The Making of
ECONOMIC POLICY

In an article published two years ago we drew attention to the peculiarly undemocratic manner by which economic policy is determined in Australia.*

In theory, of course, this is not so. Economic policy is made by Cabinet which is responsible to Parliament, which, in turn, is responsible to the people. But, in practice, Cabinet leans heavily on its expert advisers attached to the various government departments and instrumentalities. Only the advisers have all the facts, and usually only the advisers have the time and knowledge required to evaluate the facts. The government may make up its mind what it would like to do, but it is the advisers who tell it what is possible, and, very often, what is wise. Even when the government determines the broad lines of the policy it wishes to pursue (and which may conflict with the views of the experts) it is the experts who must be left to fill in the details and the details may be little less important in their implications than the policy itself. For instance, the government may decide to institute control of imports, but the experts determine what is to be controlled and to what extent.

* See "A.C.E.A. for Australia"—May/June, 1952 "Review."
This development towards government by experts is an inevitable accompaniment of the modern planned economy where the state has assumed responsibility for a vast range of matters which were previously beyond its compass. It is, of course, impossible to go back. The only question that remains is to ensure that the process of policy-making by experts should take place in the most democratic, and the most effective, manner possible.

This means, among other things, that the public, and especially informed sections of the public, should have the fullest opportunity to discuss and if necessary criticise the decisions that are being made on their behalf. For this to be possible they must be given adequate information about the changes occurring in economic conditions in a form in which it can be digested and comprehended, and also the arguments and reasons which lie behind the views of the experts. There are, it is true, some matters of high policy that must be treated as secret, but these are not nearly so numerous as present practice would lead one to believe.

If policy-making is to be democratic it should be exposed to discussion and criticism especially by specialists outside government, such as those attached to business and educational institutions and to newspapers and periodicals whose duty it is to inform and enlighten the public mind. These specialists cannot, however, discharge this function adequately if the relevant facts are not available in a convenient form or if the reasons behind proposed policies are not made fully plain.

The two conditions that must be observed, then, are:

First, the facts of the economic situation must be made available to the public in a form in which they can be comprehended. The qualification in italics is all-important. It is probably true that a good deal of the vital data is already available in the numerous official statistical publications and in the specialised information issued from time to time by various government departments and authorities. But this is not enough. The need is for these facts to be brought together for the benefit of the public in a single comprehensive and comprehensible whole. No private group or individual has the time nor the resources to search through the multitude
of government documents to obtain information required for an intelligent evaluation of over-all economic conditions; nor have they access to material which must of necessity remain confidential.

Second, the government’s and its advisers’ own appraisal of the facts, and the policies which their appraisal indicates, should also be regularly placed at the disposal of the public. Unless this is done the public is not in a position to criticise intelligently, to say, in other words, whether it agrees or disagrees with the government’s interpretation of the economic situation and with the policies which it is prescribing.

**NEITHER** of these conditions are satisfied in Australia at the moment. The making of economic policy tends to be regarded as the “close preserve” of a few experts close to the government. There is an attitude—an attitude for which the remoteness, both physical and intellectual, of Canberra from the centres of population and industry is partly responsible—that those outside the inner circle cannot possibly have all the information or the resources necessary for an intelligent appraisal of the total economic situation. The fact that this is true only confirms the substantially unsatisfactory character of the present methods and renders reform all the more urgent. At present, opportunities for disinterested authorities outside of government to influence the shape of national economic policy are extremely limited.

**THE** “hush-hush” methods and “close preserve” attitude that have grown up in Australia present a striking contrast with the United States. Here the process of economic policymaking takes place, to an extraordinary degree, in the open light of day instead of behind impenetrable departmental walls. In the United States, informed and intelligent public criticism is not only made possible; it is positively encouraged and invited. It is, indeed, regarded as an essential part of the process itself.

The process centres around the periodic Economic Reports of the President to Congress. These reports, which are
printed as public documents, give a comprehensive analysis of the state of business conditions in the United States and outline the policies considered necessary to achieve maximum employment and economic stability. The President’s Report is based very largely on the advice of his Council of Economic Advisers, a small top-level body. The Report draws together the vital facts of the American economy and it is the document which enables the public and indeed Congress itself to appraise, in an intelligent and informed fashion, the economic policies of the Administration.

But that is by no means the end of the matter. The Report is in turn subjected to exacting and exhaustive scrutiny by the Congressional "Joint Committee on the Economic Report." This Committee consists of representatives of both Houses of Congress and of both political parties and it, too, is required to file a report with Congress containing its own findings and recommendations. In performing its functions it is empowered to conduct public hearings on economic conditions. At these hearings the Joint Committee hears testimony from top public administrators such as the Secretary of the Treasury and the Chairman of the Board of Governors of the Federal Reserve System. It questions the members of the Council of Economic Advisers on the findings of the President’s Report. It discusses the Report with economic authorities outside government. The full transcript of the hearings of the Joint Congressional Committee are published, while day-to-day reports of the hearings appear in the daily press.

This procedure serves several highly important purposes:

It ensures, first of all, that the interested public are fully informed about what is taking place in the economy and also on the reasons behind proposed government policies. The published hearings of the Joint Congressional Committee are in themselves a mine of valuable reference and opinion on the problems facing the American economy.

Second, the hearings provide an official forum for economists and other highly placed experts outside of government to voice their views on government policies. The whole procedure means that government policies are subjected to minute and critical examination by non-governmental experts and
that the government advisers don't have it all their own way. They are, in effect, forced to answer for their views at the bar of informed public opinion, and the process of policy-making thus takes place in a manner more in conformance with democratic principle.

Third, the procedure means that the proposals of the executive are properly understood by the legislature. The procedure tends to lift Congressional discussion of economic policy above the level of the uninformed partisan debate with which we are so often inflicted in Australia.

Finally, and within the limits imposed by human fallibility, it makes certain that no stone is left unturned in the endeavour to achieve the economic goals of maximum productivity, employment and purchasing power. The procedure encourages well-informed and continuous examination and discussion of these supreme issues by the best brains inside and outside of government. So far as possible nothing is left to chance.

* * *

In a recent discussion of the work of the President's Council of Economic Advisers, the first Chairman of the Council and one of the most respected of American economic authorities, Dr. Edwin G. Nourse, gave an admirable statement of the position:—

"Whatever our philosophy of government and economic life, whatever might be the popular declaration at the polls or the trend of our economic philosophy in this country, or whatever the economic dangers that may confront us in coming years, it is of great importance that their emergence be noted when the cloud on the horizon is no larger than a man's hand. The force and direction of coming storms should be measured with the most reliable instruments available, and the best of talent and judgment be applied to shaping measures for meeting these dangers. To the extent that adverse forces are of a sort that can be corrected or turned aside, it is important that those in positions of responsibility shall have the readings currently charted, that they be studied in their totality, and that there be a consistent as well as an adequate programme that avoids both blind inaction and panicky meddling.
"The Economic Report of the President to the Congress at its opening, with supplemental reports as needed, seems to me an admirably conceived means to the ends just stated. It calls upon the Chief Executive to review the past year and to preview the coming year or years with the best of technical aid; and to map an explicit policy and programme of action in consultation with the heads of all administrative divisions of the government. And you are aware, probably, that the Economic Report which goes to the Congress, says: 'This Economic Report, in accordance with the Act, has been prepared with the advice and assistance of the Council of Economic Advisers, Cabinet officers and agency heads.'

'I cannot believe that the emergence of this new state paper, into a position of top-rank importance and periodic appearance, is a mere episode of New Deal days. It seems to me as natural an evolution of modern practices of large-scale business management and growing economic literacy among the public as is our Federal budget, and just as sure to become a permanent feature of our economic life. As such, it should continue its evolution in form and content under the efforts, even though intermittent, of successive administrations to make it more and more adequate to its purpose. That purpose is to outline successive annual programmes under which government action would be so ordered as to promote maximum stability of the economy at the highest practicable level of private production."

THE latest Economic Report of the President is concerned in the main with the problem of preventing the mild downturn that has taken place in American business over the past few months from developing into a serious recession, or worse, a depression. The various anti-recessionary measures that might be adopted are exhaustively considered and evaluated. The views of the Administration, as set out in the Report, have provided the basis for what is, in effect, a nationwide discussion of the policies needed to counter a recession in business activity and to maintain employment. The keenest economic minds in America have thus been focussed on what is by common consent the supreme national problem of the moment—the problem of averting a slump in American business.
This presents an interesting contrast with the position in Australia. What policies would it be desirable for Australia to pursue in the event of a recession or threat of recession? What would be the correct course for Australia to take if there were a steep fall in wool values? How much thought is being given to this problem? So far as the public has knowledge, virtually none. Probably the experts scattered around the various government departments have given it some attention and have formed certain views, but whether any generally agreed-upon plans have been devised is highly doubtful. And if there does exist an anti-recession policy in government circles, the public are entirely ignorant of it.

Yet this is a matter, surely, of the most vital importance about which the very best economic and business brains in the community should be thinking. There should be discussions up and down the country. But at present there is no established machinery by which the government can take the lead in stimulating and guiding such a nation-wide enquiry.

* * *

In reply to the view expressed in this article it will no doubt be contended that the various government departments are already well stocked with economic advisers and experts and that these departments issue regularly documents for the information of the public. There are, for instance, the Annual Reports of the Tariff Board, and the excellent and informative surveys produced by the Bureau of Agricultural Economics and the Division of Industrial Development. But none of these or similar documents is concerned with the overall state of the economy and the changes taking place in business conditions. Nor, of course, do they attempt to prescribe the policies considered necessary to the maintenance of economic stability. That is, after all, not their purpose. The Annual Report of the Commonwealth Bank and the Annual Budget Speech of the Commonwealth Treasurer, admittedly, throw some light on the general economic conditions. But both these documents being necessarily concerned with a specific purpose are far from sufficiently comprehensive to give the total picture required. Moreover they are unavoidably coloured by the function and approach of the authority concerned.
To meet the needs we have outlined a far-reaching change in the machinery by which economic policy is manufactured would be necessary. A body similar in function and method to the Council of Economic Advisers in the United States would have to be constituted. Such a body would draw together the facts and thought provided by existing government departments, keep close touch with non-governmental opinion, and provide the expert over-all survey of economic conditions so indispensable to the proper functioning of the modern economy. It should not be necessary to emphasise how valuable the work of such a body would be to the Commonwealth Arbitration Court in major hours and wages inquiries.

What is needed is something similar to the American model we have described, tailored of course to fit the different circumstances applying in Australia.

* * *

There should be no misunderstanding about the argument advanced in this article. It is a criticism not of personalities, but of methods and machinery. There is no suggestion that in the sphere of high economic policy the various government experts are not doing their job as they see it. What we do suggest is that the present machinery of government in Australia by which economic policy is devised is inadequate for the needs of the modern democratic community. It is inadequate because it does not make proper provision for democratic participation by those outside government, and particularly by those most qualified to make important contributions and those in a position to bring the issues of economic policy to the attention of the general public. It is inadequate because it does not ensure that the policies themselves will be adequately discussed and prepared in advance of possible contingencies. It is inadequate because it does not place at the disposal of the community and especially parliament itself, the press, and the various organisations representative of business, finance, labour and primary production, the facts of the economic situation in a form in which they can be readily comprehended.
WHY SHOULD PROFITS 
BE PAID?

THE function of profits in the economic system is widely misunderstood.

To some people profits perform no function at all. They are simply an unnecessary and unjustified exaction from the consumer who is forced to pay more than the true cost of the article.

In this view, profit is a payment for which no corresponding service is rendered. It is easy to understand that wages are a reward for labour, and salaries for the services of management, and even that interest is a payment for the use of other people's savings (although some people have contested the idea that the mere fact of saving is entitled to any reward). But what is profit the reward for? Does it represent a payment for an essential contribution to the process of production, without which that contribution would not be forthcoming? Would production be carried on, and carried on just as well and efficiently, if there were no such thing as profit? In sum, what useful function does profit perform?

This is a question worth answering.

It can best be answered by reference to basic economic theory. Let us look, first of all, at the essential nature of the modern process of production. There are two significant features of this process:

First, with rare exceptions, people these days do not produce the things that they themselves use or consume. They produce things for other people, usually people they have never seen, and often living in far-away countries.

The second feature is that modern production has become, in the terminology of the text-books, exceedingly roundabout. Usually a large interval of time elapses between the time the production of an article or commodity or service is first planned and the time when it finally reaches the consumer. Four years went by from the day the Holden car was first mooted until the first finished product was delivered off the assembly line and sold to a customer. A modern steel mill takes years to plan and construct before the first steel is made and sold. The evolution of a new product may absorb years of research and experiment and organisation before it finally emerges for sale. Another good example is the storage of temporary gluts of commodities such as wheat or cotton against adverse seasons.

Now this roundabout character of modern production and distribution involves two things.

It means, first, that the people engaging in it must outlay very large sums of money—sometimes, as in the construction of a large industrial plant, running into many millions of £'s—before they receive so much as a £ in income from the output of the plant. Immense resources in materials and labour, both brain and hand, are used up without any immediate result in the form of satisfactions which add to the standard of living. We may have built half an oil refinery, but we don't
get any petroleum until the plant is completed.

Obviously this process is only possible where there are some people who are able and prepared to forgo the use of some of their income in the present, some addition to their standard of living in the present, in order to get back, over a period of time, the equivalent of what they have sacrificed, and a little more. In other words, it requires that certain people will be prepared to wait to receive the full use and enjoyment of their income. The inducement for people to do this is known as interest—a payment for waiting (or saving), for postponing satisfactions in the present in order to receive somewhat greater satisfactions in the future.

Secondly, the roundabout character of modern production entails risks. Since a large interval often elapses between the use and development of certain resources and the time when they should bear fruit, there is a risk that the fruits may never be obtained or, more likely, that they may be insufficient to compensate for the resources used. To induce people to undertake these risks is the function of profit. Profit, in its strict economic sense, is a reward for risk-taking.

There are various kinds of risks.

There are, for instance, straight physical risks, such as the risk that the resources invested in, say, a manufacturing plant, will be destroyed by fire. To some extent it is possible to provide protection against such risks through insurance.

There are technical risks. These risks, it is true, can be reduced by painstaking planning and preliminary work designed to minimise the possibility of errors. But in human affairs there is always room for miscalculation. There is always the possibility of the intrusion of some "unknown", some decisive factor which no one thought about. The product when eventually made may prove to be not quite adequate for the purpose it is designed to meet, or to have some fatal flaw which renders it unsaleable.

Think of the Comet air-liner!

Or the production methods used may for some reason absorb more resources, and thus prove more costly, than was originally anticipated.

Finally, there are the uncertainties of the market—the most important and unforeseeable of all risks. The product may be technically adequate but in the meantime something better, or something just as good at a lower price, may have been produced by someone else. Fashions, for instance in cosmetics, change suddenly. Attractive substitutes may come on the market. Or there may be over-production so that producers can't dispose of their output. There is the ever-present risk of miscalculating demand. There is the risk that some vital ingredient for the manufacture of the product cannot be obtained in sufficient quantity or at the budgeted cost. There is the risk arising from the capriciousness of the general economic climate which, with little warning, may turn from fair to foul. The different sorts of risks are almost countless. But they all mean that when money is invested in
some form of production, or in some asset designed to provide a service such as a shop or an hotel, the people concerned always take the chance of not getting their money back, or not getting all of it back. It follows that this investment will be undertaken only if a good prospect exists of receiving back substantially more than the money put into it.

Sometimes the risks are comparatively small, for example, when a well-established industry is being extended to cater for an expanding demand. Sometimes, as in gold mining or oil prospecting, they may be considerable and in these cases the inducement must be all the greater. The risks can be reduced or minimised, but not eliminated, by initiative and imagination, by efficient management, by careful planning, so that profit from this perspective can be regarded as a reward for enterprise and efficiency. Enterprising and able management, other things being equal, will obtain, and is entitled to obtain, a larger profit than inefficient and incompetent management.

Profit is a reward for taking and for successfully overcoming the risks inseparable from modern economic processes. It should not be confused with interest. As we have shown, interest has a different function. Interest is the reward for waiting, for the postponement of satisfactions that could be enjoyed here and now. Profit is the reward for risk-taking, not a certain guaranteed reward, but a reward payable only to those who achieve success in their object.

HERE is the essential distinction between profit and other forms of income such as wages, interest and rent. With profit there is no certainty that it will be paid. On the other hand an employee knows that he is assured of his wages or salary at the end of the week. The landlord or lender of money is usually assured of receiving his rent or interest; if he fails to do so he has his remedies. But there are no remedies open to the man who incurs a loss in his business or to the shareholder who receives no dividend or loses part of his capital.

Often the interpretation of profit by the accountant and businessman tends to be confusing so far as popular understanding of the economic function of profits is concerned. For instance, in the profits shown in company balance sheets there is a large element of interest or reward for waiting. Since investors in company shares could have made reasonably certain of obtaining some return on their money by putting it into bank deposits or government securities, they can only be persuaded to invest in shares if there is the prospect of a return over and above prevailing rates of interest. This marginal return is, strictly speaking, the true profit of the enterprise. In similar fashion the man who puts his savings into a street-corner garage, which he runs himself, is accustomed to describe the difference between his book receipts and his expenses as profit. Actually, to arrive at his true profit he should have deducted from his surplus something to compensate for his own labour, and something equivalent to the interest he could have obtained from his money by putting it into bonds or a bank ac-
count. His real profit is the residual left after deducting from the excess of his income over his expenses an appropriate salary for his management of the garage and an allowance for interest on his capital. This is the reward for the risks involved in his investment.

We have argued that in the modern economic system risks are inevitable and that profits are therefore a necessary and legitimate reward for those who bear the risks. This does not mean that all actual profits are legitimate or that there is no such thing as excess profit, any more than one could argue that every wage or salary earner was receiving no more than his due. It merely means that there must be some reasonable level of profit, varying with different types of business, to call forth the enterprise that lies behind all economic progress and higher general standards of living.

But now another question must be asked. Are these risks inevitable? Is there no way by which the risks can be reduced or eliminated so that there would be no need for profits?

Under some form of socialist planning would it not be possible to abolish the risks and thus to remove the need for profit?

The answer is that it would be possible to spread the risks more widely, or to transfer them to someone else; but it would not be possible to remove them.

At the present time the risks of production are largely carried by a special class of people—investors in company shares, particularly ordinary shares, or proprietors of one-man farms and businesses or partnerships. It is true that there is a notable tendency for the proportion of those undertaking risks to increase and thus for risk-taking to be spread more widely. For instance the numbers of people investing in company shares is rapidly expanding. Perhaps more important is the growing institutional investment in industry by life insurance companies and superannuation and pension funds. This process is not only bringing about a wider spread of risk-taking but, as a consequence, a wider sharing in profits. Many people today would not be nearly so ready to attack profits if they realised the extent to which their life assurance bonuses or retiring pensions were wrapped up in the dividends paid by public companies.

But what would be the situation where the greater part of production was undertaken by the state? Would that remove the element of risk-taking from the economic process? No! There would still be risks. The difference is that instead of being concentrated in a limited class of shareholders and business entrepreneurs they would be borne partly by everyone. Everyone is a consumer and therefore everyone would gain or lose according to the errors made by the state. They would be borne partly by those who paid income taxes. The heavily taxed would carry the main burden of the risks.

Think, for instance, of the recent fiasco of the ground-nuts scheme in Africa undertaken by the British Government. Something like £40 millions of taxpayers' money was recklessly squandered and lost. If private enterprise had embarked on this project, and made the same mis-
takes as the Government, the loss would have fallen on a limited number of shareholders and the great mass of taxpayers would have escaped. A recent example in Australia is the closing down of the Glen Davis shale oil project with losses of public moneys amounting already to £6 millions.

It may be claimed that under socialism the risks involved in fluctuations of the market could be reduced, since the consumer would either have to take what the government provided or go without. At first sight this might seem to remove the risk, inherent in private enterprise, that what is produced cannot be sold. But what satisfaction would it be to have to take something that we don't really want, to have no alternative to choose from? Is it not true that, faced with this question as consumers, we would all prefer to retain our freedom of choice? And if we value that freedom then someone must be found to carry the risks of a constantly changing and discriminating demand.

Under free markets, profits are an indication of the requirements of consumers, and, therefore, assist producers to decide what and how much should be produced. Where profits in a particular line of business are unusually high, new capital is attracted, output is expanded, and prices eventually reduced and the demands of the consumer satisfied. In a highly socialised economy this function of estimating the market would be based on the necessarily arbitrary decisions of government planners.

In a socialised state it is conceivable that some, but not all, the risks inherent in private competitive enterprise could be eliminated. To that extent pure profit could be reduced. But the question we would have to decide is whether any possible gains to the public in this direction would not be far outweighed by the loss of enterprise, the slowing down of economic growth and expansion and therefore of the trend toward higher all-round living standards. Progress means change, and change means risk, and risk means profit, or loss.

When you look at it closely, enterprise is the other side of the coin of risk-taking. The more risks that are undertaken the more enterprise there is. It is for this reason, if for no other, that we should preserve the idea of the necessity of good and healthy profits as an inducement to the enterprise essential to a constantly rising standard of living for all.
The following extracts have been taken from an address by the Rt. Hon. R. G. Menzies given on the 10th April to a representative gathering in Melbourne. The address was of outstanding quality and the thoughts expressed here will be of value to all those interested in public affairs. We are indebted to the Prime Minister for his kind permission to publish these extracts in "Review."

Political people like myself read all kinds of things. If I get a chance I like to read Ngaio Marsh's last detective story. But failing that, and failing that means, probably, occasionally for a period of three months, it is my great fortune or misfortune to read blue books, to read Treasury Reports, to read the last statistics, to read the Cabinet Papers, and although they are very important, every now and then every man who has great responsibilities in his own country ought to be lifted up out of the particular into the general. He ought every now and then to be given the opportunity of saying: "Well, that's right, I think I'm right, I've made this decision and that decision and that decision, but now let me take two or three days to consider how all that fits into the pattern of what I regard as my own philosophy." That I think is tremendously important.

What we need in Australia, what is needed in all free countries, is a body of men who don't set themselves up to say that the government is always right or that the government is always wrong, because, speaking as one with a fairly long experience in these fields, I know, nobody better, that a government is not always right, that if a government can feel that it is right most of the time, and what's much more important, always feel that it was honest about what it did, even if it turned out to be wrong, that is as much as any mortal man in public affairs may aspire to.

And if we have a general philosophy on these matters then we can test things by it. If we feel that any government, even a government that we like in the broad, is wrong judged by that yardstick, then we will say so, and I don't think that any intelligent political man objects to that.
A philosophic line, a body of principle, and if I may say so, gentlemen, our great danger in Australia and we are nearer to it at this moment than we perhaps ever were before, is that we should abandon political principle in favour of a series of purely ad captandum arguments. “That’s worth some votes, that ought to bring somebody in.” Look, of all the menaces in the political world, that is the worst. If you stand on a basis of principle you may go wrong but you will never go far wrong. You may go wrong according to the current political judgment, but in the long run somebody will be heard to say: “That was right.” I know that we are all human and most of us, I suppose, like to feel that we will be given credit in six months or twelve months or two years, for something that was right. I don’t want to appear to be a self-righteous person—I hope I’m not. But if I did something today which I thought was dead right for this country and they threw me out, like that, I’d rather like to think that in 30 years time, when I’ve been dead and buried, the fellows who wrote the records would say: “That was right.” You see, political principle, a genuine philosophy, a genuine body of doctrine in your own mind, not an academic body of doctrine but that warm instinctive feeling that decent men have that that’s right. That’s the most important thing in public affairs.

* * *

The greatest problem in politics is I suppose assumed to be the problem of whether you win a by-election or lose it, or whether you win a general election or lose it, and if that’s the greatest problem in politics then let me tell you that politics is just not worth while. Because in Australia we have a general election for the Lower House every three years and when we’re two years old, under the present circumstances, there will be a Senate election and a year later there will be a general election for the Lower House, and in the meantime, there have been six State elections and in the meantime, there have been by-elections. I don’t think anybody in Australia has yet fully realised how utterly inconsistent with good government this plenitude of elections can be. If we’re going to have good government in Australia it’s high time that we had parliaments that lasted for five years. It’s high time that we put people
into office and said to them: “You have five years in which to give effect to your policy.” But so far as I’m concerned I’ve been in Parliament, and I don’t apologise for it, for 25 years, and in that time I must have fought 13 or 14 elections. This is monstrous! It’s terrible! Just as you’re about to get people to understand that this is the thing that ought to be done over the next five years somebody says: “Wait a moment, there’s an election in six months time or twelve months time and people won’t like it.”

* * *

WELL, that creates great difficulties. But might I try, gentlemen, to say something to you about the classical choice that confronts us. We can politically have principles with no sense of expediency or we can have expediency with no sense of principles. That’s what some people say. I’m putting it inaccurately but I’m putting it in a stark form. There are those who say to us: “Principle without expediency”; and there are others who say: “Expediency without principle”. This is a masterpiece of modern thinking. It’s the perfect, false dichotomy that you’re presented with all round the world. You’re either in favour of A or you’re in favour of B. It’s hardly ever true. It is not true to say that if you have principle you can never consider expediency. It’s damnably untrue to say that if you bow a little to expediency then you must abandon principle. A very much greater authority than myself, or anyone else in this room, said: “All things are just, but all things are not expedient.” What we have to discover is how to pursue principle, how to pursue what is just. And when we accommodate ourselves to the expediency of current events let us regard it as a mere side-current which doesn’t blow us off our course but from which we can always return to what we think to be right.

That I believe, Mr. Chairman, is the greatest problem of politics. And one of the great troubles about politics is that those who, for their sins, like myself, are in the middle of it, living with it, sleeping with it, year by year, sometimes feel disposed to say, when we read the words of some critic: “If only he knew about these matters.” You see, I’m not asking to be free of criticism, and nobody thrives more on it than
I do. I welcome criticism, I welcome complaint, I welcome grievance. But I would have a very poor opinion of myself, if, having set my course by a star and being blown aside by some temporary storm, I then decided to retrace my course. When you are blown aside by a storm, well, you must recognise it and, to that extent, you go with the storm, but always at the end you must take your bearings and resume your course. That’s the hardest thing in public life, and because that’s the hardest thing in public life, because that’s the hardest thing in public administration, it’s terribly important that people like myself, who have devoted their years to political affairs, should know that there are men, honest, upright, able, experienced men who, from time to time, sit down and say: “That is our body of principle.” And say why it is, and collect the facts, and make objective judgments. And the whole thing is that, with all the rough weather and the cross currents and so on, politics is not worth being in if when you leave it you find that what you think is good for your country is further astern than when you went into it.

* * * *

NEVER forget that the leader of a party, and a fortiori, the leader of a government, frequently is over-ruled. Time after time I have submitted views that have been over-ruled. What am I to do? Am I to break up the Cabinet every time I’m in a minority? Am I to convert steady government in Australia into a sort of French government system in which governments flicker and flow week by week, month by month? Of course not! When I find that the overwhelming view of the Cabinet is that something should be done, then, unless it is a matter of principle on which no man ought to forswear himself, I accept it and I go into the House and I put it, and I go on to the platform and I’ll fight anybody about it. This is practical politics. And unless we had that kind of thing we would have such uncertainty of policy and administration that this country would be as unstable as, I am unhappy to say, France is and in the case of France with such disastrous results in the world.

Please remember that, gentlemen, you can’t always have your own way in this life. But what helps me a great deal is
not to have a man who arrests me and bashes my ear about some interest of his and throws out a broad hint that unless the government decides his way he's against it. I've no time for that and I'd like to say to everybody that I'm utterly unmoved by it. But what I do like to think is that in this great city, with all its sanity and balance and responsibility, a responsible man, a leading man here, can say to me: "So and so" and if I say: "I'm sorry I can't do that", he will not at once go away and become an enemy and whisper in dark corners. But he will go away, and say: "Well, after all I can't have that. What do I really believe in? What do I stand for?"

Sir, I'm sorry to have spoken so long and I'm sorry to have become like a man delivering a sermon. But this is one of those rare opportunities. Gentlemen, I invite you to consider that basic matter. If it's all expediency, if it's all what will win votes next week or next month, you don't need me. There are much better phonograph records than myself. All you need is a few humble, obedient time-servers and if those are what you want, you'll get them. There is something about Divine Providence which is magnificent. We get in the long-run what we want and if we want time-servers, and if we want vote-catchers, if we want short-term "pleasers", let them have them.

*     *     *

BUT you know, if politics were really a matter of occupying a job, how many of us would be in it? Did anybody suppose that a man like myself who loves the law, and the practice of the law, and the whole philosophy of the law, would go into this turbulent stream, for a job? A job! Of course not! And what I ask you to realise is that people like myself—and I'm not the only one—go into this life because they have beliefs, because they have a faith, because they believe there is something that matters for their own country. And if they believe that, then don't be beguiled by this false choice expediency or principle. Remember always that a great deal of principle and, occasionally, a little expediency, is much better than impracticable principle and a million times greater than unprincipled expediency.
ACCELERATED DEPRECIATION

ONE of the most striking features of industrial and financial practice in the post-war world is the rapid writing off of capital costs. In essence, this is a response to a world situation in which technological change has become greatly accelerated and in which the pursuit of higher productivity has, for the first time, become a conscious objective of national economic policies.

Before the war in most Western countries—America was an exception—the prevailing industrial philosophy embodied the idea that when a piece of equipment or a machine was installed it would be used until it was more or less worn out. This concept was reflected in the basis upon which governments established their allowances for depreciation for the assessment of tax. Permissible rates of depreciation were set at levels based roughly on the estimated life of an asset so that over its life the asset would be written off. This approach has been abandoned in the industrial philosophy of the post-war world.

The new conception of rapid write-offs is attributable directly to two causes. First, was the need immediately after the war for governments to provide special assistance to industry to enable it to replace run-down plant and to install new plant at inflated post-war prices. The second, and later cause, arose from the widespread knowledge—fostered especially by the numerous productivity missions from Britain and the Continent to the United States—of the superior efficiency of American industry and the reasons which lay behind the superiority. It became clear that, by contrast with their counterparts in other countries, American industrialists were constantly engaged in installing the latest mechanical devices and in replacing existing equipment with better equipment. They did not hesitate to scrap machinery which had been out-moded by new developments.

At the end of the war the Australian Government followed the practice adopted overseas of permitting heavy initial depreciation allowances for tax purposes in order to assist the rehabilitation of industry. But whereas other countries apparently have realised the permanent advantages to industry of a policy which was first regarded as a temporary expedient and have continued to apply the principle of rapid write-offs of capital costs, Australia has, in the main, returned to the pre-war system of spreading capital costs over the estimated life of the asset.
The United Kingdom introduced initial depreciation allowances in April, 1946, of 10% of all expenditure on new industrial buildings and structures and 20% of new plant and machinery. In 1949 the rate for plant and machinery was raised to 40%. The 1951 Labour Government suspended the operation of initial depreciation allowances as from April, 1952, but they were subsequently restored at their 1946 levels by the new Chancellor of the Exchequer, Mr. Rab. Butler, as from April, 1953.

Australia followed a similar policy except that initial depreciation allowances were confined to plant and machinery. From 1st July, 1945, the rate for initial depreciation in Australia was fixed at 20%. In 1949 the allowance was increased to 40%. But special initial depreciation terminated altogether on 30th June, 1951.

THE North American countries and practically all the European countries, in one way or another, make provision for accelerated capital write-offs in calculating assessable income for taxation. Switzerland, for instance, permits initial depreciation rates of up to 80%. Dutch firms are granted a special initial allowance of 33⅓% and an additional 4% a year on top of the normal 10% depreciation charge for the next five years on all new plant and machinery installed. Other countries, such as Western Germany, give straight-out tax-free concessions for capital expenditures. United States and Canada provide accelerated depreciation or amortization rates for the installation of facilities in industries connected with defence. This provision is given a liberal interpretation. In the U.S.A., since the commencement of this scheme about 25% of all business expenditures on new plant and equipment have received the benefit of the special amortization provisions. In Canada, building and constructional work coming under these defence provisions can be depreciated by 70% over a four year period with a maximum allowance of 30% in any one year. Machinery can be depreciated by 50% over four years, but the maximum write-off in any one year must not exceed 20%. These special rates of depreciation are chargeable in addition to the normal rates permitted under Canadian taxation laws.

The United States Congress is now preparing a complete overhaul of the American tax code, including allowances for
depreciation. If and when these proposals become law, two-thirds of the value of plant and equipment installed as from Jan. 1, 1954, may be written off over half its useful life. These changes are completely distinct from emergency amortization for defence purposes.

Thus, while Australia has adhered to the antediluvian approach of spreading capital costs over the estimated working life of equipment practically every other country is going out of its way to use taxation policy to promote the more rapid replacement and expansion of capital equipment. Britain is now awaking to the competitive advantage being gained by Continental and American industries through government tax concessions.

The emergence of German competition, particularly in the capital goods and ship-building industries, has serious portents for Britain, Germany is outselling Britain in European and dollar markets. Last year Germany exported more capital goods to United States than Britain and well over doubled Britain in exports of capital goods to European countries. Western Germany has also built up her merchant marine from 300,000 tons in 1950 to over 2½ million tons and expects to reach 3½ million tons next year. Starting from scratch in 1946 with the barest essentials in equipment and materials Germany produced 400,000 cars last year or about 60% of British car production. The Volkswagenwerk (People's Car Works) is now the fourth biggest automobile producer in the world, led only by the "Big Three" in U.S.A. It is outselling all other makes, including American, on unrestricted markets.

This remarkable industrial recovery was greatly aided by modern capital equipment received under Marshall Aid and by the ploughing-back of the greater proportion of profits into productive assets. For instance, under the special "7d. tax remission Clause" at least £20m. of ship-building profits retained in the industry were free of tax. The Volkswagenwerk G.M.B.H. has re-invested the whole of its earnings since 1948 running into many millions of pounds.

INVESTMENT ALLOWANCES

To strengthen Britain's competitive position the Chancellor of the Exchequer, Mr. Butler, has now resorted to the continental system of tax-free investment allowances. Under proposals announced in the 1954 Budget, industry will be
ACCELERATED DEPRECIATION (continued)

permitted to write-off 20% of expenditure on new plant and machinery and new mining works in the first year, and 10% for new industrial and agricultural buildings. **These allowances are in addition to and not in substitution of write-offs for depreciation.** Under the system of investment allowances, the total amount written off exceeds the cost of the machine by the amount of the allowance. This will help meet the frequent complaint of “capital erosion” arising from the inadequacy of depreciation provisions to cover higher replacement costs. As well as productive plant, equipment and buildings for scientific research qualify for the allowance, but not ordinary motor cars, second-hand plant or machinery. These excluded items will, however, still be eligible for the old initial depreciation allowance of 20% which is retained for any company or individual who desires to use it rather than the investment allowance.

Investment allowances are a signal step forward in placing additional funds in the hands of industry for development and modernisation. They amount to a government subsidy on investment as compared with what is, in effect, an interest-free loan under the alternative method of accelerated depreciation. By anticipating ordinary annual rates initial depreciation reduces tax liability in the year in which the investment takes place, but taxes become progressively larger as the amounts which can be claimed in depreciation are reduced. This does not apply to investment allowances because they do not mean any writing down of capital.

For each £1,000 spent on plant the difference between the operation of an investment allowance and an initial depreciation allowance works out as follows:—

<table>
<thead>
<tr>
<th>Initial and Annual Depreciation</th>
<th>Written-down Value of Plant</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Original Cost—£1000</strong></td>
<td></td>
</tr>
<tr>
<td>1954/5—Initial (20%)</td>
<td>200</td>
</tr>
<tr>
<td>—Annual Deprec. (10%)</td>
<td>100</td>
</tr>
<tr>
<td>1955/6—Annual Depreciation</td>
<td>70</td>
</tr>
<tr>
<td>1956/7—Annual Depreciation</td>
<td>63</td>
</tr>
<tr>
<td>Subsequent years</td>
<td>567</td>
</tr>
<tr>
<td>Eventual Total</td>
<td>1000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment Allowance and Annual Depreciation</th>
<th>Written-down Value of Plant</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Original Cost—£1000</strong></td>
<td></td>
</tr>
<tr>
<td>1954/5—Investment allowance 20%</td>
<td>200</td>
</tr>
<tr>
<td>—Annual Deprec. (10%)</td>
<td>100</td>
</tr>
<tr>
<td>1955/6—Annual Depreciation</td>
<td>90</td>
</tr>
<tr>
<td>1956/7—Annual Depreciation</td>
<td>81</td>
</tr>
<tr>
<td>Subsequent years</td>
<td>729</td>
</tr>
<tr>
<td>Eventual Total</td>
<td>1200</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Written-down Value of Plant</th>
</tr>
</thead>
<tbody>
<tr>
<td>900</td>
</tr>
<tr>
<td>810</td>
</tr>
<tr>
<td>729</td>
</tr>
<tr>
<td>1200</td>
</tr>
<tr>
<td>Nil</td>
</tr>
</tbody>
</table>
With the exception of certain agricultural operations the only allowable deduction on account of new investment in Australia is the annual depreciation charge based on the estimated working life of the item of plant or equipment installed. Under normal conditions and stable prices, taxpayers would have just recovered their capital outlay (in money) by the time the working life of their asset had expired. Laid down, as a general rule, many years ago the rates in the Australian depreciation schedule are woefully inadequate to recover present-day replacement costs. For example, a blast furnace built for, say, £1,000,000 pre-war would be written off after 10 years' life at an annual charge of £100,000. But only £1,000,000 would have been recovered to meet a probable present-day capital cost of £5,000,000. In order to maintain their assets intact, shipping concerns, the iron and steel and the sugar industries, indeed most highly capitalised enterprises, have had to set aside from profits large sums over and above depreciation permitted for income tax purposes. A perusal of the balance sheets of companies engaged in these fields will amply illustrate this.

* * *

EXPANDING Australian industries face many handicaps compared with overseas competitors. In general, Australian profit rates on funds employed are lower and the amounts which may be re-invested in new plant and machinery correspondingly less. Antiquated depreciation provisions accentuate this disadvantage.

Australia is one of the few countries in the world where tax laws make practically no provision for depreciation on buildings. In 1949/50 Australian industry provided £3,000,000 for depreciation on buildings, but less than £100,000 was allowed by the Taxation Commissioner on buildings which were an integral part of plant. In Canada, frame buildings and component parts and oil storage tanks are allowed 10% depreciation, and buildings in general, irrespective of use, 5%. In United Kingdom a depreciation rate of 2% is allowed on all factory and industrial premises.
In Canada machinery is generally depreciated for tax purposes at 20% per annum. In Australia foundry plant is allowed 5%, boot and shoe machinery 7½%, galvanising plant 10%, motor trucks 15%. Most British depreciation rates are also more generous than in Australia. Iron foundry plant is allowed 10%, boot and shoe machinery 12½%, and motor trucks 25%.

It can, of course, be argued that even though an asset is written off over a longer period in Australia the end financial result is the same as abroad. But this ignores the great competitive advantage derived from earlier recouping of capital outlays in overseas countries, and their subsequent re-investment in new plant. Australian manufacturers are more likely to expedite the installation of a new machine when they know that part of the cost will be provided by tax benefits than when it must be met from their own resources. The more liberal a country's depreciation policy the greater will be its prospects of technical advance through replacement and modernization of capital plant and equipment.

The United States is veering more and more round to a solution to the problem by establishing certain broad limits within which businessmen are permitted to use their own judgment in depreciating their assets.

Australia cannot escape the consequence of overseas technological developments. Unless we liberalise our taxation laws concerning the replacement and extension of capital equipment we must be prepared to live in an industrial back-water. A system of investment allowances similar to that recently introduced in Britain offers a possible remedy for Australia's problems.

*   *   *

What would be the cost to government revenues of a system of investment allowances? The data set out in the Appendix, suggests that new industrial and commercial building and construction in Australia may reach a level of around £100m. by 1954/5. A 10% investment allowance on new building would therefore probably reduce taxable incomes to the extent of £10m. This would affect company and per-
sonal income tax receipts by possibly £2m. to £3m. New investment in non-agricultural plant and machinery and commercial motor vehicles could reach £300m. A 20% investment allowance on this amount would entail a reduction of taxable income of £60m. with a consequent loss in tax revenue of say £15m. to £20m. However in the long run this would be offset by the stimulus it would give to higher productivity and the subsequent gain in the taxable incomes of companies and private individuals.

* * *

The policies being pursued overseas provide a direct incentive to mechanisation and modernisation which is lacking in Australia. Under the new tax schemes relating to capital expenditures producers are encouraged to install the most modern equipment. This must eventually be reflected in greater industrial efficiency, lower production costs, and reduced living costs for the consumer.

The plea for a more enlightened attitude to depreciation in Australia does not rest on the narrow issue of greater profits for industry. Much more is at stake. The problem must be viewed from the stand-point of sheer technical and economic necessity and of the future competitive position of Australian industry. Industrial practice in Australia should be re-shaped in line with overseas companies if we are to meet the challenge of a new industrial era characterised by accelerated technological and industrial change.

INVESTMENT IN FIXED CAPITAL EQUIPMENT IN AUSTRALIA 1950/1951 to 1952/1953

<table>
<thead>
<tr>
<th></th>
<th>1950/51</th>
<th>1951/52</th>
<th>1952/53</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor Vehicles</td>
<td>£187</td>
<td>£221</td>
<td>£168</td>
</tr>
<tr>
<td>Other Capital Equipment</td>
<td>£206</td>
<td>£275</td>
<td>£265</td>
</tr>
<tr>
<td>New buildings (excluding dwellings)</td>
<td>£73</td>
<td>£101</td>
<td>£110</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£466</strong></td>
<td><strong>£597</strong></td>
<td><strong>£543</strong></td>
</tr>
</tbody>
</table>


Notes:

1. Possibly 60% of motor vehicles are ordinary passenger cars which could be excluded as not being entirely devoted to business uses.
2. Possibly about one-quarter of "other capital equipment" represents tractors and farm machinery already enjoying the special 20% depreciation allowed to farmers.
3. Dwelling maintenance expenditures are included in the item "new building." Possibly one-third should be excluded from this account.
CHRIST AND MONEY

By

REV. GORDON POWELL,
M.A., B.D.

The Reverend Gordon Powell, Minister of St. Stephen's Presbyterian Church, Sydney, is one of the best-known churchmen in Australia. In a day when church pews are often half empty the Rev. Powell is drawing crowds of 1,000 to 1,500 to his mid-week lunch-hour services at St. Stephen's.

He was educated at Scotch College and the University of Melbourne and later in 1935 and 1936 did post-graduate work in Glasgow University. He was a chaplain in the R.A.A.F. from 1943-45. For four years he was guest speaker at the Congregational Independent Church, Collins Street, Melbourne.

Since 1952 he has been at St. Stephen's. He is well-known to radio audiences. Gordon Powell is renowned for his refreshingly outspoken and courageous approach to matters prominent in the public mind.

In this article, written for “Review” at our request, he endeavours to interpret the Christian attitude to the making of money and makes some interesting comments on the application of Christian principles to the conduct of industry.

THERE is a good story told about John Wesley and his famous sermon on wealth. His first point was: “Make all you can”. A prosperous businessman in the congregation called out: “Amen”. Wesley then turned to his second point: “Save all you can”. Once more the businessman shouted: “Amen”. Wesley then turned to his third point saying: “And give all you can”, to which the businessman replied: “Now why does he want to spoil a good sermon?”

There is no doubt that this policy of Wesley in regard to money played an important part in the industrial revolution which followed his revival in England and Europe. Wesley was a staunch supporter of private enterprise. Over the past decade or so some Christian thinkers have had qualms about this, but the latest General Conference of the Methodist Church in America turned back to the views of Wesley. For several years its official policy had been criticised as being socialist and even communist because it favoured “the subordination of the profit motive to the creative, cooperative spirit”. The Conference adopted this statement: “We stand for the principle of the acquisition of property by Christian process and the right of private ownership there-
of with full acknowledgment of stewardship under God and accountability to Him for its use. We eschew no particular economic system and refuse to identify Christianity with any economic order. We approach every economic order in the commands of our Christ, and judge its practices by the Christian Gospel. The Methodists are not the only ones who have been troubled by the question of what ought to be the attitude of the Christian towards capitalism, socialism, communism and the rest. Many others have been exercised about it. The whole problem can be simplified very considerably if we get clearly into our minds just what Jesus taught about money.

At first glance it would appear that Jesus regarded money as the root of all evil and was completely against it. Under my first heading I propose to elaborate that viewpoint. In the second place I want to demonstrate that Jesus was very much in favour of private enterprise and the making of money. I will conclude by seeking a balance between these opposing points of view and illustrating what was, in my belief, the real teaching of Jesus about money.

Against:

There are many things which Jesus said against money. Consider three of the more striking statements.

He said to the rich young ruler: "Go thy way, sell whatsoever thou hast and give to the poor, and thou shalt have treasure in heaven and come, take up thy cross, and follow Me". That was too much for the young man. He couldn't "take it" and he went away depressed and miserable. Then Jesus said: "It is easier for a camel to go through the eye of a needle than for a rich man to enter the kingdom of God".

Some commentators soften that by saying that Jesus really referred to the small pedestrian gate beside the main gate of a city known as "The Eye of the Needle". A camel might just squeeze through if his load were removed. That may be so, but the force of Jesus' statement still remains. A rich man has a chance of entering the kingdom if he gets rid of his load, namely, his riches! C. T. Studd, the famous Test Cricketer of the first Test Matches played between England and Australia in this country, took this text so seriously and so literally after his conversion that he gave away a fortune worth £100,000 today. He sold all he possessed, gave the results to the Salvation Army and, keeping only £1, shouldered his pack and set off as a lone missionary across China living solely on faith and the generosity of the people among whom he worked.

Consider another devastating thing Jesus said about wealth. I refer to his picture of the wealthy farmer in Luke XII who had such a good season that he decided to build immense barns to hold all his wealth and then retire and live at ease. God said to him: "Thou fool, this night thy soul shall be required of thee, then whose shall those things be that thou hast provided?" You can't take it with you. As Dr. Archie Anderson of Melbourne said recently: "Even if you have money to burn you still can't take it with you".

One day in New York I was in a bus travelling down Fifth Avenue when an American friend, who happened to be a member of the New York State Legislature, pointed to a big brown mansion and said:
“That used to be the home of Jay Gould, in his day the wealthiest man in America. His business methods were common practice then, but they are regarded with some suspicion now. He made $77,000,000. But it didn’t buy him happiness. He had too much on his mind. All he bought was indigestion, insomnia and misery and he died the wealthiest and the best-hated man in America. ‘Thou fool,’ said God, ‘This night thy soul shall be required of thee and then whose shall those things be?’ ”

Consider a third striking thing Jesus said against wealth. You remember that powerful picture of Dives and Lazarus. The rich man amid his luxury cared nothing for the poor man lying at his gate. (You may find the details in the 16th chapter of Luke.) In the next world the rich man suffered torment for his neglect while the poor man had made up to him everything which was denied him in this world. I think it important to remember that this story is a parable and was not meant by Jesus to be factual history. Nevertheless we cannot escape the powerful warning that Jesus was issuing. If we, enjoying the good things of life, shut our eyes and ears to the appeals of those denied the bare necessities of life then we shall live with remorse for all eternity.

Wealth so often destroys the spirit of kinship and brotherhood, which is the basis of Christianity. So Jesus was against it. On the other hand He was very much in favour of the production of wealth.

He was for it:

The advice of Jesus to the rich young ruler to sell all that he had and give to the poor could not be made a universal principle because in no time there would be chaos with suddenly-rich poor people trying to give back money to suddenly-poor rich people. That obviously was a special piece of advice in a special case. Jesus needs some people to turn their backs on wealth and to give themselves wholly to His service. If that call were not issued and not responded to, there would be no ministry of the Church. Jesus Christ calls some to renounce wealth entirely while He calls others to build it up in the spirit of trusteeship for God.

Jesus ministered to quite a number of wealthy people without calling on them to sell all and give to the poor. He went to Nicodemus by night and spoke only of spiritual things. He could hardly have maintained his ministry if there had not been ministering women in his company and it is clear that a number of these and, in particular, the wife of Cleophas, were wealthy.

Above all, there is the parable of the talents in Matthew XXV and Luke XIX. The word “talent” has passed into our language from this story, but it originally meant a sum of money. Now it seems to me that whatever way you interpret that parable, whether in the development of the gifts of spirit and mind and body which God has given us, or in the development of the material wealth entrusted to us, the message is the same—God has no use for the unenterprising individual. The more enterprising a man is, the more he develops the gifts and the wealth entrusted to him the more he will be rewarded with still more gifts and still greater wealth. To him that hath it shall be given—provided he proves himself worthy to have it. That is plainly a law of God’s universe.
There is plenty in the teachings of Jesus and in the rest of the Bible to show that God has called us to be fellow-workers with Him in the development of this world of His and those who are most enterprising and who work hardest, those, in short, who produce wealth, are those who are acceptable in His sight and who will receive His blessing.

The Balanced View:

I have presented here the two sides—first, what Jesus said against wealth, and secondly, what He said in favour of its production. How can you square these two attitudes? By remembering that there are two kinds of call. To some like the rich young ruler whose wealth was getting between him and God, the call came to give it all up and follow Christ. To others the call comes to use their gifts and develop the wealth entrusted to them. In either case it should be remembered that; “Ye cannot serve God and Mammon”. The word Jesus used means “be a slave to”. No man can be a slave to two masters as many a wretched servant knew all too well in those days when large families lived together and he had to obey at the same time a woman and her mother-in-law even though they frequently issued conflicting orders. Now, the lesson is that if we make wealth our god and then try to worship God some of the time we will only distract ourselves and end up with a divided personality full of conflict. On the other hand if we claim to serve God first, but then every now and then put money first again, we produce conflict and misery. As Ralph Sockman puts it, half-hearted Christians have just enough religion to make them unhappy when pursuing worldly ends and not enough to make them happy when they are engaged in spiritual activities.

The answer is to serve God first and foremost. We can serve God by the enterprising development of material things. Everything that God made was good. It is what we do with it that makes it evil, or better still. A knife can be used to commit murder, or, in the hands of a surgeon, to save life. So with money. “The love of money”, said Paul, “is the root of all evil”, but if a man loves God then he can use money to serve God, and he can worship God by making money and producing wealth for the good of the community as well as of himself and his family. Indeed he is commanded by God to do so. Otherwise he is keeping his talent wrapped up and buried. The secular can be made sacred so long as it is kept secondary. The moment the material things of life become our god then we are lost. Then we will try to use God and other people for our own selfish advancement and there is nothing Christian about that. The Christian thing to do is to serve God by developing to the full the talents and the wealth God has entrusted to us—as stewards or trustees for God—for the building up of His Kingdom and the betterment of all mankind. We can't take it with us, but we can produce it and enlarge it and make it a blessing to others and to our own souls.

One of the wealthiest men in Victoria spends many thousands of pounds a year to pay for the broadcasting of a religious service every Sunday night in the “Church Hour” over 3XY. In addition he uses a still greater income to provide the half-hour of Sankey's Sacred Songs on Friday nights, a session with one of the largest listening audiences of
any programme in Victoria, Tasmania and South Australia. This anonymous layman has made an immense contribution to the kingdom of God in Victoria by regarding himself as a trustee of the wealth which God has given to him.

Francis Ormond of the Western District of Victoria made a considerable amount of money out of wool. Thinking to erect a memorial to his sister who had passed away he considered a stained glass window in a Presbyterian Church in Geelong. His father thought it would bring back too many memories and Francis was persuaded instead to take an interest in the newly formed Theological Hall in the Melbourne University. The original sum he had in mind was £300. He raised it to £500 and then to £1,000. That was not nearly enough to build the college they proposed, so he raised it to £10,000. Francis Ormond became more and more interested in the work until in the end he had given £112,000 and from that time to this over a period of 70 years Ormond College has been pouring forth not only ministers, but doctors and teachers, lawyers and scientists, dentists and engineers, all trained under the aegis of the Church. Francis Ormond would be the first to agree that it is more blessed to give than to receive.

Whatever we have, we are trustees for God of the money we regard as ours. There is really no such thing as private property or public property. It is all owned by God and we are entrusted with it for a time. That is the key-word—we are trustees for God. It is the duty of every trustee to conserve and develop the wealth committed to him, not to waste it.

In the light of these truths we might re-consider our attitude to profit-making. If the motive is selfishness then any profit-making is sub-Christian. On the other hand, if the profit is reasonable reward for services rendered or risks taken and is dedicated to continued or increased service to God and man, it is not only permissible, but desirable from the Christian point of view.

Money is mighty dangerous stuff. It has destroyed the souls of many. On the other hand, the right use of it has made the world a much better place. Many a man has grown in moral and spiritual stature by adopting the correct attitude to the wealth entrusted to him by God. We cannot be wholly devoted to God and Mammon at the same time, but we can, and must, make Mammon serve God. The whole thing boils down to a question of priorities. Seek ye first the Kingdom of God and His righteousness and all these other things will be added unto you.

In conclusion, the editor has invited me to suggest how these principles might be applied to present-day industry.

Many firms are already doing nobly with large annual grants to worthy charities and the encouragement of research at universities and the like. Even if such gifts are somewhat impersonal so that they deprive the givers of that blessing which the Bible promises after every sincere gift and even if some gifts are not altogether disinterested, they are highly commendable. But should we not go much further than this?

I should like to see Christianity applied directly to the motive of every industry which should be first
and foremost to serve the community and only secondarily a matter of financial gain. If this switch in attitude is achieved then it affects everybody involved. The customers will receive the best possible article at the cheapest possible price and, where applicable, follow-up service of a cheerful, efficient and ungrudging kind.

Employees will have a new heart for their work. A thorough survey revealed that what employees ask for first is not money, but appreciation for their efforts. Nothing is so soul-searing as to feel that you are spending your life doing something which nobody cares about or even notices. Fundamentally any normal decent man (as the average Australian worker is) gets his greatest satisfaction not from the making of money, important as that is, but from the expression and expansion of his personality in satisfying work. His work cannot be satisfying if it is ignored. Information bulletins issued by industry should show each worker how their product is directly serving the community and how his own work is essential in the production of that product.

The above-mentioned survey revealed that the second thing workers desired, even before good wages, was congeniality in their working conditions. Many firms have added amenities for their workers and found it money well spent. Since reverence for personality is the basis of Christianity, the Christian employer will be anxious for his employees to spend their working lives in the best possible conditions. He will delight to see them expressing, expanding and developing their personalities in conditions which encourage, rather than hinder, the best kind of development. As psychology has proved repeatedly, dirt and ugliness depress the spirit and reduce efficiency while beauty strengthens and inspires. The business which builds better people is a better business. Where Christianity is the supreme motive the general well-being of the staff ranks above financial gain and there is a new atmosphere. In such an industry wages would be directly related to the prosperity (or otherwise) of the firm because from the managing director down to the youngest office-boy the staff would form a team serving humanity through their united efforts.

This may sound like idealism, but I know at least one factory where it works. The manager is a man who believes in “tithing”—giving one-tenth of all he earns to the Lord. Like many other men who tithe he has met with astonishing prosperity. That sounds naive, but I challenge any economist to make a scientific analysis of the financial history of men who tithe without proving that a man pros pers when he tithes.

The firm which set out to run its business entirely on a Christian basis might, as a matter of policy, set aside 1/10th of its income for “Christian purposes”. Part of this money would be used for the present charitable gifts to good causes quite unconnected with the firm. Part might be used to provide a new security for those who serve the firm faithfully and well. Some firms are too hasty in paying off men who fall ill. The fear of such loss of employment compels some men to go on working until their health is irreparably damaged. On the other hand such fear seriously undermines the health of many so
that they do break down unnecessarily. If they knew the firm would stand by them and their families whatever happened it would relieve many wage-earners of a heavy burden and conduce greatly to the happiness and consequently the health of the whole team. Of course, there would always be the moulder, but let us not make that an excuse for falling away from our high calling as Christians in industry. It would no doubt be difficult to sell a group of modern shareholders the idea that “tithing” would be good for their firm. They have a right to a fair return for their investment, the faith they showed in the company and the risks they took with their money. What is needed is somebody with courage to challenge them to a still greater act of faith.

If all firms were to adopt the principle of the Christian trusteeship of wealth an immense amount of money would be available for good causes in the community, to the stimulation of enterprise everywhere. In the old days men like Francis Ormond gave bountifully to the Church. With our present regrettable denominational divisions it is manifestly difficult for a firm to give directly to Church purposes, but if Christianity is to prevail in this country some means will have to be found to overcome the dire shortage not only of money, but of men in the organised Church. The waiting harvest is terrific, but the harvesters and the means are pathetically few.

I have left myself little space to apply the above principles to workers in industry.

If a worker had a real sense of being a trustee for God of the wealth committed to him he would not be concerned with how little he could give for how much. He would be anxious to give an honest day’s work for an honest day’s wage, not merely in time spent and activity involved, but in the efficiency and purpose and spirit of his work. The slacker is a cheat and a thief whether he be a director or the humblest worker on the lowest wage. Not only is he a menace to the economic success of the firm but he is a still more dangerous menace to the moral and spiritual welfare of his fellow-workers. The firm should give the slacker fair warning and a second chance. If he does not improve then, for everybody’s sake, including his own, he should be dismissed. Whether a man remains on the basic wage or receives a managing director’s salary he is still responsible to God, not only for the way he earns his money, but also for the way he spends it.

WHERE there is Christian faith it should be possible to build up a wonderful team spirit in industry. Australians rightly suspect the “crawler”. Where the profit motive is supreme they naturally think such a man is trying to advance at the expense of his fellows. Where service is supreme, economic class distinction is forgotten. It is the best answer to the class-hatred so zealously fostered by communists. In the words of C. J. Dennis: “Hatin’ never paid no dividends”. Hatred is disruptive and disintegrating, but Christianity is the reverse. The future of the world depends on the power of Christianity to integrate society. We can all play our part where we are, in the home, office or factory, remembering that if we seek first, not money, but the Kingdom of God all these other things will be added unto us.