cannot give perfect stability and still retain that reasonable degree of economic freedom and decentralization upon which, as we have seen, both growth and political democracy depend. On the other hand", (and here is the important point), "we do have easily accessible and well-known techniques whereby it is quite possible, economically, to say that there need never be a severe depression again". But will we be allowed to use these techniques, or will politics, pressure groups and ignorant prejudice prevent their use? As Professor Wright says, the fundamental problem of economic stability is no longer economic, but ideological. And he states some of the ideological dilemmas: "Can the people be persuaded to permit adequate risk incentives? Can the unions be persuaded to restrain their wage demands during a depression and still more during an inflation?" Will the businessman in devising policy, give sufficient weight to the broad, insistent demands of the national interest? And so on!

The problems of economic instability are now essentially political rather than economic. This needs to be understood.

The Competitive Discipline.

Both Professor Wright and Clarence Randall list among the vital ingredients of free enterprise the discipline of competition. Clarence Randall sees in competition the necessary safeguard of the public interest. "No modern nation in this socially-conscious world will long permit selfishness to go unrestrained, and if it is not held in check by competition because the free market has been interfered with, the people will assert themselves and take away the privileges of free enterprise by collective action." He contends that the nationalisation of the British steel industry was made easy by the fact that the leaders of the industry had tended to reject "price competition".

Professor Wright points out that competition is the means by which individual opportunity is preserved and fostered: "Because of competition and the fact that industry is not organised under a single hierarchy of authorities, men have a chance to transfer from one line to another. This means that they are not forever at the mercy of a single directorate or group of associates. Also, because of competition a man with a new idea . . . has the chance to get it introduced without asking the consent of those already in power."

"The Most Productive System."

In spite of the difficulties in the way, Professor Wright is not without hope in the future of free enterprise.

"At least we can say there is a chance, a chance that the people may wake up in time. After all, in the light of present world conditions, the one fundamental thing to realise is that capitalism once more makes sense economically. It is the most productive system, the one which gives the greatest opportunity, and the one which most curbs State power." . . . . "if we keep in mind the values of opportunity, competition, democracy, productivity, then it is our capitalist society which is the truly revolutionary one—the only society which offers true hope to the masses for release from the long nightmares of tyranny."

Anyone prepared to take the trouble to read these two books will put them down with a deeper understanding of the free enterprise system and of the basic political conflicts of the present day.
BEFORE the last war, public companies in Australia paid State and Federal income taxes totalling less than 4/- in the £ of their profits. Also, in order to avoid double taxation dividends paid to shareholders were exempt from tax. With the need for extra revenue to finance the war effort, company income taxes were sharply stepped up under the uniform tax scheme and the tax exemption on dividends was withdrawn.

At the end of the war, the various income taxes in force—ordinary, super tax, undistributed profits and wartime excess profits tax—averaged just under 8/- in the £ over all public companies. Apart from the suspension of wartime company tax in 1947, representing an overall tax reduction of about 10%, this high level of taxation was maintained right through the postwar period. The Commonwealth Treasury resolutely set itself against any worthwhile reduction in taxes on the earnings of companies.

To counter the storm of criticism on taxation policy, the then Treasurer, the late Mr. J. B. Chifley, in February, 1948, issued a statement prepared by officers of the Treasury asserting that, by comparison with other sections of the community, companies had not been adversely affected by the incidence of high taxes and that economic progress had not been retarded. Figures of total earnings, dividends distributed to shareholders and undistributed profits were tabulated to show a favourably rising trend in all three between 1938/9 and 1946/7. The I.P.A. strongly criticised this statement in "Review" (April, 1948). "This analysis," said our article, "affords a striking instance of the misuse of statistics." The article pointed out that if the increase in the price level and in funds invested were taken into account, all three—company earnings, dividends and undistributed profits—showed a steady fall over these years. Later in the year the Treasury issued a white paper entitled "Taxation and
the Economy," in an attempt to further justify its taxation policy. The economic analysis and facts cited in support in this document were again made the subject of a critical article in "Review", published in November-December, 1948. This article stated bluntly: "The Government, in defending itself from attacks (on its taxation policy) sometimes stoops to a level which is little above the propagandist. The public is entitled to something better from a government economic paper."

All the arguments used in the white paper to support the high level of company taxes—maximum employment, increasing production, the large volume of private investment and the ample supply of investible funds—were all related to the inflated post-war economy. With the advent of a buyers' market the detrimental effects of high taxation on companies and the money market are becoming only too apparent. Reservoirs of savings are drying up so rapidly that the flotation of loans and new share issues is becoming an increasingly hazardous business, in contrast with the buying rush for securities a year or two ago.

Despite the change in leadership from a man sincerely opposed to certain forms of private enterprise, to a man by his record highly favourable to it, the Treasury still persists in its adherence to a policy of heavy company taxation. Indeed taxes on public companies, at slightly less than 9/- in the £, are higher than at any time during the war.

During the Second Reading Speech of the Income Tax and Social Services Contribution Bill introduced into the House of Representatives on September 18, the Treasurer contended that Australian companies had little to complain of in the severity of income taxes, asserting that: "As the rate of company tax in Australia is generally speaking lower than in any other important English-speaking country, Australian companies are in a position to distribute correspondingly larger amounts by way of dividends."

The Treasurer quoted in some detail the relevant rates of company tax in Australia, Canada, U.S.A. and the United
Kingdom. Taking an overall average of aggregate statistics compiled by reputable authorities from published company balance sheets, approximate rates of tax to *taxable income* for public companies work out roughly as follows for 1951.

<table>
<thead>
<tr>
<th>Country</th>
<th>Rate</th>
</tr>
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<tbody>
<tr>
<td>Australia</td>
<td>45%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>62%</td>
</tr>
<tr>
<td>U.S.A.</td>
<td>57%</td>
</tr>
<tr>
<td>Canada</td>
<td>48%</td>
</tr>
</tbody>
</table>

**NOTE:** Shareholders in Australia and U.S.A. must also pay further taxes on dividends paid to them. In Canada, taxpayers receive a rebate of 10% of the dividend and in United Kingdom dividends received by persons in receipt of incomes of less than £2,000 a year are exempt from tax.

It is most important to bear in mind that this comparison relates to taxable income, the amount of which is clearly affected by the allowances for depreciation, obsolescence and other expenditures permitted by the taxation authorities in the countries concerned. For instance, allowable deductions for depreciation and other developmental expenditures are much higher in Canada than in Australia. In Canada, certified projects are allowed to write off as much as 30% of new capital costs in a year.

The bare minimum depreciation allowance on buildings for any purpose is 5% with higher rates for special cases. In Australia, on the other hand, the general principle is *not* to regard buildings as subject to depreciation, except where it can be established that the building or part of it is an integral part of plant enclosed within it. Applicable rates of depreciation in these circumstances may range from less than 1% up to 3% depending on the type of structure and the nature of the plant.

*But the really crucial factor in comparing returns to investors in public companies in different countries is the actual amount of net profit on funds invested after payment of tax, not the severity of the tax itself. The present level of taxes in Australia, though apparently lower than overseas, constitutes a much greater burden on industry than elsewhere because the rate of return on shareholders' funds, before tax,
is very much lower. Comparative figures for manufacturing concerns in 1951 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>% Profits on Shareholders' Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Before Tax</td>
</tr>
<tr>
<td>Australia</td>
<td>15.4</td>
</tr>
<tr>
<td>U.K.</td>
<td>22.1</td>
</tr>
<tr>
<td>U.S.A.</td>
<td>27.7</td>
</tr>
<tr>
<td>Canada*</td>
<td>23.5</td>
</tr>
</tbody>
</table>

* All Companies 1950.

NOTE: The British profits would be higher but for very large appropriations for obsolescence and replacement of assets. This is encouraged in United Kingdom as distributed profits are taxed at the rate of 4/6 in the £.

The influential London "Economist" is of the opinion that the present level of company profits in United Kingdom is far too low for national safety.

This data would suggest that the Treasurer's statement is wholly incorrect when it claims that Australian companies are in a position to pay larger dividends. It is obvious, as the above figures show, that both American and Canadian companies are able to pay higher dividends than their Australian counterparts, and, what is equally important, higher net profits enable them to plough back greater amounts as reserves to give stability and to provide for capital expansion. Moreover, the Treasurer's statement is dangerous and misleading from the point of view of national economic policy. Because of a much higher rate of profit before tax, companies in all three countries quoted are less affected by high company taxes than Australia. Large overseas companies must be encouraged to invest here, and local industry must equip itself at standards competitive with overseas industry. We compare most unfavourably with Canada which is our greatest competitor for American and other foreign capital. The Treasurer's advisers would not have had to delve far to discover that "market leaders" in Canada and U.S.A. distribute only 20% of their profits as compared with 80% in Australia. Yet the return to the shareholder on his investment is higher in North America.

The whole subject of company profits requires much more sympathetic understanding by government officials if Australia is to rise to the challenge of the next 10 or 20 years for the brunt of development must fall on public companies.
It is not enough to brush off complaints of Managing Directors at Annual Meetings about the high level of taxation as mere "crying wolf." Half-baked comparisons of the tax burden are certainly not helpful.

* * * * *

HEAVILY burdened Cabinet Ministers cannot be expected to personally check the supporting data they quote. Of necessity, much of the load of detail falls on ministerial advisers and assistants whose role has become of immense significance over the last decade or two. Occasionally, however, as in the case of government policy on taxation, doubts arise as to the wisdom and care shown by some government officers. To draw attention to these defects is not to stoop to indiscriminate attack on public servants as such.

At times officials appear to have allowed their personal predilections to run away with their better judgment. The younger generation of University-trained men particularly show a tendency to write off the free enterprise system in the scheme of things for lack of class-room perfectibility. One has only to hear some of them in outside discussions and forums and in off-the-record conversations to realise this.

In economics, there are certainly grounds for widely differing opinions. Also it would be unjust to claim that advice tended to the Government, which has been proved wrong in retrospect, is necessarily attributable to faulty analysis. But the occasional flavouring of factual background data, as used by Ministers in public addresses, suggests a degree of personal bias that is to be regretted and condemned in those whose approach should be above all partisan political considerations.

* * *
HARRY DUNCAN McGOWAN was born in Glasgow on the 3rd of June, 1874. At the age of fifteen he joined the staff of Nobel's Explosives Ltd., as an office boy. In 1915, twenty-six years later, he was elected to the Board of the Company and became its Managing Director in 1918.

During the 1914-18 war, Nobel's Explosives were suddenly called upon to bear heavy responsibilities, the main weight of which naturally fell on the shoulders of their Managing Director. As a recognition of his outstanding services during this period he was created K.B.E. in 1918.

Later in the same year there took place—largely due to his efforts—that amalgamation of British explosives and allied interests known as Nobel Industries Ltd., and Sir Harry, as he then was, became the first Chairman of this
new Company. It was in 1925, after having consolidated the position of Nobel Industries Ltd., at home and abroad, that he realised there must be an amalgamation of certain companies if Great Britain were to be able to hold its own in heavy chemical industry against Germany and America. He approached the late Sir Alfred Mond (afterwards the first Lord Melchett) with his proposal to form a company, afterwards named Imperial Chemical Industries Limited, to take over the shares of the various units brought into this amalgamation, and as a result I.C.I. was formed in 1926.

Sir Alfred Mond was the Chairman, and Lord McGowan (then Sir Harry McGowan), President of this fusion of Nobel Industries Ltd., the United Alkali Co. Ltd., Brunner, Mond & Co. Ltd., and the British Dyestuffs Corporation Ltd.—a merger which must rank as one of the greatest individual achievements in the history of British industry. In 1930, on the death of Lord Melchett, he was elected Chairman and Managing Director of I.C.I. He was then 56.

Between 1928 and 1939, in order to establish the overseas connections of the organisation, and to promote the welfare of the British chemical industry generally, he made visits to the Near East, India and the Far East, South Africa, Australia, New Zealand and the U.S.A., thus gaining for himself the reputation of the most travelled British industrialist. Since the war he has made extensive tours of South Africa and South America.

His personal contribution to the industry which he served for sixty-one consecutive years received public recognition in a number of honorary degrees conferred upon him by different universities.

It was characteristic of Lord McGowan's reluctance to rest on his laurels that he met the increased work of the Second World War with the energy and courage of a young man. On the outbreak of hostilities, I.C.I.'s factories increased in size and number, and the total of its employees almost doubled. Under the leadership of Lord McGowan, this army of workers played a vital part in every phase of the war effort. On the 31st December, 1950, Lord McGowan retired from the chairmanship of I.C.I. and the Board marked their recognition of his invaluable services by making him Honorary President.

The fact that he worked his way up from the bottom, coupled with his gift for personal contacts at all levels, made him an inspiration and an example to all members of I.C.I. and, in fact, to British youth in general. In wider spheres, his personal genius and application have brought him recognition as one of the greatest figures in contemporary British industry.

Lord McGowan has kindly written for "Review" this article describing the employee relations work of the great enterprise in which he has played so notable a part.

The Editor has suggested, through Dr. Frank Meehan, Chairman of Imperial Chemical Industries of Australia and New Zealand Limited, that I should contribute an article to this publication. I do so with much pleasure, and the choice of the subject has been left to me.

I have read some of the contributions already made but my difficulty is to determine what would be appropriate and interesting, and I have decided, rightly or wrongly, to say something of the history of I.C.I. as, because of its size and ramifications, it has a distinct bearing on our social and economic life. Let me point out, however, that I am trying neither to lecture nor to preach. Nothing is further from my thoughts. It may be that what I have to say may contain the germ of a thought which will be useful to industrial concerns, both large and small, in Australia.

When I tell you that I.C.I. today employs 110,000 people—that is staff and
workers—with more than 100 separate plants manufacturing over 12,000 products, and when I add that last year the Company spent £55,000,000 on wages and salaries, and no less than £160,000,000 on the purchase of materials and services, you will agree that I have not made an understatement of the impact of I.C.I. on the economics of the country.

Many, many thousands of our staff and workers are married, and with families, and I would not be at all surprised if nearly 250,000 people did not depend on I.C.I. for a means of existence.

I.C.I.'s sales at home during 1951 totalled almost £140,000,000 and it exported products valued at over £58,000,000, thus helping to adjust Britain's balance of payments.

There is much ill-informed criticism of "Big Business", but it is I.C.I.'s size that has enabled it to keep its flag flying throughout the world, and conferred benefits on its workers and staff far beyond anything that could have been done by the individual companies acting on their own, before the amalgamation was consummated.

I.C.I. was established at the end of 1926 because some of us felt that only a combination of the interests of Nobel's Explosives Company, Brunner Mond & Company, The United Alkali Company and The British Dyestuffs Corporation, could save Britain from becoming a second-class power to America and Germany so far as concerned the heavy chemical industries. In those countries great combines had been created such as the I.G. of Germany and The Du Pont Company of America, to give only two examples, with immense financial resources. Had the individual elements in I.C.I. not come together, they could not have hoped to compete with the giant companies to which I have referred.

Subsequent events have proved the wisdom of this combination of interests. Concentration on greater and greater efficiency was our slogan, and with so many interests involved, this might not have been a very easy matter. It was no accident, however, that the companies brought into the amalgamation were not necessarily competitive but complementary, and that greatly facilitated our task.

Since the need for such an organisation was keenly felt by those responsible for the administration of the companies brought into our merger, and their subsidiaries, the welding of them together was accomplished with little difficulty, and within a very short time.

Shortly after the Company was formed we created eleven Divisions, necessary because of the greater number and variety of commodities being produced. Each Division has a separate Board of Directors, described as Delegate Boards, continuously in touch with an Executive Director in London with special knowledge of the working of each Division.

In the earliest days of the amalgamation the Main Board had central control over all essentials, but it was determined that as time went on we should give the Divisions more and more liberty of action. This process has been acted on and works admirably; to use a common expression, it puts those in charge of Divisions "on their toes".

Bond of Human Relations.

When the Company was formed we appointed a Committee to consider all labour and personnel problems, for we appreciated that the proper handling of these problems was just as important as a manufacturing Division. A Director of the Main Board was made Chairman of that Committee, with instructions to be sympathetic to labour, but not subser-
cient, and to establish that bond of human relations between management and workers which is so essential for the progress and success of any company.

I, throughout my twenty years as Chairman, and my colleagues made it a duty to visit our factories as frequently as we could spare the time—and we made that time—from our directorial duties in London. During those visits we made a point of talking with foremen and old workers, of enquiring after their health and their families, and discovering whether they were happy in their jobs. This human touch was much appreciated.

The British working man is a stout and excellent fellow and responds to human handling, and after all he is an integral part of any organisation. I can give you two illustrations of what I mean. During the period of our war effort, for example, when we were employing 130,000 people, we had not a single day’s strike—nothing more serious than a few sporadic troubles, none of which lasted more than an hour or two. Secondly, I would quote an incident which occurred at our very large factory in Ayrshire—a factory which did noble work during the first and second World Wars. In this, as in so many other I.C.I. factories, a fine community spirit exists. A young man and a girl in the factory marry: time marches on and children come along; and, as is very often the case, once the children reach maturity they join the I.C.I. organisation, too. Just prior to the last war, one of the managers of this plant said to one of the oldest workers there: “Willie, you have been a wonderful servant, never a complaint about you, but the Company’s rules stipulate that the time has come for you to retire.” Willie scratched his head for a moment before retorting: “Retire? Retire? After 50 years? My God, if I had known this was a temporary job, I’d never have taken it!” I instance this story to emphasize that men are not always time-servers, not always just “factory hands”; many bring hands, mind and spirit to the service of their company. Men of this calibre can be counted upon to produce something extra, to see the job through and go on working honestly whether the foreman is about or not. I do not say this is true of all I.C.I. operatives, a fine body of men though they are; if it were I.C.I. could undoubtedly claim to have solved the manifold problems of human relations within industry, whereas the truth is that I.C.I. is still learning like everybody else.

Security.

The main factors which affect “work satisfaction” are known, although their relative importance may not yet be established. I put them in the following order of importance: security, consultation, the relation of pay to effort and skill, incentives, wise selection, and working amenities. There is nothing the British worker craves more than security. He thinks of his old age, and of his wife and children, should sickness or death overtake him. All this is much to be applauded. On this question of security, I am glad to say that years ago I.C.I. established a contributory Pension Fund for the worker that takes care of him when he retires, and he knows that his declining years will not land him in financial straits. This scheme was quite recently amplified to provide for the payment of a pension to a worker’s widow and dependants after his death.

It is common knowledge that we in Britain have a State insurance scheme, which covers the entire population. The introduction of this scheme did not, how-
ever, invalidate I.C.I.'s scheme in the eyes of its workers, the vast majority of whom elected to remain within it, notwithstanding the extra contribution demanded of them under the national plan.

Consultation.

This brings me to the second factor—consultation—for security is very much bound up with it. No man can give of his best if his mind is constantly beset by fears of losing his job. Yet the floor of the shop can be a hotbed of anxiety-forming rumours, particularly when industrial conditions in general are difficult. Rumours of lost export orders or shortage of raw materials, of short-time working or of new machines "that'll do the work of five of us" produce an atmosphere in which no man can possibly give of his best. This sort of thing gets worse in proportion as the size of the works increases, and tends to reach its peak in the largest organisations where a man is liable to regard himself as a nameless cog in a soulless machine, with no recognised individuality or even existence. These rumours should never be allowed to be born, and the best way to accomplish this is through Joint Consultation. Properly-elected representatives of the workers must meet regularly with representatives of the management, so that matters such as those I have enumerated—and not just trivialities—can be explained in advance.

It is important that the works manager himself (as chairman), and several members of the management team, should take part in these meetings; a conference of workers' representatives alone is of no avail. Indeed, it is dangerous for it serves to perpetuate the falsehood that there are "two sides" in Industry. I have never ceased preaching the gospel that the differences between management and workers never amount to more than a conflict of view. Both have a common interest in the prosperity of the company and in its continuing ability to provide both work and wages. To get this understood is one of the greatest problems of management, and it is at its acutest today because the growth of big concerns is accentuating the danger of the "cog-in-the-wheel" complex just at the time when the worker is better educated than ever before, and therefore more eager than ever before to know what is going on.

Joint Consultation committees can never, of course, impinge on the proper field of the Trade Unions. That is to say, such matters as wages must always be excluded from their deliberations. Nevertheless, much of the affairs of the organisation—the state of its order books, the development of new products or processes, and the improvement in conditions of working—are proper subjects for discussion.

I would go further, of course, than stipulate Joint Consultation between works managements and workers. The approach must be dynamic from the very top. It also goes without saying, I hope, that any policy of personnel relations must equally take account of job selection, amenities, and the other factors I have mentioned. Every misfit is inefficient, but the round peg is invariably efficient in a round hole, and pains must be taken to see that he gets it. I am equally convinced that a man's contribution depends just as much on satisfactory working conditions as it does on the size of his pay packet.

Welfare.

Let me touch on welfare for a moment. Wherever a company's financial resources are such as to make it possible, I believe that attractive canteens should be attached to all factories; it is surely well that workers should have at least one
good, hot meal per day at a reasonable price, in well-designed and clean, pleasantly-furnished surroundings, and it is good management to ensure it; in many British companies it is part of the welfare policy to subsidise the cost of this meal, particularly for juveniles. A good factory medical service is an essential. I put forward these suggestions with a due sense of proportion. Some of them are difficult of implementation outside the biggest of big concerns.

Nevertheless, the difference between the "good" factory and the bad often amounts to just these things—regular consultation, job selection, reasonable amenities and other practical measures. I detest talk about the "climate" within a particular industry—there are as many climates as there are companies. In a good company, the workers will accept time and motion study, welcome mechanical aids, and allow re-deployment without demur when it is shown to be necessary, for the good of the company, and the workers are convinced they are getting a square deal.

Status.

The status of the worker is another subject requiring attention. We, in I.C.I., have made a pioneer attempt to solve this problem by forming a Staff Grade of Workers. All workers of over three years' service, and over age 24, are eligible for promotion to this Grade, which carries special privileges, among them the maintenance of full wages for all certified sickness absence up to six months in any year, and the entitlement to receive one month's notice should their services have to be dispensed with instead of the one week which is accorded to ordinary workers.

Information.

For the dissemination of general information on the Company's plans, operations and intentions—an enormous task when you remember the size of I.C.I.—we have instituted a monthly magazine. In addition, I.C.I. also makes internal relations films, publishes Division magazines or wall newspapers, and other informative literature, including a simplified, "popular" edition of the annual report and accounts. One hundred and fifty thousand copies of the last-named document are printed every year and mailed to all employees and pensioners. I do not think that any company's finances, and how it disburses its earnings, can be too well understood in its works and offices.

These internal publications give our people some idea of what the Company means, and help to produce a feeling of esprit de corps throughout the length and breadth of the organisation.

In 1929, an Efficiency Campaign was inaugurated to encourage workers to put forward any suggestions for improvement in such matters as design of tools and machinery, safety devices, and economy of time, materials or effort. Substantial sums have been paid out under this scheme, and the Company has undoubtedly benefited.

Incentives

As regards wage incentives, in 1936 we introduced a Grading Bonus Scheme for the reward of tradesmen of proved value. General workers were left outside this scheme, but in 1945 the I.C.I. Method of Appraisal for General Workers' Jobs
was introduced. In this scheme, points are allotted under four heads:—

1. The Mental characteristics required by the job.
2. The Physical requirements of the job.
3. The Skills and Knowledge acquired for the job.
4. The Working Conditions of the job, e.g., excessive heat or cold, dryness or wetness, or noise.

Weighting factors, which are common throughout the Company, are applied to the points to give weighted marks. By adding together the weighted marks, a measure of the importance of any job above that of a basic labourer is obtained. Finally, these marks are converted into money. As a result of the Job Appraisal Scheme, the tradesmen's Grading Bonus Scheme and other incentives, few I.C.I. workers are earning only the minimum negotiated rates, and many are paid very much more.

In the matter of canteens we have more than 100 serving (in 1951) 7,000,000 main meals a year. I.C.I.'s policy has been to charge only enough to cover direct expenses. In practice, however, these expenses have not been met.

Social and sports activities have encouraged that mingling of management, staff and operatives which we consider vital for harmonious team-work.

Health and Safety.

So far as the physical health of operatives is concerned, a well-equipped works medical service has been set up to undertake the treatment of accidents and industrial disease, the emergency treatment of sickness of non-industrial origin, the examination of workers in certain processes, and the training of first-aiders. The works doctor is rightly regarded as a member of the management team. The hazards encountered in chemical industry are great or potentially great, but only about 150 of 70,000 workers are absent in any twelvemonth by reason of industrial disease. In several I.C.I. Divisions a dental service has also been established for several years.

Finally, but by no means of least importance, I should make mention of the Safety Services, which have helped to reduce the rate of lost-time accidents from 3.5 per 100,000 hours worked in 1930 to 1.21 in 1951.

There remain several aspects of labour relations within I.C.I. to which I have not made any allusion—for example, the training of personnel. I.C.I. does much to encourage youngsters on the payroll to equip themselves, by study at night schools and technical colleges, for promotion to higher wages rates and higher positions. It allows time away from work. It sometimes helps to pay the lads' fees. Inside the Company, too, a considerable effort is devoted to running courses designed to assist established employees in the performance of their work, and to fit them for promotion to supervisory jobs.

Industry's annual intake of boys must include thousands of great promise. It is Management's job, as I conceive it, to discover these youngsters, and develop their latent abilities. Only in this way can the best use be made of manpower material.

All that I have so far said concerns only, of course, I.C.I.'s interests in the United Kingdom. Labour conditions in I.C.I.'s companies throughout the world will naturally vary according to local requirements, but in labour relations, as in technical know-how, these companies are
able to draw upon the mother company's vast experience.

In your country, of course, I.C.I.'s interests are represented by I.C.I.A.N.Z., headed by a most efficient Chairman, Managing Director, and Board of Directors. I.C.I.A.N.Z. is a large and growing business, both in Australia and in New Zealand, and it manufactures a variety of products, for I.C.I. is never loth to begin manufacture locally whenever it can be shown that such a step is justified economically. In confirmation of this statement I may say that I.C.I. has factories in many parts of the world, managed as a rule by local companies, with local shareholders, or by our own branch offices. I.C.I.A.N.Z. and our other companies abroad enjoy, of course, all the advantages of I.C.I.'s technological experience. These are considerable, for the parent Company spends something of the order of £6,000,000 per annum on research and development. Research has, in fact, been the spearhead of I.C.I.'s success. It is the key to great lodes of hidden treasure.

Not all research can yield a profit, but by and large it has paid I.C.I. handsomely. I.C.I. research gave the world "Perspex", that beautiful transparent plastic which was used during the war for the covers of cockpits and gun turrets of all our fighting aircraft, and which is now finding innumerable uses in peace-time industry. In addition, we discovered polythene, another plastic, of incalculable value during the war, and which enabled our radar to be much superior to the Germans'. I could multiply these examples of what has been achieved by I.C.I. research, but space does not permit.

To you in your young and still largely undeveloped continent, so full of potentialities, I would particularly commend the largest possible expenditure on research. Australia must have huge resources of mineral wealth as yet unknown and, therefore, unexploited. This surely calls for research on the part of Government, as well as Industry, on the biggest scale that your financial resources allow.

Research is too wide a subject for me to deal with in this article but, clearly, it should not be confined to the chemical or any other industry; it involves research to increase the productivity of the soil, so that in time the world may not go short of food. In addition, there should be research on social services, and that term is very comprehensive. It may be that the social aspect should receive the attention of Government rather than that of private enterprise, but through research it must be our endeavour to make the world a better place in which to live.

Now, I have referred in some detail to the excellent results which can flow from consultation with staff and workers. You are an exporting country and today, with the world a buyer's market and not a seller's (as it was for a considerable time past), every effort should be made, by reducing costs by every conceivable means—and that is an all-embracing term—to ensure that you increase your export sales wherever possible.

We are facing a new problem in export business. Other countries are becoming imbued with the ambition to be self-supporting; that can never be absolute, but if it goes on it will need more and more effort to hold your hard-won place in export markets.

I can see nothing but steady progress for I.C.I.A.N.Z. and, indeed, for Australian industry in general, unless something un-
toward intervenes. Britain's interests have occupied the most prominent place in the deliberations and decisions of the I.C.I. Board, and I can assure you that the same applies to progress or development on the part of I.C.I.A.N.Z. You may say that this is not quite disinterested, and I would agree; if we can help our countries to further progress, we undoubtedly help ourselves.

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IMPOUNDERABLE Russia casts a cloud over the entire global scene, and it would be a rash man indeed who would risk a long-term prophecy at the present time. Nevertheless, while the omens are not very hopeful at the moment, the growing strength of the Western Nations must have been noted by the Soviet leaders and weighed in their deliberations.

We must never give up hope of reaching a peaceful settlement with the Russians. I feel that those who have the conduct of our affairs in their hands are competent to do it, if it is humanly possible. It may take a long time and demand the greatest patience. We must never despair. We must press forward in face of all disappointments and setbacks until our goal of a real Peace is achieved.

If our diplomats can navigate us safely through the rapids of the next few years, thereby giving Industry an era for peaceful development, it should be possible to raise the standard of living throughout the world to such a pitch that there will be no cause to seek solution of international problems in bloody wars.

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