Freedom

If any of us were asked to distinguish between our own world, our Western way of life, and the Communist world, we would no doubt immediately say that the peoples of the former are free whereas the peoples of the latter are not.

In a large sense we would, of course, be right. The peoples of the West, unlike those of Communist countries, are free from the threat of arbitrary arrest by a secret police. If accused, they can expect to be tried by impartial courts of justice. They are protected by a vast body of law, which applies equally to all, the law-makers themselves as well as those for whom the law is made. If they don't like the laws, they are free to change the law-makers. Government is by consent (of the governed) not by coercion backed by the compulsion of force. They are free to write what they wish within the wide limitations permitted by the laws pertaining to libel and public morals. They can call meetings, assemble to discuss and to promote whatever purpose they hold good, even if that purpose should comprehend a radical transformation of the existing institutions and structure of society.

The peoples of the Western world are free to go about their business, to choose their careers, to change their jobs, to agitate for improvements in their conditions of work, to spend their incomes as they wish, to acquire property and to pass it on to their children.

All these are blessings beyond price. But they have not been won easily. They are the fruits of centuries of struggle.
and political evolution. Freedom has been a plant of slow
growth, but—and perhaps because of that—it is sturdy and
its roots go deep.

This is not to say that it cannot wither and die. Free-
dom is not something a people can win or achieve and then
sit back and forget about. The fight for freedom is eternal.
Like the struggle between good and evil—of which it is, in
truth, a part—it will go on to the end of time.

Freedom is not static. Even in the Western world, it
sometimes diminishes; at other times it expands. Like the
tides it rises and falls. We have not yet reached the final
culmination, the apex of freedom, and we never will. The
present freedoms we enjoy—great as they are—may look
rather confined to some generation in a future far distant.
They may conceivably see aspects in our present-day society
which they will regard as almost barbarous restraints on per-
sonal liberty. Who knows?

Freedom is the core of our whole Western way of life
and Western culture. We should seek to understand it,
then, to try to comprehend, if it be capable of comprehension,
its inner essence.

Perhaps most of us immediately think of freedom as
that condition in which we are free to do as we wish. The
trouble with that is that if we all did as we wished civilised
society would be impossible. Any order in our affairs would
disappear and anarchy would reign, and anarchy is not a
comfortable state for anyone. For instance, if everyone were
to take a holiday whenever they felt the inclination, the proper
organisation of our economic life would become impossible.
It is true that very few of us can do that anyway; otherwise
we would be without a job. But the real, the ultimate
sanction that prevents us doing it is not fear of the loss of
a job, but our willingness to abide by the restraints imposed
by the social mores or collective good sense of our society.
Freedom for everyone clearly depends, then, on our willingness
to accept restraints, to impose upon ourselves certain disciplines.

This provides a clue to a profound paradox about free-
dom. Although it is an intensely personal thing, although it
concerns essentially the individual and his striving for self-
realisation, its roots lie not in the sour soil of self-interest, but
in the rich earth of selflessness. The basis of personal individual
freedom—the thing that makes it possible—is respect, respect for the rights, the ideas, the beliefs, the right of way of our fellow-men. Its destroyer is contempt. Only so far as we respect the rights of others can we expect them to respect our rights.

A poet has described freedom as a "holy light"; and as a great American, Adlai Stevenson, said: "It must be a holy light, or it will be no light at all. It will glow only in a cherished faith that all men are brothers, because each contains within himself a spark of the divine. It falls on each of us, but only as it is reflected from the countenance of others."

We cannot, even if we would, limit this doctrine to our own society. It does not simply mean that if we as Australians are to continue to enjoy freedom, all we have to do is to respect our fellow Australians. Nor can its application be restricted even to regard for the rights and aspirations of our fellow democrats in other lands—of Englishmen or Americans or Canadians. It means that in some deep, final and crucial sense, we must carry that respect to the peoples of all countries, everywhere, no matter what their form of government—to Indians, to negroes, to the Chinese and the Russians. Freedom, whether we like it or not, like peace is indivisible. The absence of freedom anywhere is a threat to freedom everywhere. There is truth in the words of the philosopher-poet:

"There is only one man in the world and his name is All Men.
There is only one woman in the world and her name is All Women.
There is only one child in the world and the child's name is All Children."

Freedom, then, is the product of man's personal attitude to life. It resides ultimately in the heart and mind of man and nowhere else. It is the outcome of the way man, or more strictly some men, have come to feel about life.

Freedom derives from man's personal nature. It is an expression of man at his best, of his noblest sentiments. It is the fine flower of the best that is in us. How we live life depends finally on how we think about life. If we think
of it nobly, we will live nobly; if we think of it meanly and cynically, as a game to be played out to our own best personal advantage, we will live meanly and cynically.

* * * * *

The greatest of all the expressions of freedom, indeed the only freedom that ultimately matters—for all the other freedoms stem from it—is the freedom to think what we like and to say what we think. This freedom can't be immutably guaranteed or protected by laws or constitutions. The only real protection for it lies in the general attitude of mind which prevails through the community. This attitude of mind must be one which is unafraid of criticism or opposition, which is tolerant of the unusual, the heterodox view, the opinion which may be far out of step with the majority opinion. What good is a constitutional guarantee of freedom of assembly, if, when people are assembled, the individual is prevented or discouraged from expressing his opinion, hounded, shouted down, derided? In a society in which the individual fears to be himself, is afraid of penalties as a result of non-conformance, in that society freedom is under attack whatever is written into its laws or the articles of its constitution.

Even though we may disagree with him, and disagree with him profoundly, we must surely admire the man prepared to stand alone, to voice an opinion out of step with the accepted view. After all it is easy to be one of the crowd, to take the rostrum on some popular cause guaranteed to draw the plaudits of the mob. But how much more deserving of admiration is the man willing to stake all for a cause which he feels to be right, but which he knows is more likely to be rewarded by hoots than handclaps?

Insight and understanding come from the clash and interplay of ideas. It follows that we should never despise, and certainly not decline to listen to ideas at variance with our own. We have only to recall the great history of our civilisation to realise how much of progress, how much of the achievement and the enlargement of freedom itself, has been attributable to those rare brave spirits who were prepared to fly in the face of Providence.
Intolerance of discomforting words, minority views, unorthodox opinions, is a disease to which booming, prosperous communities seem particularly prone. But when something goes amiss, then the “unpopular” voice may be listened to afresh, just in case he may have the answer to our troubles. Is there perhaps a just perceptible tendency in Western society today with its rapid improvement in the material amenities of living to relegate non-material things to the back seat, to sneer at the “intellectual” as such? Why do we need the reformer when there is nothing left to reform, the doctor when there is no illness to cure? What need is there of thought, when everything is going along swimmingly?

Are we in some danger today of under-estimating the importance of the thinker, the visionary, the prophet, the man who may ruffle the calm waters of our complacency? Are we in danger of becoming a race of conformers all singing the same tune, “the hit of the year”, in the popular key? Is there to be no place for the dissenter, the non-conformist, the uncommon individual?

Any society worth anything must always be exposed to the fresh, sharp winds of criticism. We must know where it falls short before we can even begin to make it better. All improvement, whether of individuals or communities, starts with self-criticism. The stifling or open or tacit discouragement of criticism is the most insidious and dangerous form of attack on freedom and on progress. Man must be free to dissent, to criticise even freedom itself.

But on the thinker and the intellectual, the freedom to think and to say what he wishes—as with all freedoms—imposes a tremendous responsibility. That responsibility is to seek the truth untiringly and with an open mind, for the truth cannot be discovered by those who search for it with lanterns shrouded in veils of bias or bitterness. Though books comprise a large part of the tools of trade of the thinker, he should avoid the error of despising the learning which comes only from experience. You have, after all, to live life to know it.

The suppression, or even the discouragement, of the individual’s right to criticise the institutions or the society of which he is a member is the beginning of tyranny. In
any case it is, in the end, futile. For if the thing criticised is good and worthwhile it will continue to stand despite the blasts of criticism. But if it is unworthy, it will, in the course of time, fail to endure. "Man may burn his brother at the stake, but he cannot reduce truth to ashes."

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The greatest enemy of freedom is intolerence. The next is complacency.

Many of those who have fought socialism as an enemy of freedom and individuality in economic matters may be tempted to think that, for the moment at any rate, the enemy no longer threatens; that no one any longer really believes in running the production of a modern society through government boards or corporations; that no one now really believes in bureaucratic regulation of the minutiae of the market place.

But would we be right in taking this stand? Is it not rather true that socialism, in its ultimate meaning of the centralised large-scale organisation of our economic affairs, has, in fact, made tremendous inroads into the Western way of life, and that, unless we stay wide awake, it will assuredly make further inroads?

Not that all the developments in large-scale economic and social organisation, in direction from the centre, have necessarily been bad. Some of them have been good; some, indeed, have secured almost astonishing results. The laissez faire of Adam Smith, or at least the popular conception of it, is defunct today as the dodo. We live in a world, and most of us accept it, in which a large part of our lives is subject to direction and control by central authorities. But the very successes of central organisation may persuade us, gradually, even imperceptibly, to accede to more and more. There is the danger. The drug, which is beneficial if taken in moderate doses, may turn lethal if indulged in to excess.

The responsibility is ultimately ours. We may rail against the principle of socialism; but how many of us would object to invasions of freedom where we could see some immediate personal benefit for ourselves? How many of us are only too ready to sell some part of our freedom for a mess of pottage?
The ogre is not dead and will never be dead. The battle for freedom will go on as long as man himself goes on. And the final battleground is not in parliaments, not in public meeting places, not in courts, but in the inner recesses of men's minds.

*   *   *   *

There is a beautiful and moving passage in an address given in 1944 in Central Park, New York, by the late Judge Learned Hand, the great American jurist, one of the wisest Americans of this century:

"What do we mean when we say that first of all we seek liberty? I often wonder whether we do not rest our hopes too much upon constitutions, upon laws and upon courts. These are false hopes; believe me, these are false hopes. Liberty lies in the hearts of men and women; when it dies there, no constitution, no law, no court can save it; no law, no constitution, no court can even do much to help it. While it lies there it needs no constitution, no law, no court to save it. And what is this Liberty which must lie in the hearts of men and women? It is not the ruthless, the unbridled will; it is not freedom to do as one likes. That is the denial of Liberty, and leads straight to its overthrow. A society in which men recognise no check upon their freedom soon becomes a society where freedom is the possession of only a savage few; as we have learned to our sorrow.

"What then is the spirit of Liberty? I cannot define it; I can only tell you my own faith. The spirit of Liberty is the spirit which is not too sure that it is right; the spirit of Liberty is the spirit which seeks to understand the minds of other men and women; the spirit of Liberty is the spirit which weighs their interests alongside its own without bias; the spirit of Liberty remembers that not even a sparrow falls to earth unheeded; the spirit of Liberty is the spirit of Him who, near two thousand years ago, taught mankind that lesson it has never learned, but has never quite forgotten; that there may be a Kingdom where the least shall be heard and considered side by side with the greatest."
Budgetary Comment

The high hopes which were held six or so months ago for substantial tax concessions in the 1958 pre-election budget faded as the year advanced and wool prices receded. By the middle of the year it was clear that the budgetary position would allow, at best, a rather limited scope for tax reductions. But practically right up to the eve of the Budget the general belief was that some reductions—even though small—would be made. The Government's decision not to grant any relief at all came, therefore, as a surprise and as something of a shock.

Was the decision right? Given the Government's policy of attempting to maintain rapid economic expansion and heavy migration, in face of falling world commodity prices, it cannot be said that it was grossly wrong. But at their outer fringes, budgets are matters not so much of inexorable arithmetic, as of personal opinion, judgment and political philosophy. Who is to say, for instance, that the proposed deficit of £110 million is precisely the right amount required to maintain internal spending and economic activity in face of the steep decline in income from exports? Is there any conclusive reason why the deficit could not have been, say, £130 million instead of £110 million? Or, for that matter, £90 million?

Or, to take another example: The total expenditure contemplated by the Budget is £1,575 million. In a spending programme of such vast dimensions, would it be entirely irresponsible to suggest that, say, £20 or £25 million, or even somewhat more, might have been saved—giving a total expenditure of around £1,550 million—by a more rigorous approach to spending throughout the entire range of departmental estimates? In other words, is it absolutely inescapable that total budgeted expenditure should amount to the sum of £1,575 million? Or could it conceivably have been of the order of £20 million less? After all, the projected increase in expenditure for 1958/9 over 1957/8 falls just short of the not insignificant total of £100 million, and this expansion is taking
place in a year which is expected to see a further marked contraction in export income.

It may be claimed that this is just the time (i.e. when a fall-off in overseas spending is expected) to expand government spending and budget for a deficit. But there are three ways of incurring a budget deficit. One, admittedly, is to increase spending. Another is to reduce the government’s revenue intake by tax concessions. The third is to combine the two—that is, to expand spending and also reduce taxes. The Government has chosen the first course. Some increase in spending was, of course, unavoidable. But did this have to be of such proportions as to preclude all possibility of tax reductions? Were there completely unassailable reasons why the increase in government spending could not have been limited to say £75 million (instead of near-£100 million) and taxes reduced by £25 million, or even £35 million, if a budgetary deficit of £120 million (instead of £110 million) were regarded as not completely beyond the pale? Is it not possible that a mixture of the two—some tax concessions along with some increase in government spending—might have been a better and more balanced tonic for the economy than the single-ingredient medicine of higher government expenditure?

The excuse for these hypothetical mathematical exercises is simply that they serve to illustrate that the final shape of the budget, at its margins, depends not so much on what we have called “inexorable arithmetic” as on personal judgment and predilection. This is especially true in these times of mammoth-size budgets where government spending comprises 25% or more of all spending. The room for manoeuvre in a budget of nearly £1,600 million (in a national income of £5,000 million) is considerably greater than in a budget of £100 million (in a national income of £800 million). At the fringes there is greater scope for flexibility and there is therefore less excuse for inflexibility.

In these days, in democratic communities there seems no escape from a high level of government spending and consequently a heavy general burden of taxation. But that is all the more reason why spending should be approached with some austerity and why the burden of taxation should be lightened—even though only a little—whenever it conceivably can be. It is the last brick on the taxpayer’s back that is the “killer”; the extra
load that saps his energy and produces mental frustration as well as physical depression. Budgets are something more than aggregates of debits and credits. They impinge on human beings, on their standard of everyday comfort, their motives and reactions. A comparatively small lightening of the tax load in the right places can sometimes have a tonic effect on general economic morale and can produce benefits in enterprise and productivity not disclosed by the cold arithmetic of the budget. In these times of heavy taxes, the disposition of governments should always strongly incline towards providing relief.

Unfortunately, the attitude of mind in government circles seems to be developing in the opposite direction. The very size of the modern budget is in danger of giving rise to a contemptuous, or, at best, a cavalier approach to economies. In a budget of £1,500 million, what does it matter whether a paltry million or two can be saved here or there? Or, conversely, whether a few more millions are spent on this or that? Such little drops will in any case be swamped by the vast sea of the budget. How often do we hear the retort to specific suggestions for economies: "That won't do any good; it would only save a few hundred thousand or at best a million or so. What does that amount to in a spending programme of £1,500 million?" The same psychology is in danger of being applied to demands for tax concessions. If the public has to find some £1,400 million in taxes, what real benefits will the individual tax-payer derive from an insignificant concession of £20 million or so? In these days of "aggregative" economics, the small things tend to be disregarded. But to one of the greatest of all economists, Alfred Marshall, it was the things that took place at the "margin" that were all-important.

The vast size of present-day budgets seems to be producing a rigidity of mind in the budget-makers—a disposition always toward higher and higher spending, a near-contemptuous attitude toward economies, a predilection against reductions in taxation. One has the feeling, rightly or wrongly, that the budget-makers of today instead of strenuously searching for ways and means of reducing taxes, cast round for reasons why taxes can't be reduced. And in these times when there are so many pressing demands on governments, it is not difficult to
come up with a thousand and one good reasons why taxes shouldn’t be lowered.

The 1958/9 Budget reveals these tendencies of mind and approach. And it is on these grounds that it can primarily be questioned, rather than on its basic arithmetic. It is hard not to believe that given a somewhat different frame of mind in governing circles, a somewhat different philosophic approach to the budget, some tax concessions—say of the order of £30 to £40 million—could not somehow have been made. It is, admittedly, true that the steep fall in farm incomes, and the consequent loss of tax revenue, the inescapable increases in government costs and social service expenditure, the need for the continued growth of essential government services, and the large maturing debt in 1958/9—it is true that all these factors combined to present the Government with an unenviable and complex financial problem. The scope for tax reductions, in the general context of the budgetary problem, was not large. It is hard, however, to believe that it was nonexistent. The Government on this occasion as in the past, was entirely right to ignore the usual spate of exaggerated claims for all-round tax concessions. It must be doubted whether it was altogether wise to hand out the same treatment to more modest and responsible suggestions.

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There was naturally widespread disappointment at the Government’s decision not to grant tax concessions. There are also grounds for some disappointment at the lack of any attempt to re-allocate the burden of taxation, to readjust, even slightly, the general framework of taxation. Is the present structure, in a financial sense, so architecturally perfect that no improvements can be made? Year after year there is talk of over-hauling the whole structure of taxation, but it gets no further than that. In its failure to attempt any re-allocation of the tax burden, the Government leaves itself open to the accusation of being rigid and unimaginative. The budget has been criticised as a “standstill” budget. In the sense that this criticism has been applied, it is misplaced. Since the budget contemplates a large increase in government spending and a record post-war budgetary deficit, it can hardly be labelled “standstill”. It is, however, “standstill” in the sense that no
changes whatever are made in the methods of extracting the revenue the Government requires.

At present, the weight of taxation seems to fall with special ferocity on the middle and upper-middle incomes. Yet this is just the point which hurts the people who have climbed up the ladder to positions in industry or the public service imposing extra responsibility and strain, or those who have displayed abilities or skills above the average in their profession. The steeply progressive rates of taxation in the middle-income ranges strikes a cruel blow at the hopes and prospects of many of the most capable and responsible people in the community. It has become excessively difficult for the able, ambitious person to rise, to acquire capital, to add to his possessions. In fact the present tax structure tends to favour the "status quo" by inhibiting change and by imposing rigidity in the social and economic structure. This is the very antithesis of the free enterprise philosophy and it is hard to understand why a "free enterprise" government has not yet shown a greater awareness of the position.

It has been argued by some influential observers that the maintenance of heavy taxation to pay for government capital works on a huge scale is to be praised since it is the means of ensuring continued rapid growth and expansion. The argument, however, is palpably one-sided. It ignores the fact that growth is made possible not just by heavy governmental spending on capital works but also by the productivity, energy and enterprise of those in key positions in the economy. Where taxation becomes so heavy as to weaken incentives and curtail business and personal savings, it strikes a blow at growth; it does not promote it. The problem is to achieve a balance.

In the 1958 Survey of the Economy (issued by the Commonwealth Government last June) the authors state:— "If it is a fact that high taxation is reducing incentives both to save and to produce then surely the thing is to search out ways in which taxation can be reduced consistently with preserving a balanced condition of the economy. That may be difficult but is it to be regarded as impossible?" This strikes a note of hope, but the hopes have not been realised in the 1958/9 Budget.

In any case the problem is not just a matter of "reducing" taxation (although that is part of it) but of re-allocating
its burden. That also “may be difficult; but is it to be regarded as impossible?”

* * * * *

The Budget cannot, of course, be properly assessed without taking into account the basic premise on which it is framed —namely the continuation of a high rate of development and migration. It is heavy migration which compels the Government to keep up (and support in the States) a huge programme of spending on essential community facilities and services. It is this huge programme which in turn compels the Government to impose a heavy burden of taxation and which makes any large-scale relief out of the question.

Indeed, the scale of development and migration means, in fact, that in 1958/9 most people will be paying higher “taxes” than in 1957/8. Although the Commonwealth Government has not increased taxation, State Governments and local governing authorities are steadily pushing up their own charges. This is seen most clearly in Victoria where the State Government has recently increased rates for electricity and gas, and tram and rail fares, and is considering whether other avenues of revenue (e.g. State taxes) will be raised.

And this is occurring despite the fact that net migration in 1957/8 amounted to only 65,000 or not far short of 35,000 less than the target of 1% the Government set itself in early 1956. In 1956/7 the migrant intake fell 13,000 below the target.

The reason why net migration has been steadily falling is to be traced simply to the inexorable political and economic pressures to which it has given rise. In other words as the going has got rougher the pace of the vehicle has inevitably been retarded.

Whatever the intentions of the driver, the future pace will be determined by the state of the road. If the going gets rougher, the pace of travel will be further reduced. If the unexpected happens, and the road gets very much smoother, it may be possible to accelerate. In view of the disappointing prices at the opening sales of the new wool season, this hardly seems likely.
"Free Enterprise"—A New Booklet

THE I.P.A. has just published a new illustrated booklet, "Free Enterprise". It deals in a graphic way with the remarkable improvements in living standards which have taken place under free enterprise in the last 30 years.

The booklet is designed for widespread distribution to employees in industry and commerce as part of an effort to achieve a better understanding of the contribution which free enterprise has made to our national progress and welfare.

In Socialist and Communist States the main decisions are made by governments and the individual is compelled to carry them out.

Under Free Enterprise, the individual has freedom of choice and opportunity. He can choose his employer, change his job, start a business of his own. He can decide how much he will spend or save, what will be produced and what prices will be charged.

The outstanding characteristic of free enterprise is that there is opportunity for the individual employer or employee to be enterprising, to take risks, to improve himself, to work hard. He is not compelled to do so. He is encouraged to do so by the opportunity for profit and personal gain.

With the aid of coloured illustrations and full-page graphs the booklet shows the advances which have taken place in Australia since 1928:

- The volume of goods and services produced has more than doubled.
- Productivity per person employed over the whole economy has risen by 25% in each hour of work. In manufacturing productivity has risen by 50%.
- The real purchasing power of the average wage has risen 60%.
- The average working week has been shortened and holidays lengthened.
- Social service expenditure per head of population on pensions, health, education, etc. has risen eight fold. After allowing for price changes it has trebled.
- Today 1,750,000 people own or are buying their own homes (1928, 750,000 people).
• There has been a marked rise in the possession of durable goods.

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• The average home is better planned and is equipped with labour-saving appliances which were in few homes in 1928.

• People are able to buy many products unheard-of 30 years ago.

• The average employee enjoys greatly improved working conditions, more security in his job and pension and retirement benefits.

One of the best measures of standards of living is the average income per head of population. As the following figures show, Australia compares very favourably with most other countries.

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<th>Country</th>
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<td>United States</td>
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The basis of Australia’s progress has been the productivity of the free enterprise system, competition and the search for profit, and better management of the economy.

The gains of the last 30 years can be repeated and even bettered in the future provided free enterprise is encouraged.

The I.P.A. is inviting companies in all States of Australia to purchase copies of the booklet for wide distribution among their employees at 1/- per copy, viz.:  

- 10 copies £0 10 0
- 50 " £2 10 0
- 100 " £5 0 0
- 500 " £25 0 0
- 1000 " £50 0 0

Copies of the booklet will be sent on request—free of charge—to schools and other educational institutions.
The Achilles Heel

In recent years public attention has been constantly directed to the problems of the industrially backward or under-developed countries—located chiefly in Asia but also in Africa and South America. Before the War the phrase "under-developed countries" was rarely heard. Certainly we did not regard these countries as constituting a crucial world issue calling for the urgent care and attention of the economically advanced nations, and especially of the Western democracies.

Recently the Committee for Economic Development in the United States, a well-respected economic research organisation financed by leading business interests, arranged a symposium in which it invited fifty world authorities to nominate and write upon "the most important economic problem to be faced by the United States in the next twenty years". A surprisingly large proportion of those invited named the economic problems of the under-developed countries.

What has been responsible for this noteworthy change of attitude on the part of the wealthier countries toward their poorer neighbours?

Probably it can be attributed to three things.

One is political expediency arising largely from the advance of World Communism. For strategic reasons the Western democracies are, in effect, in competition with the Communist powers for the friendship of the less developed countries, many of which have become politically independent over the last decade. The surge of nationalism in these countries has been accompanied by a strong desire for better living standards. One of the main weapons in the battle between the West and the Communist powers for the allegiance of the under-developed countries accordingly has taken the form of economic assistance. The Western countries are thus in a position where they cannot afford not to assist the under-developed areas. To do so would be to leave a vacuum which would be exploited to the limit by the Soviet Union.

Another reason behind the change of attitude in the West is one of economic expediency. As the backward
countries develop their resources and improve their standards of living, it is reasonable to expect that they will provide an expanding market for the products of the advanced countries. It has been estimated, for instance, that a mere 5% increase in average incomes in Asia could lead to a doubling of her imports from the rest of the world. Australia, for example, sells at present about one-quarter of all her exports to Asian countries. It is clear that our own economy has much to gain from rising standards of living and purchasing power in these countries.

But the change in attitude to the under-developed countries is much more than a matter of economic and political expediency.

Indeed, probably the most powerful force behind it has been the stirring of a moral conscience, a feeling of moral obligation on the part of the “have” nations of the world to assist the “have-nots”. The improvement in economic intelligence, particularly in the field of international comparisons through such agencies as the Statistical Office of the United Nations, has served to throw into relief the stark discrepancy between the standards of life of the peoples of the wealthier countries and the standards of the peoples of the poorer countries. It has been widely felt that this contrast imposes on the Western countries a moral responsibility to aid the efforts of the under-developed nations to relieve economic distress and to improve the living standards of their peoples. In a sense this represents an extension of the modern concept of the Welfare State from the national to the international plane.

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The assistance given by the advanced countries towards the backward economies takes a variety of forms—loans and straight-out gifts of money, food, equipment and supplies; education and training of students and technicians in science, engineering and industrial “know-how”; and expert advice from technical divisions of the United Nations. All told, the World Bank, the United States Development Loan Fund, the Colombo Plan and other agencies are supplying, by loans and grants, some 3,000 to 4,000 million dollars (£1,300 to £1,800
million) annually to the under-developed areas. This represents about ½% of the combined national incomes of all the Western countries or a little more than the total yearly capital investment of Australia. Over half the aid is being financed by the United States and most of it is going to Asia and the Middle East. (Australia is providing £5 million a year, mainly under the Colombo Plan, and is making a valuable contribution in its training scheme for Asian students and technicians.)

Notwithstanding the scale of the assistance, there are many influential people within the democracies who claim that the West is not doing nearly enough. This dissatisfaction may arise partly from the gains being made by the Communists in the under-developed countries and partly from a mounting disappointment with the results being achieved. The large expenditures by the West over the past few years seem barely to have touched the fringes of the problem. Indeed, Dr. A. S. Staley, senior economist of the Stanford Research Institute, United States, maintains that: “Despite all the vaunted technological and economic progress of modern times, there are probably more poverty-stricken people in the world today than there were 50 or 100 years ago. This is because economic progress has been slow or non-existent in most of the under-developed countries during this period while their population has been growing.”* In total, economic aid has still only provided 10% to 15% of the total capital investment of the under-developed countries. Some observers say that at least 10,000 million dollars a year (against the present 4,000 million) is needed from the outside world just to get the backward economies off the ground.

It may be wrong, however, to imply that no gains at all have been made by the under-developed countries. The latest Report of the Colombo Plan says that so far as these things can be measured by statistics, it appears that the growth in per capita incomes of member countries continues to be greater than the growth in population. Large-scale projects financed by the World Bank are starting to bear fruit. An outstanding example which may be cited is the Maithon Dam

on the Ganges River now nearing completion. This dam will greatly improve services of power and water transport for India's industrial heart. It will also provide flood protection and irrigation for a large agricultural area.

* * * * *

NEVERTHELESS, the task of improving conditions in the under-developed areas is colossal. The recent retreat in commodity prices is delaying progress and is placing further strain on the economies of the "have-not" nations. But the great underlying obstacle to any rapid improvement, or indeed any improvement at all, in the standard of living (especially of the Asian countries) is the almost terrifying increase in their populations. It is clear that there has been insufficient appreciation of the magnitude of the task of raising per capita incomes in the face of the mounting pressure of population on natural resources.

In order to cope with the present increase in population, averaging 1 1/2% per annum throughout the under-developed countries of Asia, a saving of at least 6% of their national outputs must be achieved just to provide the capital needed to maintain living standards at the present low levels. But capital accumulation in India—which may be taken as typical of the rest of Asia—has never risen above 5% or 6% a year, even at times when commodity prices have been booming.

A United Nations' Report, just released, estimates that given the continuation of prevailing birth and death rates the present world population of 2,737 million will reach 4,000 million by 1980, and 6,000 or 7,000 million by the turn of the century. The report advances the almost incredible proposition that "while it took 200,000 years for the world's population to reach 2,500 million, it will now take a mere 30 years to add another 2,000 million". The dilemma is how to provide for all these extra people, most of whom will be born in Asia and other backward areas which are already underfed.

Considered in this light, the immediate problem seems to be not so much one of raising the standards of living of the backward countries as of maintaining present standards, deplorable though they are.
THIS rapid expansion in populations—the "population explosion" as it has been called—has come about, not through any radical change in the birth rate, but through spectacular decreases in death rates. The spread of Western science to the backward countries of Asia is removing checks to population growth which have raged since the beginning of time. For instance, the control of endemic malaria by D.D.T. sprays in Ceylon reduced the death rate from 20.3 per thousand persons in 1946 to 13.2 per thousand in 1948. By 1956 it had fallen to 9.8 which compares favourably with any other country, including Australia. However, Ceylon's birth rate in 1956 was still high at 36.4 per thousand people. The story is similar for other Eastern countries. India's death rate has declined from 34 per thousand before the war to 11.6 in 1956, but the birth rate is still near 30 per thousand. China has a birth rate of 37 per thousand but a death rate of 17 per thousand; pre-war the death rate was 40 per thousand. (The Australian birth rate is around 22 per thousand and the death rate 9 per thousand of the population.)

Because of the shortage of available land, further population increases in the already heavily peopled agrarian countries of Asia are likely to have grave social, political and economic consequences. The Registrar-General of India reported in 1953 that better farming methods, additional irrigation and improved land usage could only increase India's food production at the most by about one-third. He believes that this increase would be just about sufficient to feed the population of 450 million expected by 1969 (population at the 1951 census was 361 million). It is nearly certain, the Registrar-General declares, that in the absence of two events, India's population will, by 1981, increase by another 160 million to a figure of 521 million. The two events, the first deplorable, the second desirable, are, first, that food supplies will break down, causing epidemics and famine; and, second, that people should begin to limit child-bearing. On the latter point, Sir Julian Huxley, the distinguished British scientist, recently said: "In India, population control is a plank in their 5-year plan and when I was there I made it my business to see as much as I could of what they were doing. My general conclusion was that the problem was so huge that little impact
has been made. There is need for mass education, for trained personnel and above all for contraceptives which could be used by poor and illiterate people."

China's immediate position does not appear to be any better than that of India. There is no large, easily-tapped source of food in China, such as unused fertile land, which might permit a rapid expansion of food supplies. Failing a massive and ruthless birth control programme, the population of China will tend to grow by about 15 million a year until it reaches 1,000 million in 1980. Present population is around 600 million.

* * * * *

A PART from the potentialities for increasing food supplies in the under-developed countries themselves, what are the possibilities for the world as a whole? There appears to be wide disagreement among the experts. Professor L. Stamp, Professor of Social Geography at the London School of Economics, says that "the area of the world at present cultivated could support, if fully farmed by known best methods, at least 3,000 million people on an adequate nutritional standard. If the lands at present unused or inadequately used could be brought into production on the same basis, potential world population climbs over the 10,000 million mark".

By contrast, Professors Pearson and Harper, of Cornell University, U.S.A., maintain that the world can barely grow enough grain to adequately feed 2,831 million people (little more than present world population of 2,737 million). They claim that only 2,600 million acres (or 7% of the world's surface) have all the necessary requirements—soil, rainfall, temperature and topography—for the efficient production of crops. Dr. de Castro, a former chairman of the Food and Agriculture Organisation of the United Nations, believes that deforestation, flood prevention, pest control, drainage, irrigation and other techniques could make available another 900 million acres of land in Africa and South America, 100 million acres in Australia and the rest of Oceania, and 300
million acres in Siberia and Northern Canada. Most experts (including those of the United Nations) place the upper limit on the world's cultivable land at 4,000 million acres (3,200 million acres are already in cultivation).

If the estimate of 4,000 million acres of cultivable land is accepted as reasonable, this means, in effect, one acre for each member of the world's population predicted for 1980. But authorities of the Food and Agriculture Organisation, after studying the correlation of area cultivated and food supply in the light of modern knowledge of nutrition, consider that at least 2 acres a person are needed to supply the indispensable elements of a rational diet. In point of fact, few countries are achieving this standard now. The alarming growth in human numbers projected for the next few decades would make it virtually impossible of attainment.

Some people put their faith in the wonders of technology for a solution to the food problem. There is much speculation on the possibility of supplementing traditional foods with yeasts and other synthetic substances from the chemical laboratories, and algae (edible sea-weed) and plankton (minute marine life) from the sea. But here again the English scientist, Sir Henry Tizard, has warned: "We must not encourage the easy thought that some entirely new development in science will solve it (the food problem) quickly".

But even if the advanced countries could devise some new means of producing food—as yet there is no sign of this—the poorer countries, where the food is most needed, would still have to find a means of paying for it. All we have at present against the inexorable arithmetic of current human multiplication are vague scientific possibilities with little account of the enormous difficulties of providing capital and foreign exchange for the countries concerned.

After years of study, "Political and Economic Planning", the well-known British research organisation, has concluded that "there is no adequate margin of unused resources anywhere on earth to justify raising hopes that in some unexplained way countries which drift into population problems, insoluble by their own resources, can expect to be rescued from their consequences".

This, of course, doesn't relieve the governments of the Western world from the responsibility of making every effort
to ameliorate living conditions in the under-developed countries. As the Indian Ambassador to the United States recently stated: "Because foreign aid is marginal in character, that does not mean that it is useless. Indeed, it can often be crucial. When a man is drowned in seven feet of water, it is the last half-foot that might drown him, not the last six and a half feet".

In spite of all the help the free world has extended to the backward areas since the War, the Economic Commission for Asia and the Far East (attached to the United Nations) still finds "no ground for excessive optimism" in this region. The Commission points out that: "Any Asian country with an annual per capita rate of growth of output of less than 3% may be said to be dropping further behind the advanced economies rather than starting to close the gap. . . . But only Japan, Ceylon, Thailand and the Philippines seem to have shown a per capita rise of more than 3% a year in their domestic output".

It is imperative that economic development within the under-developed countries should proceed at a faster rate than the growth of population if higher living standards for their peoples are to become a reality. The stupendous population increase has become the Achilles Heel of the 5-year plans of countries such as India and China.
### TABLE I.

*Estimated Growth of World Population by Continents, 1650-2000*

<table>
<thead>
<tr>
<th>Continents</th>
<th>1650 (millions)</th>
<th>1850</th>
<th>1956</th>
<th>1975</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia (excl. USSR)</td>
<td>327</td>
<td>741</td>
<td>1515</td>
<td>2210</td>
<td>3870</td>
</tr>
<tr>
<td>Africa</td>
<td>100</td>
<td>95</td>
<td>220</td>
<td>303</td>
<td>517</td>
</tr>
<tr>
<td>Europe (incl. USSR)</td>
<td>103</td>
<td>274</td>
<td>612</td>
<td>751</td>
<td>947</td>
</tr>
<tr>
<td>Northern America</td>
<td>1</td>
<td>26</td>
<td>186</td>
<td>240</td>
<td>312</td>
</tr>
<tr>
<td>Latin America</td>
<td>12</td>
<td>33</td>
<td>189</td>
<td>303</td>
<td>592</td>
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<td>2</td>
<td>2</td>
<td>15</td>
<td>21</td>
<td>29</td>
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<tr>
<td>World Total</td>
<td>545</td>
<td>1171</td>
<td>2737</td>
<td>3828</td>
<td>6267</td>
</tr>
</tbody>
</table>


### TABLE II.

*Estimated Percentage Population Increases per Quarter-Century 1900-2000*

<table>
<thead>
<tr>
<th>LESS DEVELOPED AREAS</th>
<th>MORE HIGHLY DEVELOPED AREAS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Asia</td>
</tr>
<tr>
<td></td>
<td>%</td>
</tr>
<tr>
<td>1900-1925</td>
<td>19</td>
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<td>1925-1950</td>
<td>35</td>
</tr>
<tr>
<td>1950-1975*</td>
<td>60</td>
</tr>
<tr>
<td>1975-2000*</td>
<td>75</td>
</tr>
</tbody>
</table>


*Based on medium assumptions about future death and birth rates.*
Documentary Films

Over the past year, the Institute's 16 mm. films were lent to over 350 organisations throughout Australia—schools, universities, business concerns, church groups, government departments and a wide range of associations. Thousands of people in all walks of life have seen I.P.A. films. We feel they are making an important contribution towards a better understanding of subjects such as free enterprise, productivity and human relations.

The following films have recently been added to our lending library:

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Tells what capitalism is, how the savings of millions of people are put to productive use in industry and the factors upon which a continued improvement in living standards depends.
(On long-term loan from Chamber of Commerce of the United States).

"The Atom Comes to Town"
Designed to promote understanding of the peaceful uses of atomic energy—e.g. nuclear power plants, radioisotopes in medicine, giant peanuts grown by atomic energy and discovery of oil by atomic radiation.
(On long-term loan from Chamber of Commerce of the United States).

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The story of the construction of the United Nations building in New York. The detailed planning, organisation and teamwork of all concerned geared to achieve rapidity of construction makes this film of interest to the building trades. It would, in addition, be of special interest to schools.
(On loan from United States Steel Export Company).

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The story of scientific and social advances in U.S.A. and the growth of one of America's leading companies, Procter and Gamble. The film explains why this company spends so much on advertising.
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The film show how investment bankers channel the savings of millions of people into productive use by business and government. Our material welfare—more jobs and an increasing flow of goods and services—depends upon tools, and to get tools there must be savings.
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"Glass and You"
The story of glass, its manufacture and many uses in the modern world.
(On long-term loan from Corning Glass Works, U.S.A.).

The Institute will be very pleased to make available any of these films free of charge to interested organisations. Copies of our complete film list will be forwarded on request.
Agriculture in the Australian Economy

By
Professor K. O. CAMPBELL,
B.Sc.Agric. (Syd.); M.P.A. (Harvard);
M.A., Ph.D. (Chicago).

The author of this article is Research Professor of Agricultural Economics at the University of Sydney.

Professor Campbell is recognized as a leading Australian authority on the economic problems of the rural industries. He has recently been awarded a travel grant by the Carnegie Corporation to study developments in agricultural economics in the United States.

In view of the crucial importance of the rural industries to Australian development, Professor Campbell's article is of special significance.

The erosion of farm income by the combined effects of drought and declining export prices during the past year has served to emphasize once again the vulnerability of the Australian economy to fluctuations in the rural sector. In the past, circumstances such as these have merely strengthened the conviction of some Australians that the industrial structure of the Commonwealth should be made more diverse, if only to reduce this threat to economic stability.

But the rapid growth of the economy during the past ten years, coupled with the persistence of import controls, has brought home, as never before, the positive role of the rural sector as a source of overseas funds. The necessity for the continued resilience of the rural indus-
tries, as a prerequisite for the further growth of the economy at large, now seems to be generally accepted. Acceptance of this fact stems from a realisation that the recent rapid expansion and increasing diversity of secondary industries has not been matched to any significant degree by increases in the exports of such industries, and also that overall economic growth has not lessened the national appetite for imports.

The demand for imports, not only of capital goods and raw materials, but also of semi-processed and consumer goods has increased rather than lessened. Moreover, a growing population makes significant inroads on supplies of domestic products, especially food and fibre, which would otherwise be exported and thereby contribute to overseas earnings. If, as seems likely, Australians in the years immediately ahead continue to give national development a high priority among their economic objectives, it would seem inevitable that the financing of an increasing volume of imports is going to be a growing problem of the economy. To place any local restraints on rural development would be folly so long as these industries continue to supply well over 80% of export income.

This is not to say that the rural industries will not decline in importance relative to secondary industries as they have done during the past two decades, whether one measures importance in terms of the size of the work force or in terms of the contribution of these industries to gross national product. Even in the short period between 1947 and 1954 censuses, the proportion of the working population engaged in rural employment fell from 14.4 to 11.8 per cent, whilst the proportion in factory employment rose from 26.0 to 27.8 per cent. Few countries in the world now have as low a proportion of rural workers as this.

In the three years ended June, 1939, the net value of rural production averaged 18.0% of gross national product as against 20.7% for factory production. By 1955-56 (before the impact of the drought and the recent decline in the price of wool), the corresponding figures were 17.3% and 28.3%. What is more, the figure for agriculture has been steadily falling for some years, whilst that for manufacturing has been steadily rising. The figures for the later years, when published, will undoubtedly reveal that the gap has widened still further.

Interestingly enough, the rural industries managed to keep pace with the rising value of factory production up till 1950-51. This was achieved primarily as a result of favourable price movements rather than increases in rural output, even though the export prices of many rural products in that period were fixed as a result of bilateral price negotiations with the United Kingdom. The substantial rise in rural output came in the years after 1952, years in which an increasing range of rural products have encountered marketing difficulties and declining prices. It was during this latter period that factory production has forged ahead of the rural production as a contributor to gross national product. This has only been possible as a result of a very substantial increase in gross manufacturing output. As against a 30% rise in rural output in the past two decades (excluding the effect of the recent drought, which is estimated to have caused a temporary setback of 9%), factory output has probably increased something like 140% in the same period.
Agriculture in the Australian Economy (continued)

The circumstances of the 25% rise in rural output between 1952 and the onset of the drought in 1957 are of particular significance, not only because they indicate the likely pattern of growth of Australian agriculture in the years to come, but because they indicate the elements of rural economic policy to which attention needs to be directed. In the first place, there has been no significant increase in the overall size of the rural work force. In contrast, factory employment has been rising substantially, drawing considerably upon the inflow of migrants from overseas. The migration programme has had little direct impact on agriculture, save to widen the domestic market.

Secondly, we have witnessed in the post-war years, and more especially in the first half of this decade, an inflow of capital into agriculture at a rate which, at least so far as non-real estate investment is concerned, has not been equalled at any time in our history. Leaving aside the net increase in direct capital formation such as retention of stock bred on the property and work of a capital nature undertaken by the farmer in the course of his ordinary activities, it would appear that in the seven years ending June, 1957, Australian farmers invested some £1,100 million in depreciable assets. In quite a few of these years, the rate of investment far exceeded the rate of investment in manufacturing industries. Not until the 1956-57 financial year did rural investment show any signs of tapering off, though it had been relatively steady for the three preceding financial years. There can be little doubt that the substantial fall in farm income in 1957-58 has produced a cut in rural investment.

A significant feature of rural finance is the high proportion of capital transactions which are financed internally in the farm business. Judging by recent studies, this practice is also becoming increasingly a feature of manufacturing industries, both here and overseas, but on nothing approaching the scale characteristic of the rural industries. The use of equity and debenture capital is virtually ruled out so far as the rural industries are concerned. An overwhelmingly large proportion of the £1,100 million investment mentioned earlier, was financed out of farm income, though there was some carrying forward of income surpluses over short periods. Farmers' indebtedness to the trading banks increased during the same seven-year period by only £82 million. Since in the years for which estimates have been made, bank advances have comprised slightly less than half of all rural indebtedness, we might guess that the aggregate farm debt rose by something of the order of £170 million over this period. A proportion of this increase would reflect rising real estate values and represent added investment in livestock and land improvements rather than additional investment in depreciable assets, and there would be some turnover of bank advances. My own guess is that probably no more than 10% of new capital formation in this period was financed externally. The tendency to rely on internal finance for developmental purposes and to limit borrowing mainly to real-estate transactions is characteristic not only of the more prosperous pastoral industries, but also of the less prosperous ones such as the dairy industry.

Just what proportion of the rise in rural production which has occurred since 1952 is attributable to
increased investment is open to argument. Part of the investment boom has clearly been associated with new scientific advances such as pasture improvement. On the other hand, investment in vehicles, farm equipment, fencing, water facilities and buildings has been on a considerable scale. Some of this latter class of investment represents the effect of graziers taking advantage of the rare opportunity which may come only once in a generation to replace fixed improvements. On the other hand, a significant proportion of it flows indirectly from technological advances like pasture improvement. With a large improvement programme under way—the purchase of the necessary machinery may be justified not only for sowing, but also for annual maintenance of the pastures. Once the improvements begin to show up in production, greater subdivision, an increased number of watering points, forage harvesting equipment to take advantage of excess seasonal growth, and more accommodation for the increased workforce, may become necessary or at least desirable. In circumstances like these, it is foolish to talk as if much of the investment in vehicles and fixed assets was unproductive.

One thing is certain. The full impact of this investment boom has not yet been realised. This is, in part, a result of recent seasonal setbacks, but mainly a consequence of the fact that pasture improvement in many areas can take as much as five or more years to manifest its full effect on production. Thus it is possible to get the superficially puzzling phenomenon of increasing rural output associated with falling investment, falling prices and cost-price squeeze. Such a conjuncture of events is unfortunate in a political context because it can give rise to unjustified complacency on the part of government to the needs of the rural industries.

Given the very substantial increase in the area under improved pastures in this country and the attention paid to water conservation and irrigation on particular properties, the question is sometimes asked as to whether investment has not reduced, in some degree, our vulnerability to drought. My own view is that the potential effects of recent developments on Australian farms in this direction are frequently much exaggerated. Despite the impact of the 1957 drought, the Australian countryside has not been subjected to any serious prolonged test, say, of the order of the 1944-46 drought, since these developments occurred. Undoubtedly feed supplies have increased in the better rainfall areas, but this has been accompanied by a parallel rise in sheep numbers and no comparable increase in fodder conservation. A feasible scheme of pasture improvement for the inland and northern pastoral areas which are most vulnerable to drought has not yet been worked out.

A third feature of agricultural progress in the past seven years has been the application of new scientific knowledge, much of which does not require any significant complementary increases in the conventional factors of production. The effective control of the rabbit as a result of myxomatosis is the classic example of this type. Recent research in both advanced and less-developed countries has revealed very clearly that rises in agricultural productivity do not depend primarily on increases in capital stock. The potentialities for production increases purely as a result of improving technology seem to be much
greater in the case of crop production than in the case of livestock production, because improvements through selection and breeding and through disease control and cultural practices can be more easily and rapidly implemented in the former case. Accordingly, given the predominantly pastoral nature of the Australian rural economy and the techniques of raising productivity at present available, a continued flow of investment funds into agriculture seems to be a necessary prerequisite of continued production expansion.

At the same time, the historical evidence cited emphasises that support for rural research should occupy a prominent place in overall agricultural policy. To an increasing degree today, Australian agricultural research is being financed by levies upon the rural industries themselves, though governmental support is also being raised by a system of matching grants. It seems doubtful whether present methods of allocating these research funds are giving adequate coverage to all phases of the rural industries in view of the predominantly industry orientation of the several funds. Whether sufficient safeguards are provided to ensure that the longer-run interests of an industry are being catered for as well as its short-run needs, is also arguable. But it is clear that scientific research in agriculture and the fostering of its application on individual farms, must continue to be an important objective of governmental policy, not only because of the atomistic nature of agricultural production units (and their corresponding inability to undertake developmental research themselves), but also because of its likely ultimate impact on the balance-of-payments position.

However, we should not allow ourselves to be blinded by the potentialities of science to the extent that we fail to take steps to correct difficulties arising from inefficient farm organisation. In some industries, such as the dairy industry, there are low-production farms to which technological progress offers no hope of relief. Reconstruction of such farms as efficient units, is preferable to fostering their continuance with price supports in the hope of a scientific millennium.

A fourth element in the rural scene in the years since 1952 has been the deterioration in the ratio of farm prices to farm costs. While prices paid by farmers for production requisites have followed their unvarying upward course, the prices received by them have weakened considerably. Though there have, of course, been temporary returns to better prices and the rate of rise in costs has slowed down, the general picture has been one of a cost-price squeeze. The impact of the squeeze has varied from industry to industry, being much more intense in industries like the dairy and poultry industries. The rise in productivity mentioned earlier has served in many cases to ease what, in other circumstances would have been a much more intolerable situation.

Though the removal of the automatism of basic wage adjustment brought some welcome relief to the rural industries, cost increases arising from external factors beyond their control still plague them. Among these are local and overseas freight rates, the use of wage fixation machinery for purposes of redistributing income and use of the tariff protection without adequate assessment of the resultant burden on agriculture. It seems to be an inherent feature of many cost move-
ments of this type that they are inflexible in the downward direction. Too often in determining these matters, the fortunes of the pastoral industry have been assumed to be typical of Australian agriculture as a whole, to the detriment of rural industries which are in a much less secure economic position.

At a time such as the present when so many of our export industries are experiencing difficulties in their traditional markets and when the price of that vitally important commodity, wool, has shown some recent tendency to sag, one cannot seriously discuss production potential without enquiring whether any increase in output is likely to find a market at acceptable prices. For some of our traditional export commodities such as butter, it is conceivable that rising domestic demand as a result of population increase will completely absorb available supplies within a decade or so, unless there is some phenomenal change in the production picture.

Part of the recent lag in demand on export markets stems from short-term factors like the recession in the United States and the rise in the United Kingdom bank rate. But there are more persistent influences at work. One is agricultural protectionism, which is particularly rampant in Western Europe, and also in some of the less-developed countries. Just what effect the European Common Market arrangements will have upon our exports is, as yet, far from clear. Another persistent problem is the phenomena of United States surplus-disposal operations, which continue to threaten the traditional markets of food-exporting countries like Australia and New Zealand and also impede opportunities for developing new markets in the under-developed countries. It seems to be politically impossible for the United States to come to grips with the underlying domestic situation producing the crop surpluses. Until it does, the familiar surplus-disposal operations are likely to be a continuing feature of world agricultural markets.

The Australian export trade is made more vulnerable because of a traditional overwhelming reliance on the United Kingdom as an outlet for our primary commodities, apart from wool. There are compelling arguments for the continuance of these arrangements, but one feels that too little attention is paid to the opposing arguments for market diversity, particularly when the United Kingdom understandably shows no readiness to depart from her traditional attitude of economic opportunism as regards the many suppliers that vie for a share of her markets. The course of the inter-governmental negotiations on meat during the past few months once again brings this problem to the fore.

It may well be that the critical role of exports in relation to the future economic growth of the country necessitates that action be taken to maintain the volume of exports in the face of prices which are relatively less favourable than those to which we have been accustomed in late years. This may necessitate a radical reconstruction of some industries similar to that undertaken in the wheat industry in the 'thirties and 'forties. It may necessitate a different approach to home consumption price policies from that which has been traditionally accepted in this country.

But apart from this, Australia does possess very real advantages as regards comparative advantage in the production of some products,
especially those of pastoral origin. The cost structure of these industries is such that, given the usual adjustments in the flexible (essentially price-determined) costs which loom large in these industries, they can maintain output on an economic basis at very much lower prices than those that have prevailed in the past seven years. It is for this reason, in particular, that I am confident that wool can effectively compete with the non-cellulosic fibres. Furthermore, we can reasonably hope for the introduction of further technical advances which are output-increasing and cost-reducing in nature. There are signs that, despite our poor showing (vis-a-vis other primary-producing countries) as regards productivity increases immediately after the war, we may manage to maintain a higher rate of productivity increase than they in the future. Anything that we gain on this score may be lost, if we do not give much greater attention to advances in marketing technology and the presentation of our products on export markets than we have done in the past. Australian complacency on this score was fostered by the long period of intergovernmental trading during the war and post-war years, but this failing is of much longer standing than that.

So far as the vital goal of low-cost export production is concerned, much depends, as has already been indicated, upon the rate of adoption of new technical advances and the rate of rural investment. There is no reason to believe that the pattern of agricultural development since the war is likely to change significantly. But the investment boom of the 'fifties had its origin mainly in windfall incomes, income instability itself thus providing part of the driving force. This suggests that excessive emphasis in agricultural policy upon the goal of farm income stability could dampen the farmer's propensity to invest and hold back the growth of rural productivity. Whether this be true or not, it is abundantly clear that much more specific attention will have to be given to providing incentives to rural investment if recent farm income trends persist. Furthermore, farmers who do undertake investment may have to rely much more on external financing than they did in the early part of this decade. If this need is to be met, some changes in traditional banking practice may be necessary to ensure that availability of credit does not decline as farm incomes fall.

But the scope of our concern about the future balance-of-payments position needs to be widened. Preoccupation with farm price instability in this country has caused too little attention to be given to the fact that adverse seasons can be as serious a threat to the Australian balance of payments as declining prices. The scope for manoeuvrability, so far as external markets are concerned, is extremely limited, but the same is not true of protection against the contingency of drought. There is need for the establishment of a national fodder reserve, for crop and livestock insurance schemes, and for greater integration of irrigation with dry-land farming, to mention only a few elements of a broad policy of drought mitigation. It is to be hoped that recent agitation by farmers' organisations for some public action along these lines will bear some fruit, not so much for the farmer's sake (for he will still have tremendous production risks to bear in any circumstances), but rather from the standpoint of helping to remove one threat to a steady rate of national progress.