The Challenge

The progress of Australia in the first half of the 20th Century (shown statistically in the special 4-page supplement included with this issue) is something in which Australians can take a justifiable pride. If it falls short of the spectacular, this may be due less to any deficiencies in the make-up of the national character, than to the remoteness of the Continent from the main centres of world population, and to the fact that the Continent itself is a strange old land mass presenting problems of development which are in many ways unique.

But should we fail to realise our full potentialities in the fifty years now before us, we will not be able to plead these two drawbacks as an excuse. Modern high-speed communications have annihilated distance, and geographical remoteness is no longer an insuperable handicap. And we now possess what fifty years ago we lacked, a vast and hard-won store of experience about the Australian continent which can be applied to good purpose in meeting the challenge of the era that stretches ahead.

What is the challenge?
For Australia, the middle of the 20th Century marks not merely a turning point in historic time, but a climacteric in its development as a nation. We have lately come of age. There are unmistakable signs of a growing national self-assertion. We have begun better to know ourselves, our peculiar weaknesses and strengths. To self-knowledge has been added a greater understanding of the peoples of other countries, which in turn has sharpened our awareness of our own distinctive national characteristics and of what we—and possibly only we—can contribute to the sum of the world’s progress.

In the next fifty years, Australia will either grow to national maturity and greatness (as the United States has done), or it will cease to count for much at all in the world scheme of things—greatness, not merely in size, but in wisdom and understanding and in capacity to bear responsibilities. It will no longer be sufficient for us to copy and follow: we will be required to initiate and lead by independent example and achievement and our own native resources. The next fifty years, in other words, will decide whether Australia is to make a big mark in the world, or whether as a people we are no more than second-rate, incapable of grasping the magnificent opportunities presented to us by a favourably disposed Providence.

These opportunities are worth a moment’s thought. Australia is one of the few modern industrial nations with great undeveloped resources. It is one of the few areas left on the surface of the earth which is still patently under-populated. The possibilities of economic growth and expansion are almost breath-taking. Those who have visited overseas countries cannot fail to be impressed by the manifold advantages of living in Australia, particularly by contrast with the older countries of Western Europe. We have the space to absorb a vast accretion to our population without incurring the physical discomforts and economic handicaps of over-crowding so manifest in the older nations. This is no small thing.

Our undeveloped resources are substantial, although not limitless. The full extent of our stores of mineral wealth is as yet unknown. Much of our known and tabulated wealth is still to be exploited. The advance of science and the harnessing of water resources is sure to add progressively to the
productive and carrying capacity of the soil. New, vast areas will be brought into economic cultivation.

To a heritage of great primary industries has been added in recent decades, and in the face of much wrongheaded criticism from abroad, an astonishing, although as yet not fully mature, structure of manufacturing industries. Australia is developing to that desirable, and, in the modern world, very essential state of a balanced economy, neither weighted too heavily in favour of the products of the farm on the one hand, nor of the factory on the other. In the main we don't have to import the basic necessities of life; we are able to export them to less fortunate peoples. And there is every indication that in a time not far distant we will supplement, on a large scale, our traditional exports of wool and wheat and base metals with the products of manufacturing industries, the technical efficiency of which can be expected to increase with the expanding domestic market provided by a rapidly increasing population.

The spate of huge post-war developmental projects, of which the giant Snowy River Scheme is the master symbol, being carried out only at sacrifices to the present generation not yet fully appreciated, opens up vistas and horizons whose ultimate implications cannot be more than vaguely assessed. Certainly together these large projects will eventually form the foundations of a great enlargement of the economic structure of Australia.

THE economic prospect is thus little short of staggering.

What of the political prospect? Perhaps this even surpasses the economic. It is, of course, inevitable that the passage of time must bring with it some shift in political power and responsibility from Britain to the Dominions. This is a natural consequence of the growth in political understanding and economic strength of the younger parts of the British Commonwealth. But this natural, and, up to the present fairly gradual, process is, in the next few decades, certain to be greatly accelerated by Britain's own restricted economic situation traceable, fundamentally, to the pressure of population upon severely limited resources. The Dominions, too, fortunately free of the social and psychological encumbrances of past centuries, are in some ways better fitted to comprehend
and to meet the problems of the democratic, nationalistic 20th Century.

In this process Australia seems more suited than any other member of the British Commonwealth to assume some of the burden of leadership hitherto carried by the mother country. Its only serious rival could conceivably be Canada, but Canada, partly because of a large mixed population part of which has preserved its own language, traditions and customs, and partly because of its proximity to the United States, is less distinctively British than Australia in temperament and inclination. Moreover the Canadian financial and economic nexus is with the dollar area, not with sterling.

But that is not all. Australia's geographic position, close to the doors of a resurgent, nationalistic Asia, imposes on it special obligations of leadership of the white races in the Pacific, along with the United States.

Australia, then, in the next few decades may find itself elevated to a position of political prominence of which it yet hardly dreams. But it is by no means presumptuous, or overstepping the bounds of probability, to think that Australia will, in no distant time, share the leadership of the British peoples on a basis of equality with England itself. The controversial picture drawn by the novelist Nevil Shute in his book, "In the Wet", in which he prophesies the drift of political power from Britain to Australia, is no doubt intentionally a caricature, and as a caricature an exaggeration, but it contains much more than a small substratum of truth.

* * * *

THERE, then, is the challenge and the opportunity! Will we rise to the level of the occasion? Can we achieve, in the next few decades, the political and economic stature that our position in the world demands?

The answer must be sought in the ultimate verities of national character. The Australian character and temperament are today distinctively a product of the Australian environment; they bear little resemblance to those of their forefathers shaped by an utterly diverse social and physical habitat. The vast spaces, the rugged and often harsh character of the Continent, the demands on those who pioneer, the irresistible out-of-doors climate, have combined to mould the unmistakable Australian. His easy-going casualness hides a capacity
for great physical effort and concentration when he thinks
the occasion demands. He does not value highly the finer
social graces and the smaller courtesies. He detects humbug
with an almost uncanny penetration. His abruptness con-
ceals an inner kindliness and an ability to feel sincere sympathy
for those in stress. He refuses to recognise social superiority.
He can turn his hand to almost anything and produce a re-
sult that will work, even though the polish and the finish may
be lacking. He has a positive genius for practical improvisa-
tion. He excels in invention but is not so gifted in the funda-
mental research which calls for laborious and long-continued
analysis. He will respond readily to the truth, but he will not
always take the pains to discover what it is. The Australian
has abundant initiative. He has the very necessary quality
of aggressiveness, which he sometimes carries too near the sur-
face. In the world of physical sport he has probably no
superior.

So much for his qualities! What of his defects? He has
three which are serious.

The Australian values far too lowly the things of the
intellect. He respects the doer rather than the thinker, and
is indifferent to the qualities bestowed by higher education.
He is impatient with abstractions, but abstraction is one of
the two paths which lead to the discovery of truth.

Second, the Australian is the Great Leveller. He takes
a perverse delight in putting down the mighty from their
seats. But, how can a people expect to advance to national
greatness, if it is not prepared to applaud exceptional achieve-
ment and quality among its own members? A country that
worships at the shrine of mediocrity makes it impossible for
itself ever to rise above mediocrity.

Just as serious, in the present phase of Australian develop-
ment, is an almost obdurate conservatism, a strange anomalous
quality when you consider him as the product of a new,
young country. Quite unlike the American, the Australian
is intensely suspicious of change. He harps too much on
what the past has done; he speculates too little on what the
future can bring.

Whether as a member of a State, or of an association of
employers or employees, his loyalty to that which is closest
to him often blinds him to the imperatives of the greater
national interest. But, above all else, it is this national conception that Australia now needs.

This combination of sectionalism and conservatism is almost more pronounced in the ordinary trade unionist than in the convinced rightist. It leads the Australian to delay and procrastinate in making very necessary changes to policies which have ceased to be relevant and to institutions which were established to cope with horse-and-buggy conditions and which have long outlived their usefulness. He continues, for instance, to saddle himself with an unhappy system of industrial settlement which nevertheless borders on the comic and the Gilbertian, and which does poor credit to his down-to-earth good sense. Another example: in spite of the economic and social revolution of the past twenty years, it is difficult to detect any noticeable change in the basic ideology of Australian trade unionism.

* * * *

IT is here that we must seek the answer to the query whether Australia will rise to the challenge of the next few decades, whether it is destined to assume a great and honoured place among the nations. Can it adapt its thought, its policies and its institutions to the demands of the times?—for no nation can expect to move forward confidently and surely in an age of atoms and jets with horse-and-buggy social machinery and ideas. Can it live as adventurously in the realm of ideas as it has done so splendidly on the battle fields of war and the playing fields of sport?

This necessary adaptation of ideas and institutions may depend on the appearance of the highest type of leadership of which there is at present a disturbing insufficiency. In politics, Australia desperately needs the far-visioned statesman instead of the demagogue; in business, the embracing national mind as well as the money-making tycoon; in the trade unions, the man with the larger inspiration rather than the petty, small-time official; in the press, the imaginative, cultured thinker as well as the circulation expert.

And, among the people as a whole, we need a comprehension of the challenge which faces us; the pure glowing vision of what Australia can become; and the surging national pride which would make us feel a deep, abiding disgrace in failure.
A DISTINCTION with a DIFFERENCE

RECENT surveys of business conditions in the daily press and elsewhere give a rather rosy impression of the business outlook in Australia. So long as the limited character of these surveys is properly appreciated by those who read them, they can be highly useful to the business man and the community in assessing short-run prospects for trade and employment. There is a danger, however, that many people may read into them more than they are meant—or should be meant—to convey.

It should be made clear that there is an important—although not sharply defined—distinction between business conditions and economic conditions. This is a distinction which it is only too easy for the ordinary reader to overlook, and which is perhaps not always kept clearly in mind by commentators on business conditions themselves. For instance, it is possible for the immediate outlook for business and trade to be reasonably good, even though underlying economic factors may give real cause for disquiet. A survey of business conditions that paints a bright prospect may thus be taken to indicate a sound basic economic position when the true situation may be far otherwise.

To take an extreme case, it is possible for the short-term outlook for business profits to be satisfactory, for business turnovers to be heavy, and for employment to be high, even though the economy is suffering from a general malaise of low productive efficiency and of unsatisfactory standards of living. Business conditions, too, can be bolstered up in the short run by artificial stimulants which, in the long run, may inflict serious harm on the economy. Or, again, a prosperous state of trade and employment in a given country may be due to highly favourable external influences of a temporary or uncertain kind rather than to any inherent virtue in the policies or efforts of the country itself.

* * *

SOME of the recent appraisals of business conditions in Australia show a tendency to skate over underlying economic forces which, sooner or later, must inevitably assert themselves. The economic or business commentator is naturally desirous of placing an optimistic interpretation on current conditions whenever he reasonably can. To spread unwarranted pessimism is, admittedly, the unforgivable sin on the part of the writer on business conditions. But to avoid committing this sin, some commentators appear to be leaning over backwards in their eagerness to paint a glowing picture of almost unbounded and unqualified prosperity. A neglect to look unpleasant facts in the eye, whether or not the neglect arises from ignorance of their existence, or from sheer reluctance to do so, could in the long run prove to be dangerous and reprehensible.

Commentators on business conditions usually concentrate on the short-run factors. What is the outlook for trade and employment for the coming six months? How good are the prospects for business profits? Is the return on invested capital likely to be better this year than last? Is credit going to be tight or easy? What are we getting for our exports? Are savings bank deposits increasing? Are retail trade turnovers better this month than last? How are stocks moving? And so on.

All these indications, of course, are important. But economic conditions are concerned with more fundamental
A DISTINCTION with a DIFFERENCE (continued)

desiderata: Is the immediate prosperity soundly based? Is it likely to be long-continued? Or does it depend on fortuitously favourable circumstances which could change rapidly for the worse? And if these favourable circumstances should change, is the economy of the country well placed to meet the new conditions? Is the level of man-hour or man-year output satisfactory by overseas comparisons? How do costs compare? If inflation has been checked and price stability achieved, is the stability likely to be maintained, or will inflation take over again in the near future? Is it possible that serious deflation could set in? Is there a sound balance between the different forms of production?

These are considerations to which surveys of business conditions sometimes devote no more than a passing glance. But they are basic to the correct assessment of the true health of the economy.

* * *

RECENT surveys place a great deal of emphasis on the improvement in business conditions over the 1952 recession. Prime place of importance is given to the remarkable statistical transformation in the balance of payments position. This has brought with it an easing of the tight money conditions of the last six months of 1952—bank deposits have increased, business stocks are now close to normalcy, and all-round liquidity has improved. Employment has, in recent months, tended to increase. Despite the cuts in the public works programme, public investment is still remarkably high (in money terms only 5% below last year). The investment intentions of private business look reasonably good (although there has been some decline in private capital expenditure on durables such as housing and motor-cars). Supplies of basic goods such as coal, steel, power and cement have expanded notably; the shortages and bottlenecks of twelve months ago have vanished and in some commodities surpluses have appeared. The tempo of retail trading is fair to good—but not by any means exciting. The rampant inflation of 1952 seems, for the moment at any rate, to have run its course and there are now hopes of reasonable price stability.

The influences behind this improvement are mainly three—the high level of export prices (much higher than most people had hoped for) combined with greater volumes available for export; the import cuts which have played a major part in the balance of payments reversal and enabled businesses to correct the stock surpluses of last year without grave financial embarrassment; and the more realistic financial policies pursued by the Commonwealth Government.

All this is certainly grounds for satisfaction. But even on a strictly short-run business interpretation of the position, two points are perhaps not adequately emphasised.

First, while the price spiral seems to have been arrested, for the time being at any rate, prices are on the whole abnormally high. That this fact is having a serious effect on consumer purchases, particularly in middle class trade, is beyond dispute. Buyer resistance here continues to be stubborn and the prospect is that it will continue so unless prices can be scaled down to a lower level. Excessively high prices produce their own purchaser resistance regardless of the income-price ratio. This resistance is especially evident in things as higher grade clothing and in the better quality food served by reputable hotels and restaurants.
dining rooms and cafes crowded to capacity not so long ago are today half empty.

Second, while the statistical indicators of trade and employment look promising enough, there is a disturbing absence of real buoyancy. Buyers are wary. Caution rather than adventure is the keynote. Trade is not by any means dead, but it is a trifle flat. The froth is off the glass. Business and consumer psychology, in spite of the improvement from 1952, is not overflowing with confidence. There is certainly no excess of Keynesian "animal spirits". To take one example, the stock exchange still lacks life and fire despite the overall improvement in monetary conditions. By and large, the Australian public appears to be taking a rather more cautious view of its own economic position than the professional commentators.

In this the public's instinct may be sound.

For while the immediate business outlook seems fairly satisfactory—if not quite so satisfactory as some commentators appear to think—the longer term economic prospect cannot yet be viewed with equanimity. The surface symptoms of the health of the Australian economy may be on the whole favourable, but deeper diagnosis gives cause for some uneasiness.

*   *   *

THERE are several grounds for this disquiet.

First, the Australian economy, in spite of improving productivity in some directions, is still basically an inefficient economy. This does not mean that there are not many efficient industries, efficient even by the highest world standards. It simply means that, taken as a whole, the rate of achievement in the Australian economy, the man-year output, whether in a public utility concerned with transport, the building of a bridge across the Yarra, customer service in many fields, or a decision on a site for a great sporting event, is far lower than it could be and lower than in other English-speaking countries.

The plain truth is that too many Australians, by and large, do not work hard enough. Effective working hours (after deducting holidays) are very much shorter than in other countries, and there is often not the same intensity or seriousness of purpose on the job. This comment does not apply exclusively to any one section of Australians. It applies to all sections; to employers as well as employees; to the typist as well as the technician.

That the tempo of work is generally slower than in many overseas countries is partly due to the fact that Australians are able to enjoy a comparatively high standard of life for a comparatively low standard of effort. In Britain the Australian visitor is able quickly to sense the fight that goes on day by day for economic survival—a fight to preserve a standard of living which is, today, not high relative to that of other countries. In Britain there is a sense of strain and urgency entirely absent from the Australian scene.

The Australian attitude to work is largely a response to an unusually beneficent environment. The Australian possesses natural facilities for recreation and enjoyment which are probably unequalled in any other country in the world. If the Australian worker, unlike his American counterpart, lacks a refrigerator and a television set in his home, he has on the whole more opportunities for sun-bathing and sport. Australia can, for the present, afford the luxury of short hours of work and
get by. Britain cannot. In Britain the labour movement has embraced the aim of high production and accepted the need for incentive schemes, because of the grim alternative of a declining living standard for its members. In Australia the trade unions are able to persist in their opposition to industrial methods of this kind only because conditions of life are easier.

The Americans work harder, and more intelligently, because of a different national philosophy which is summed up in the phrase "the American way of life." The essence of this philosophy is the constant striving for self-advancement and self-improvement on the part of the individual. The American, therefore, looks always to the future which he is certain can be better than the present or the past. The Australian seems more concerned to preserve what he has. He is not so intent on acquiring the latest model motor-car, as he is on ensuring that his weekly excursions to the football or the races are not interrupted.

The problem of Australian productivity is thus, at root, a matter of national psychology and environment. All this does not necessarily mean that the American approach to living is superior to the Australian; it means only that it leads to harder work, greater efficiency and productivity, a higher standard of living for the American people, and a stronger, more flexible economy.

To the casual observer the large numbers of modern factories that have sprouted like mushrooms around the outskirts of Sydney and Melbourne, the spectacular industrial progress of provincial centres such as Geelong and Dandenong, the many massive public projects at present under construction, may seem to contradict assertions of low productivity. The visual evidence of rapid economic expansion is indeed impressive. But several qualifications must be borne in mind. First, the expansion of the post-war years must be viewed against the background of an increase of population of 20%. Second, development on the scale that has occurred would not have been possible without the fortunate conjuncture of a succession of good seasons and abnormally high prices for the products of the soil. High returns from exports have buttressed development not only by giving Australia a greater command over the resources of other countries, but also by encouraging overseas investors to take an optimistic view of Australian prospects. To what extent, too, new capital construction has been at the expense of existing capital resources—for instance, the running down of capital invested in roads and transport facilities, and city buildings—will never be accurately known.

A second serious weakness is the high level of costs. There is a gaping disparity between British and Australian costs of production. Hourly wage rates in Australia for male workers average about 8/-, Average rates for British workers are 3/10 (sterling) or about 4/10 (Australian currency). Hourly wages in Australia have increased 149% since the end of the war, compared with increases for Britain of 59% and for U.S.A. 71%. The post-war inflationary gallop has proceeded at a much faster rate in Australia than in other English-speaking countries.

A COST disparity of these proportions creates a fundamental out-of-balance situation in the economy which suffers from it. It can be sustained only by virtually excluding all overseas competition from the home
market (which has, in effect, been done through the import restrictions) and only so long as prices for major exports remain sufficiently high to return a margin of profit over the excessive costs of export producers. It is true that the import cuts were originally introduced to cope with a sudden and unexpected collapse in Australia's overseas reserves; but the restrictions could not now be removed without bringing chaos in many Australian industries. Unless Australian costs move closer to world levels, the import restrictions imposed as a temporary expedient, may have to be continued much longer than is desirable.

To claim any intrinsic virtue in the import cuts is, of course, absurd. They are, at best, a highly unpleasant necessity and they are achieving their purpose of bringing Australian purchases from the rest of the world into line with what Australia is able to obtain from its sales to the rest of the world. A nation that is forced to do this is in the same straits as a man who is compelled to cut his purchases because he cannot afford to continue to live on the old scale. In the nation's case as in the individual's, it means, among other things, a lower standard of living. The import cuts, while they remain, are therefore a symbol of economic weakness and unbalance.

The scarcity of savings as evidenced by the difficulty of obtaining adequate monies for financing developmental projects and private industrial expansion is a third disturbing feature. The savings famine is partly a consequence of a tax structure which saddles enterprise with a burden ill-suited to a young country striving to grow to full industrial maturity.

Finally, the rather tenuous character of Australian prosperity serves to emphasise further the distinction which it is imperative to draw between basic economic conditions and immediate business prospects. A steep fall in prices of wool and wheat (which have fortunately remained firm) or a drought year (not unknown in the past) would have unpleasant consequences for Australia's over-inflated economy and would compel far-reaching re-adjustments. The dependence of Australia on a continuance of high prices for wool and wheat, especially the former, reveals the shaky foundations on which Australian stability and prosperity rest.

Experience since the war only confirms what was well known before the war; that is, the unique reliance of the Australian economy on one product, wool. This alone should prevent us from accepting without reservation the optimistic assessments of the business outlook which have recently appeared. If the short-term business prospect is fair to good, the basic economic position continues to give cause for some unease.
Comment on

RUSSIAN STANDARDS OF LIVING

EVERY month the United Nations publishes a Statistical Bulletin crammed with a mass of economic data on practically every country in the world. Significantly, the range of statistical information available is greatest for free enterprise U.S.A. and least for the U.S.S.R. All the Bulletin can tell us about the U.S.S.R. is that its population was 193 million in 1946; or—very occasionally—that production of certain commodities has increased by a certain percentage figure which is in any case largely meaningless because of the absence of data about the base year used.

It is a relatively easy matter to estimate, with a workable accuracy, production or income per head for the United States, the United Kingdom, Australia and most other Western countries, or to determine comparative wages, prices, railway traffic, money supply or any other economic indicator which may strike one's fancy. But with Russia it is necessary to rely on whatever can be gleaned by statistical experts skilled in sifting Russian newspapers and documents. The I.P.A. has made a practice of collecting articles, newspaper cuttings and other memoranda by such analysts. From these sources and from the eye-witness reports of visitors to the U.S.S.R. it is possible to gain some impression of Russian conditions.

* * * *

THE amount of working time the average Russian must spend to earn sufficient income to buy commodities in every-day use provides a valuable clue to living standards in the U.S.S.R. As official price listings in roubles are freely available, the validity of such estimates revolves around the accuracy of the figures of average hourly earnings used to convert prices in roubles to minutes or hours of work required.
to buy the commodities concerned. The higher the wage rate taken the lower, obviously, is the number of hours or minutes of work required.

*   *   *   *

No overall wage statistics are published by the Soviet authorities. But the United States Bureau of Labor Statistics has pieced together a great deal of information suggesting that the average wage of a Moscow industrial worker in April, 1952, was 600 roubles a month or 2.94 roubles an hour. This figure is purely an average covering all workers. Wage rates vary widely between industries and also between workers because of incentive schemes which relate payment to output. For example, the U.S. Department of Labor found that wage rates in the Soviet construction industry range from 0.75 roubles an hour to 2.7 roubles. In the steel industry the same authority states that the highest paid group of workers—those in special plants in the Urals and Siberia—had basic rates varying from 1.67 roubles an hour to 6 roubles.

It has been maintained that the bare figures of hourly earnings do not allow for "free" health, education and other services provided by the Soviet government. But these so-called "free" services must be paid for out of trade union levies, compulsory state loans and out of taxes which, in the view of the Oxford University Institute of Statistics (Sept.-Oct., 1952 Bulletin), are "a considerable burden on the poor."

Budget estimates submitted to the Supreme Council by the Soviet Finance Minister on March 6th, 1952, showed that government revenue in 1952 would be obtained as follows:—

<table>
<thead>
<tr>
<th>Source of Revenue</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover tax, i.e. sales tax, etc.</td>
<td>51.1</td>
</tr>
<tr>
<td>Profits tax</td>
<td>12.1</td>
</tr>
<tr>
<td>Direct taxes</td>
<td>9.3</td>
</tr>
<tr>
<td>State loans</td>
<td>8.4</td>
</tr>
<tr>
<td>Other revenue</td>
<td>19.1</td>
</tr>
<tr>
<td></td>
<td>100.0</td>
</tr>
</tbody>
</table>
By contrast with only 9% in U.S.S.R., direct income taxes on persons in Australia, United States and United Kingdom comprise about 30%-40% of government revenues. In Western countries, taxes take a relatively large share of the incomes of middle and upper income earners. But in the U.S.S.R., income tax rates are progressive only up to the level of 12,000 roubles a year, a relatively low income by top Russian standards. The average worker, making 7,000 roubles a year, pays 7% in tax whereas top party officials on 100,000 roubles or middle class managers and professional men on 20,000 to 30,000 roubles pay only 12%. Soviet death duties also highly favour top income earners. In contrast with the steeply progressive inheritance taxes in most Western countries (e.g. in United Kingdom death duties range from 12% on an estate of £20,000 to 75% on a £1,000,000 estate), the U.S.S.R. only imposes a simple probate fee of 10% of the value of the estate.

The following table recently compiled by the United States Bureau of Labor Statistics and based on average hourly earnings and comparable price listings in various countries shows the striking disparity between living standards in U.S.S.R. and free enterprise countries:—

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>White bread</td>
<td>14</td>
<td>6</td>
<td>5</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>Butter</td>
<td>270</td>
<td>30</td>
<td>37</td>
<td>37</td>
<td>135</td>
</tr>
<tr>
<td>Sugar</td>
<td>110</td>
<td>4</td>
<td>6</td>
<td>9</td>
<td>21</td>
</tr>
<tr>
<td>Beef</td>
<td>132</td>
<td>31</td>
<td>29</td>
<td>48</td>
<td>126</td>
</tr>
<tr>
<td>Potatoes</td>
<td>9</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Apples</td>
<td>89</td>
<td>4</td>
<td>13</td>
<td>n.a.</td>
<td>19</td>
</tr>
<tr>
<td>Tea</td>
<td>960</td>
<td>49</td>
<td>35</td>
<td>77</td>
<td>n.a.</td>
</tr>
<tr>
<td>Milk—1 pint</td>
<td>21</td>
<td>4</td>
<td>6</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Eggs—1 doz.</td>
<td>187</td>
<td>32</td>
<td>44</td>
<td>66</td>
<td>118</td>
</tr>
</tbody>
</table>

* Bureau of Labor statistics brought up to date from Quarterly Summary of Australian Statistics, Sept., 1952.
THESE working time comparisons are further borne out by a 70 Nations Survey completed by the United Nations Statistical Office. After making due allowances for the real, as opposed to the nominal, purchasing power of various currencies, the United Nations' statisticians arrived at the following figures of national income per head for 1949:—

<table>
<thead>
<tr>
<th>Income per Head</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
</tr>
<tr>
<td>U.S.A.</td>
</tr>
<tr>
<td>Canada</td>
</tr>
<tr>
<td>Switzerland</td>
</tr>
<tr>
<td>Sweden</td>
</tr>
<tr>
<td>Australia</td>
</tr>
<tr>
<td>Belgium</td>
</tr>
<tr>
<td>France</td>
</tr>
<tr>
<td>U.S.S.R.</td>
</tr>
<tr>
<td>Japan</td>
</tr>
<tr>
<td>India</td>
</tr>
</tbody>
</table>

Notes: 1. Because of the statistical difficulties involved in making international income comparisons, these figures are only very approximate. Apart from lack of uniformity in the original data, serious problems arise in connection with the conversion of the various national figures into a common currency in an era of artificially regulated exchange rates.

2. The disparity between income per head in United States and in other countries is much more marked than in the working time comparisons because the latter relate only to food. Most other commodities are considerably cheaper, in terms of working time, in the U.S.A. than elsewhere.
IT is half a century since there was a Queen on the
Throne. Queen Victoria died in 1901. The new
Queen, Elizabeth II, was crowned, amid scenes of unsur-
passed splendour, on June 2nd.

It has been 50 years of change and turbulence and
recurring crises, but also of astonishing scientific and
economic progress.

The Australian nation was born with the Federation
of the States in 1901. In the first half of the 20th Century
it has grown mightily in stature—political, military, eco-
nomic and social. From a country mainly of primary
producers, it has become one of the highly industrialised
nations, with industries rivalling in technical competence,
if not in size, the best the world can show.

At present Australia is engaged in a great adventure;
it is passing through a period of development, in magni-
tude and potentiality unequalled in its history. It faces
the second half of the 20th Century on the threshold of
national maturity and greatness. To show briefly some
of the gains accomplished in the past fifty years, we have
published this special four-page coloured supplement.
THE FIFTY YEARS ——— 1900-1950

POPULATION MORE THAN DOUBLED

1900 1910 1920 1930 1940 1950

10,000,000
8,000,000
6,000,000
4,000,000
2,000,000

ECONOMIC GROWTH
Real National Income

PROGRESS IN
PRODUCTIVITY

Output per
Man Hour

[Expressed in constant £'s.]
GROWTH IN PRIMARY INDUSTRY

<table>
<thead>
<tr>
<th></th>
<th>1900</th>
<th>1952</th>
</tr>
</thead>
<tbody>
<tr>
<td>CATTLE</td>
<td>8.6</td>
<td>14.9</td>
</tr>
<tr>
<td>SHEEP</td>
<td>71</td>
<td>118</td>
</tr>
<tr>
<td>ACREAGE UNDER CROP</td>
<td>8.8</td>
<td>19.8</td>
</tr>
</tbody>
</table>

MANUFACTURING EXPANSION
(Thousands of Employees)

<table>
<thead>
<tr>
<th>Year</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1900</td>
<td>200</td>
</tr>
<tr>
<td>1909</td>
<td>300</td>
</tr>
<tr>
<td>1918</td>
<td>400</td>
</tr>
<tr>
<td>1929</td>
<td>500</td>
</tr>
<tr>
<td>1939</td>
<td>625</td>
</tr>
<tr>
<td>1953</td>
<td>930</td>
</tr>
</tbody>
</table>

GOVERNMENT IN THE ECONOMY

<table>
<thead>
<tr>
<th>Year</th>
<th>Government Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1900</td>
<td>ONE in every TEN occupied persons employed by Government.</td>
</tr>
<tr>
<td>1953</td>
<td>TWO in every TEN occupied persons on the Government payroll.</td>
</tr>
</tbody>
</table>

HOW TAXES HAVE GROWN

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Tax collections</th>
</tr>
</thead>
<tbody>
<tr>
<td>1900</td>
<td>6% of National Income</td>
</tr>
<tr>
<td>1951-52</td>
<td>31% of National Income</td>
</tr>
</tbody>
</table>

In 1900 all Taxes amounted £13 (in to-day’s prices) 5/- head of population. By 1951-52 they had grown to £116/15/- per head.
STANDARD OF LIVING

RISE IN REAL WAGES

WEEKLY WAGES

<table>
<thead>
<tr>
<th>1900</th>
<th>1953</th>
</tr>
</thead>
<tbody>
<tr>
<td>*£10</td>
<td>£15</td>
</tr>
</tbody>
</table>

*Today's Prices

SOCIAL SERVICES
Per head per year

<table>
<thead>
<tr>
<th>1900</th>
<th>1952</th>
</tr>
</thead>
<tbody>
<tr>
<td>*£4</td>
<td>£34</td>
</tr>
</tbody>
</table>

*Today's Prices

HOURS OF WORK

<table>
<thead>
<tr>
<th>1900</th>
<th>1953</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>40</td>
</tr>
</tbody>
</table>

THE SAVINGS OF THE PEOPLE

Savings Bank deposits, per head of population

<table>
<thead>
<tr>
<th>1901</th>
<th>1953</th>
</tr>
</thead>
<tbody>
<tr>
<td>*£30</td>
<td>£106</td>
</tr>
</tbody>
</table>

*Today's prices

Life Insurance, number of policies

<table>
<thead>
<tr>
<th>1900</th>
<th>1953</th>
</tr>
</thead>
<tbody>
<tr>
<td>3/4 million</td>
<td>6 1/2 million</td>
</tr>
</tbody>
</table>

CONSUMPTION PER HEAD

<table>
<thead>
<tr>
<th>1900</th>
<th>1950</th>
</tr>
</thead>
<tbody>
<tr>
<td>WHEAT FLOUR lbs. per head</td>
<td>238</td>
</tr>
<tr>
<td>MEAT lbs. per head</td>
<td>297</td>
</tr>
<tr>
<td>BUTTER lbs. per head</td>
<td>20</td>
</tr>
<tr>
<td>POTATOES lbs. per head</td>
<td>198</td>
</tr>
<tr>
<td>SUGAR lbs. per head</td>
<td>108</td>
</tr>
<tr>
<td>TEA lbs. per head</td>
<td>8</td>
</tr>
<tr>
<td>TOBACCO lbs. per head</td>
<td>3</td>
</tr>
<tr>
<td>MILK pints per head</td>
<td>175</td>
</tr>
<tr>
<td>BEER pints per head</td>
<td>96</td>
</tr>
</tbody>
</table>
### Health

<table>
<thead>
<tr>
<th>Year</th>
<th>Infant Mortality Rate (per 1000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1900</td>
<td>97</td>
</tr>
<tr>
<td>1950</td>
<td>24</td>
</tr>
</tbody>
</table>

### Expectation of Life

#### Males

<table>
<thead>
<tr>
<th>Year</th>
<th>Expectation of Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>1900</td>
<td>51 years</td>
</tr>
<tr>
<td>1930</td>
<td>63 years</td>
</tr>
<tr>
<td>1950</td>
<td>66 years</td>
</tr>
</tbody>
</table>

#### Females

<table>
<thead>
<tr>
<th>Year</th>
<th>Expectation of Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>1900</td>
<td>55 years</td>
</tr>
<tr>
<td>1930</td>
<td>67 years</td>
</tr>
<tr>
<td>1950</td>
<td>71 years</td>
</tr>
</tbody>
</table>

### Education

<table>
<thead>
<tr>
<th>Year</th>
<th>University Students</th>
<th>State Schools <em>£2-0-0</em></th>
<th>£4-14-0</th>
<th>Technical Colleges *2-'</th>
<th>14-'</th>
</tr>
</thead>
<tbody>
<tr>
<td>1900</td>
<td>2,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1950</td>
<td>30,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* today's prices

### Housing

<table>
<thead>
<tr>
<th>Year</th>
<th>Dwellings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1900</td>
<td>750,000</td>
</tr>
<tr>
<td>1953</td>
<td>2,200,000</td>
</tr>
</tbody>
</table>

### Number of Persons per Dwelling

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Persons per Dwelling</th>
</tr>
</thead>
<tbody>
<tr>
<td>1901</td>
<td>5</td>
</tr>
<tr>
<td>1953</td>
<td>4</td>
</tr>
</tbody>
</table>
A condition in which large numbers of men, willing to work, are unemployed for long periods, is socially undesirable and economically wasteful. The moral issue is paramount, but apart from all questions of morality, business men want the maximum possible employment at all times, if for no other reason than that it ensures a regular demand for the products of industry.

The Meaning of FULL EMPLOYMENT

WHAT do we mean by "full employment"?

This is no new question. It has been unceasingly analysed and debated ever since full employment became a first objective of economic policy. But in recent months in Australia it assumed a cardinal importance.

During the campaign preceding the Senate elections there was a great deal of heated argument on the meaning of full employment. Labor Party leaders claimed that full employment had been successfully maintained throughout the post-war period; that it had been undermined in the last twelve months by the financial policies of the Commonwealth Government and that serious unemployment existed. At the time of the campaign, and for some months previous to it, the unemployment figure, as shown by the Commonwealth Statistician's estimate based on trade union returns, stood around 4%. Did this fact support the claim of the Labor Party that serious unemployment existed; or did it suggest that the economy was still, generally, in a state of full employment or, at any rate, in one approximating full employment?

This is a matter which needs to be considered calmly and dispassionately and free from the exaggerations and bias of politics. Full employment should not be permitted to become a political slogan bandied about for political advantage. But if this is to be prevented the public should have a clear idea of what the term full employment implies, so that it will be in a position to reach a fair judgment on whether or not full employment is being achieved.

The first point to be clear about is that full employment does not mean—because it cannot mean—100% employment.
In other words, it does not mean that at a particular point of time everyone in the community wishing to work is actually in a job.

EVEN the leading advocates of "more vacant jobs than job-seekers" have never thought of full employment in this sense. Thus, in the 1946 White Paper on "Full Employment" produced by the Chifley Labor Government, the term full employment meant to the authors something less than 100% employment.

"This policy of full employment will maintain such a pressure of demand on resources that, for the economy as a whole, there will be a tendency towards a shortage of men instead of a shortage of jobs. This does not, of course, mean that at any particular time everybody will be at work: Some people will be away from work because of sickness, some will be taking a spell between seasonal or periodic employment, some will be in the process of changing from one employment to another offering better prospects, some will take time to acquire new training to equip them for other employment."

The White Paper might have added, for clearly it had in mind,* that "more jobs than men" did not mean that there would, or could, be more jobs of a particular kind than the number of people seeking jobs of that kind, or more jobs in a particular locality than the number of people seeking employment in that locality. "More jobs than men" cannot mean that if there are 100,000 carpenters in a community there will always be 100,000 or more jobs available for carpenters; nor that, if there are 20,000 civil engineers there will always be 20,000 or more openings available for civil engineers. Nor can it mean that if there are say 30,000 men and women seeking employment in the locality of Geelong there will always be 30,000 or more jobs available in that locality.

The late Mr. Chifley himself made this point clear in an important statement some years after the publication of the White Paper.

"No guarantee can be given to anybody that they can stay put in a particular industry, but there will be work for all. I am quite certain that everybody will not be able to stay at home because there will have to be transfers of labour. The most any Government can do is to see that there is work for everybody."
Even, then, on this view—that is, the view that there should be more jobs than people to fill them—full employment does not mean 100% employment. *It is no paradox that in the over-full employment years that followed the war there was always some unemployment.* Trade union returns show that, in those years, when there were tens of thousands of unfilled jobs, some small percentage of their members were out of work.

<table>
<thead>
<tr>
<th>Year</th>
<th>Unemployment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1946/47</td>
<td>1.4%</td>
</tr>
<tr>
<td>1947/48</td>
<td>1.0%</td>
</tr>
<tr>
<td>1948/49</td>
<td>0.8%</td>
</tr>
<tr>
<td>1949/50</td>
<td>2.0%</td>
</tr>
<tr>
<td>1950/51</td>
<td>0.8%</td>
</tr>
<tr>
<td>1951/52</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

In the interests of clarity, this question is worth probing a little further. Lord Beveridge, the author of the first comprehensive treatise on this problem, defined “full employment” as a situation in which there were always more vacant jobs than unemployed men. And he suggested that this aim might be taken to mean the equivalent of 97% employment or 3% unemployment. He allowed 1% for seasonal unemployment, 1% for those in process of changing jobs, and 1% to cover uncertainties in trading conditions. But there were many reputable authorities who thought Beveridge’s interpretation of full employment to be too high for practical purposes. For instance, Australia’s own leading economist, Sir Douglas Copland, attacked the “perfectionist” concept of “more jobs than men” on the grounds that it would require a degree of control over wages, profits and prices that would be incompatible with a free community.

In 1950, the Economic and Social Council of the United Nations requested each member government to define the meaning which it placed on full employment, in terms of unemployment percentages or of absolute numbers of unemployed. The replies to the request are revealing.

The British reply appeared to suggest a standard, *at the seasonal peak,* of 3% of the total number of employees. The United States Government did not define its standard in terms of “any definite and unalterable percentage of the labour force,” but stated that it had adopted a procedure whereby
the President in his economic reports to Congress announced year-by-year employment goals. The Belgian Government defined full employment as permitting an unemployment percentage of 3.7% of the labour force available for hire. Canada stated that it had "not found it practical to adopt for Canada any arithmetical formulation of a full employment standard because of its rapidly expanding economy, seasonal and climatic variations and the fluctuations of the export trade". It would seem that those governments which declined to name a definite unemployment percentage were desirous of avoiding giving rise to hopes which it might not be possible to realise. But what is important is that no democratic nation was prepared to define "full employment" as 100% employment. It was universally recognised that at any given time there must be always some members of the employable population out of work.

It is worth reiterating why this is so: First, there are some people, such as sheep shearers, whose occupations are essentially seasonal, and who may not be greatly concerned if they cannot obtain work during the period of seasonal slackness. There is a not insignificant army of people who are in process of changing their jobs, or who are starting a career and taking their time in weighing up the merits of particular jobs that may be offering. There are people temporarily incapacitated because of sickness or injury. There are people out of work because their industry may have suffered a temporary setback, and for whom no occupations of a suitable type are immediately offering. There are people out of work either because there are no vacancies for the kind of skill they possess, or because there are no jobs available close to the particular area in which they live. This does not, however, mean that these people could not obtain positions were they willing to undertake unfamiliar work or work in another locality.

Now unemployment arising from these causes cannot be regarded as a major social evil. Nor can it be entirely avoided. It would be present in any society in which the worker remained free to choose his job and his place of work. The important point about it is that in no cases should it be necessarily prolonged. The percentage of the total employable population which it represents (except in a period of ram-
pant inflation and excess demand) may be around say 2% to 3%, but the people constituting this percentage would be constantly altering.

This, then may be regarded as the irreducible minimum of unemployed consistent with stability in a free society. It could be overcome to some extent, and then only temporarily, as it was in the boom post-war years, by unhealthy inflationary policies leading to an excess demand for labour and physical resources.

The question which must now be asked, and frankly answered, is whether it would be practicable to ensure that unemployment never rose above this minimum figure of 2 to 3 per cent.

In a progressive economy it would almost certainly be impracticable. Why? Because the essence of progress is change and change is not entirely compatible with perfect stability of employment and of economic conditions. Progress means higher all-round standards of living and higher all-round standards of living involve the continuous improvement of productive facilities; to use a phrase of Karl Marx, "a constant revolutionising of the means of production". It means, then, the replacement of existing machinery and methods by more efficient machinery and methods. It means the replacement of old products by newer, better products. It means the commercial exploitation of new inventions and new forms of power such as atomic energy. It means a constantly changing pattern of wants on the part of the consumer. His demand may, for instance, shift from ice chests to refrigerators, from rail to air travel. It means that abnormal backlogs of demand for some things, such as say houses, will be overtaken and excess labour and resources in this field will then seek new forms of employment. And because the demands of the consumer are always altering, it will mean that some businesses and industries are declining, whilst others are expanding.

A progressive economy, therefore, entails a constant shifting of resources, including labour, from one occupation to another, from one industry to another. Is it reasonable to expect that all these changes will be accomplished with perfect smoothness and without minor dislocations? And whilst
one change may compensate for another, is it reasonable to expect a perfect synchronisation of expansion and contraction—so perfect that a worker displaced from his job at 5 o'clock one night will be in another occupation by 9 o'clock the next morning?

Of course, action can be taken to try to offset or compensate for the effect of these changes. Indeed the central purpose of modern monetary and fiscal policy is to do just that. But is it reasonable to suppose that these policies can be so impeccably planned and executed that no single person need be displaced, even for a short duration, from employment; that every change in demand or of techniques in one section of the economy involving the displacement of labour can be perfectly synchronised in time and magnitude with compensatory changes in some other section of the economy?

It might be always possible to ensure that a sudden dip in demand for the products of Australia's main exports could be offset by expanding the demand for other forms of activity at home. But could there be any certainty that the compensating demand would provide employment of the type or in the locality of those displaced as a result of the contraction of overseas demand?

The price of progress is some measure of economic instability, and the faster the rate of progress the greater the instabilities are likely to be. Of course we can outlaw progress. We can say that we have no interest in high standards of living. All we want is 100% security for everyone. We can discount the values of adventure and enterprise. We can retire into a dull, flat, stagnant world of our own devising. But is that what we really want? Do we really want a stationary standard of living? Do we really want a stagnant, unprogressive society remote from the inspiration and salutary disciplines of the world competitive struggle? Are we prepared to forego the benefits of revolutionary scientific advances and exceptional personal enterprise on the grounds that, in the short-run, they may involve difficult problems of adjustment for a small minority of people?

This is the age-old dilemma of progress or security. We can achieve greater security in the short-run if we are pre-
pared to go slow on progress. But so long as we seek higher standards of life, value progress, enterprise, innovation, freedom, we must be ready to suffer some small discomforts in the process, and in the preservation of the values we cherish.

Of course the impression should not be given that the unemployment which must sometimes accompany the progressive economy need be large in magnitude or, for any individual, long in duration. We have already indicated that there are many things we can do to minimise the unemployment arising out of rapid change. But it would be inexcusably misleading to suggest that all the great advances opened up by scientific research and personal enterprise, can always be taken advantage of without some small measure of dislocation of employment. The politician may claim one thing, but the facts of the modern world and the conditions of progress refute him.

What we can, in fairness, claim is that so long as the best economic thought is applied to the solution of economic problems, the large-scale mass unemployment of the past need never recur.

In this regard, the closest scrutiny should be given to the financial policies followed by Australia. In our view an expansionist monetary policy which exhibits a sublime indifference to soaring incomes and costs and to overseas opinion and events cannot be maintained indefinitely. We have already had one warning from abroad in the conclusions of the Commonwealth Economic Conference held toward the close of 1952.* So far little heed has been taken.

Events abroad could at any time force Australia into a choice between alternative paths. The least painful route, in the short-run, might be to continue in the present direction with its logic of more inflation, higher costs and a still more heavily protected and insulated economy. The alternative would comprise a series of adjustments to bring costs into reasonable equilibrium with the prevailing world situation—a departure from the ingenuous, over-exuberant Keynesianism

---

* The official communique stated:
"Inflationary conditions frustrate the progress of sound development, both by increasing its cost and by destroying the savings necessary to finance it. They damage the external balance by stimulating excessive imports and by diverting to internal use goods which would otherwise be available for export."
of the post-war years, Keynesianism tempered with the hard core of classical doctrine. This may be to the immediate hurt of a few, but to the ultimate benefit of all. It is the path of economic sanity and true statesmanship. The other leads to the unhealthy swamps of Peron’s Argentine—an artificially bolstered, inefficient, dictatorially controlled economy, with deteriorating living standards, exciting world disapprobation and contempt.

* * * *

THE “body economic” may be likened to the human body. If we can keep it in a constant state of reasonably good health by proper and wise treatment we will be doing remarkably well. Because it may fail to come up to our ideas of what would constitute the utopia of flawless good health, does not mean that it cannot be a highly useful and fruitful mechanism.

We should always remember that, while we may set it up as a goal to strive for, perfection in the conduct of economic affairs is impossible of attainment. Economics deals with human beings and with all the illogical vagaries and imperfections of human beings. You can no more have a perfect economic system than you can have a perfect intelligence, wisdom, and morality among men and women. The flaws in human nature and human understanding show up inexorably in flaws in the economic system. What we can do, and must strive to do, is to make our economic system reflect the very best that is in human nature, the best in commonsense, the best in intelligence, the best in morality.
A New Era for American Business

by

John S. Coleman

President,
Burroughs Corporation,
President,
Detroit Board of Commerce,
Chairman of the Board,
Federal Reserve Bank of Chicago

Born in 1897, John S. Coleman served with the U.S. Army in France in World War I. He joined the Burroughs Adding Machine Company in 1920 as a junior salesman. Twenty-six years later he became President. Mr. Coleman gives a great deal of time to public affairs. He is closely associated with the Economic Club of Detroit, the Institute for Economic Education, the National Management Council, National Industrial Conference Board and the U.S. Council of the International Chamber of Commerce.

We are privileged to publish this article from the pen of such a forward-looking thinker as Mr. Coleman. It has been specially written for the "I.P.A. Review."

In November of 1952, a sigh of relief went up from businessmen all over the United States. The long drought was over. After twenty years of exclusion business was, with the approval of the voters, to provide the leadership of the nation. There is no doubt that the American electorate welcomed President Eisenhower's promise to get the best talent to conduct the affairs of government. In fulfilling that promise, the President selected for his cabinet and other key government posts, some of the best business brains in the country. They are now hard at work, attempting to accomplish the objectives set forth in the election campaign.
Although the new administration includes many former business leaders, it cannot be concluded that the American people voted in any narrow sense for a business administration. The electorate certainly expect this new government to found their policy on a broader basis than a single interest. A balanced stable democracy cannot permit the growth of economic factions. To the solution of the world's problems must be brought many types of experience, and each must be balanced against each in the light of the common interest. The American public, then, did not give a mandate to a business administration any more than it would to a labor administration. The mandate was emphatically given to General Eisenhower as the leader of a national administration.

In one sense, however, we do expect a business or, rather, a businesslike administration. The qualifications required for success in politics are in some respects different from those necessary in business, but one quality common to both spheres is certainly executive ability. Management skill in government, unfortunately, has not always been valued as highly as it ought to be, and private business will have served the country well, if it can bring to government those administrative skills which have built our vast industrial enterprises.

THROUGH its leaders in Washington, big business is now in a position to perform great services for the American people. In order to reach their present size, great enterprises have had to solve immense organizational problems, and in doing so, they have developed principles and techniques fortunately applicable outside their own operations. They have, by experience, found methods of management which, with appropriate changes, are vital to small and medium business alike, as well as to government. It is not unreasonable to hope that these methods may be applied in increasing measure in the all-important field of public administration.

Yet businessmen do not enter politics without some handicaps. The business point of view is still the object of widespread suspicion. And, to some extent, representatives of management bring this suspicion upon themselves. Though they spend much effort in writing and speaking about the virtues of free enterprise, their words often seem far removed from reality. Indeed, both board chairmen and labour leaders too often fall back on tired old phrases and concepts dating back to the 1920's, if not to the 1890's. When
asked to say a few words on free enterprise, the business spokesman is more than likely to speak in terms of the one-man store rather than the realities of a typical large organization. And to him socialism is frequently an umbrella term used to cover everything from the police state to income taxes. In like manner, labour leaders occasionally rally their people with descriptions of types of irresponsible bosses whom the changes in America buried long ago. And sometimes they give way to the temptation to seize upon the very means of economic progress, namely profits, as evidence of immorality and injustice.

The fact is, we need to take note of the radical economic changes that have, in recent decades, transformed America. The importance of small businesses in this economy should never be under-estimated. At the same time, justice must be done to the achievements of bigger business. In our modern society a wide distribution of consumer goods would be well nigh impossible without the techniques of mass production. Moreover, only large organizations can bear the costly burden of the research which is providing such astonishing new products for the consumer. It is true that the public interest must be safeguarded against abuse of power by corporations or any other organizations, but it is unreasonable to ignore those powerful economic forces which have created mass production. To an important degree, the rising level of productivity is a function of the growing scale of operation of industry. That scale can be reduced, but only at the expense of the consumer.

The businessman’s return to Washington is in no sense a sudden triumph. It is the final event in the slow transformation in American thinking. In earlier days, many business organizations were directed by aggressive, somewhat ruthless individuals who have been called tycoons. But the tycoons are dead and the enterprises they controlled have been transformed. The modern corporation is now more usually owned by thousands of stockholders. The one-man enterprise, the steel, oil or railroad empire has matured into an economic community of stockholders, employees, and managers. The typical business leader is no longer owner of the enterprise. Rather, he is a professional manager, administering a co-operative effort, probably owning very little stock in the company, and despite an exalted title, he is an employee like everyone else.
Far from being a tyrant handing down orders to subordinates, he is a chairman working with colleagues, joining with them in a common purpose. His authority is not irresponsible, but limited by exacting checks and balances. He must respect the right and feelings of associates, very likely he is subject to a union contract, he must have in mind the interests of customers, he must keep the confidence of stockholders and the board of directors and he must live always in the presence of public opinion.

This is the big change in the American economy, and though the stereotype still persists in certain quarters of masterful personalities manipulating men and materials to get a quick dollar, and though certainly horrible examples may still be found in the present, this new concept of professional management is increasingly being accepted throughout this country. Cases can be cited of businessmen in politics acting without a proper concern for public opinion. They are, of course, not the only guilty parties. But so far as businessmen are concerned, if they fall short in human or public relations they are denying principles which they must and do apply within their own plants and offices. Indeed, in recent years, some of the most important contributions in the field of human relations and group action have been made in the corporations which they direct. Though there are differences in the field of government and business, it is certainly not the fact that business has no concern with the public interest. It is true that politicians must be sensitive to many points of view. It is true that politics is, above all, the art of the possible and the practical. In that field, untidy compromises must often be the price of getting things done. But who can say that co-operation through compromise is not also a daily factor in any large business organization?

Nevertheless, there is no question that the American businessman is confronted today with a new challenge in public life. This includes not only the businessmen administering affairs in Washington, but business leaders throughout the nation. For if the new administration is to be successful, business cannot expect its colleagues in government to carry the ball alone and mastermind a new era from Washington. In short, just as they are now concerned not with running a plant, but a nation, so business management in general must raise its sights to comprehend that broader objective.
IN the past, members of management have for the most part been concerned with the problems of running their own organizations. More than likely, they have given thought to public affairs only when these problems impinge on their jobs. As a result, in the last twenty years, management has developed, with some justification, a growing impatience with the operations of government. Their philosophy of public affairs has been formed in relation to taxes and controls and generally it can be summed up in the words "less government".

It is true that a number of business organizations have for some time been contributing notably in the field of public policy. In the United States the Committee for Economic Development, The Twentieth Century Fund, the National Planning Association and others have won a position of great influence by reason of their balanced and objective approach to controversial issues. Their approach is, however, by no means general. But the pioneering work has thus been done. These and other organizations have pointed the way. What is needed now, and can reasonably be expected, is a wider appreciation in the business world of the importance of this broad national thinking.

* * * *

The whole world lives today on the lid of a political volcano. Hence it must be recognized that the dominating issues of our day lie outside the field of business. However important that business job is, there are factors beyond the plant and office which are in the long run more decisive for our times. *If business is to exercise the influence its important function demands, then that influence must be brought to bear in the area of national policy.*

The peoples of the free world must make up their minds that the cold war is not a temporary phenomenon. For a long time ahead there will be need for substantial military establishments. And a large part of scientific and technical resources must be diverted to military and defence work. Perhaps we must accustom ourselves, like the Romans, to the garrisoning of our borders against a continuing threat—to which there is no foreseeable end.

But even were these military factors not so pressing, the argument for broader thinking would remain. For we are dealing here
with the right to govern. Leadership is won by those who will accept responsibility. They accept a trust, above and beyond their own interests, for the advancement of the national welfare—in peace or war, prosperity or depression.

Therefore—although management may have its views about the effect of certain taxes on business, it must now develop an appropriate tax policy for the nation. Business leaders may be well briefed on their own labour problems, but now they will need to give thought to mutually acceptable goals for both labour and management across the country. Market research departments of business organizations are providing analyses of future trends as a basis for management decision. But outside business, a study of the facts and formulation of policies necessary to meet any future recession must be promoted with new vigor.

In the months to come, the quality of business leadership will be revealed. In the field of economic policy, especially the capacity of businessmen in government, will be judged. Although there are many areas of policy in which businessmen cannot speak as experts, this is not so of economic matters. Questions of taxes, of costs, of investment, of production and the like are the businessman's daily concern. His job is, above all, to promote growing productivity and a rising standard of living. Therefore, by right of direct experience, management has claimed some priority for its views on the conditions of a prosperous economy. This claim is now being put to the test: For the recent election has now given to the business community the responsibility of power. Business is now charged with the direction of those matters in which it has claimed especial competence.

There are both strength and weakness in the current outlook. But though it cannot be expected that the present level of business activity will continue indefinitely, there is no ground for panic. Indeed economists agree that in recent years strong stabilizers have been built into the American economy, making any recurrence of the collapse of 1929 very unlikely. At the same time, it is clear that in a dynamic economy adjustments are and will be needed to maintain stability and high employment. Businessmen do not claim to be experts on fiscal and monetary policy, but
no complicated reasoning is required to prove that the record of the now business-led government in correcting such weaknesses will be crucial in determining the duration of the administration. 

Businessmen in the United States are well aware of the oft-repeated communist prediction of American economic collapse. Clearly it is their responsibility to prove decisively that that prediction is false.

What of the foreign aspects of United States economic policy? In these days the stability of the American economy is a matter of concern not only to Americans but to the whole free world. A slight dip in United States national income has, as experience has proved, a proportionately greater effect on imports. The fact is that the dominating position of the American economy creates a basic tendency to world imbalance, and the smallest fluctuation in the United States can cause economic crisis abroad.

To a large extent the initiative in this matter must lie within the United States. The basic international economic problem is the dominance of the American economy. Clearly, then, we must develop a trade and tariff policy appropriate to a creditor nation. Though it may seem to overseas observers that such a policy is not emerging, more encouraging developments should not be overlooked. There was a time when the business community was protectionist in viewpoint. But this is no longer true. The United States Chamber of Commerce representing some 1½ million businessmen, the Detroit Board of Commerce, the National Foreign Trade Council, the United States Council of the International Chamber of Commerce have all declared themselves for freer trade. A recent survey made by the Council on Foreign Relations of the views of leading citizens in 25 cities showed, in the great majority of cases, including those of businessmen, a solid rejection of the protectionist thesis.

Despite the large number of protectionist spokesmen appearing in recent weeks before the House Committee on Ways and Means, there is no question that the opinion of most of the business community is convincingly against higher tariffs. “Congress,” as Time Magazine put it recently, “acting on long-conditioned reflexes, is still frightened by the tariff lobby’s megaphone voice.” But, if the movement of public opinion is a guide, then the days of the power of the protectionist lobby are numbered.
IN conclusion let me express one final thought. It is this. The fate of the new government will depend on the ability of business, both in Washington and in Main Street, to think and act nationally. It will depend, however, also on more intangible factors. Neither a great nation nor a great alliance will be led by those who offer only greater production or more efficient administration. Sometimes we may have spoken as if the number of automobiles or television sets in United States homes was the measure of American achievement. The fact is, rather, that the American dream is spiritual, not material. America is promises, not just material promises of a more abundant life, but spiritual promises, of tolerance, self-restraint and liberty—the qualities in short of a community of free men. These may be just words; but as someone has said, it took a long time to buy them and much pain. America will lead in nothing if not in freedom. Only as business in America and elsewhere bears unflinching witness to those human values, will we unite in the common struggle the loyalty of all men everywhere. In this cause America and the free world stand indissolubly together.