Editorial—The Mood of Australia

Countries, like individuals, go through changes of mood. But unlike individuals, the changes take place not so much from hour to hour or from day to day. They are generally more long-spaced.

No one can doubt that the mood of Australia today is very different from what it was in the 1930's or even the 1920's. Moods are to some extent the product of material circumstance. In most of us long-continued adversity gives rise to a depression of the mind and spirit. Hope fades and doubt and even despair take over. Prosperity, on the other hand, produces a bright optimism, a lift in the walk, the feeling that as good as things are today, they will be better still tomorrow.

In the 1930's we suffered from a long hangover after the Great Depression. It was a period of caution and self-doubt. We lacked the confidence to effect a complete recovery from the economic depths into which we fell in the early years of
the decade, or to resume the ebullient expansion and growth of the 1920’s. True, in some directions there were signs of great progress; indeed, some of the foundations of the staggering industrial development of the last decade were laid in that period. But we had lost that faith in the future, that confidence in ourselves, which we had had ten years earlier. Moreover, the daily diet of news from Europe was not of the kind calculated to nourish in us any great hopes for the years ahead. For the time being we lacked a national momentum and purpose. Australia seemed content to limp along and hope for the best.

Far different is the situation today. For ten or more years, Australia has basked in the benign sun of a widely-shared prosperity. Overseas capital has flooded into the country and interest abroad in Australia has been awakened as never before. The depressed farmer of the 'thirties', with his impossible burden of debt, has largely vanished. Unemployment, in the old sense of the term, has become a thing of the past. We now take the full-employment economy for granted, just as in the 'thirties we accepted the under-employed economy as part almost of a natural dispensation. The economic uncertainties which confronted the youth of the 1930's have disappeared. The young man leaving school or university today may not be able to command the precise job he would like to have, but at least he enters the world in the comfortable knowledge that there will be a well-paid use for whatever services he has to offer. The wage-earners, with their household appliances and television sets, astonishingly improved working conditions and assured employment at high and always rising wages have become the "new middle class". Vast expenditures on welfare, both by governments and private enterprise, provide financial protection against sickness, unemployment and old-age. So far as the businessman is concerned, it is enough to say that the word "bankruptcy" has come to have almost an old-fashioned, archaic ring. It is true that some people and some sections of the community have their burdens, but, viewed from a broad national perspective, the problems are insignificant beside those of twenty years ago.

To appreciate the transformation that the full employment economy has wrought, one should take a walk through some of the old "depressed" inner suburbs. Slum condi-
tions can still be unearthed by those seeking them out, but these are probably a passing phase brought about, more than anything else, by the over-crowding which is the inevitable accompaniment of a great immigration programme. But one can't fail to be impressed by the high proportion of comparatively clean streets, the numerous brightly-painted homes, new housing projects, television aerials and prosperous shops. Even more striking is the evidence of a new sense of self-respect and dignity. In the streets there is an absence of debased drunkenness and of palpable poverty. Degradation is rare; widespread despair has vanished, and hope shines forth like a light. Australia is not yet by any means a Shangri-La, but no one can doubt that immense strides have been made since the 1930's.

But the present mood of Australia is compounded of much more than the cheerfulness and optimism which are the natural products of a broadly based prosperity. For Australia is not merely prosperous. It is growing—not slowly, but by great leaps and bounds. It is developing at a rate probably not paralleled in its history—indeed, seldom paralleled by any country at any time. Australia is going places; it is a country on the march; a nation in a hurry.

There must be few Australians who do not feel themselves caught up in this exciting surge forward. We have a new conception of our importance in the scheme of things, a sense of destiny, a strong faith in our future. The Australian of the 1950's feels that his country is moving inexorably toward becoming one of the great nations of the world, and even though the goal is as yet far distant, few harbour doubts that it will be achieved. As a nation this positive purpose is today more clearly defined than at any previous time in our history.

The present mood of Australia is essentially the product of these circumstances. We are like the rapidly growing boy, undergoing the transition from youth to young manhood, glorying in his expanding limbs and muscles, in his new-found strength. He feels that nothing is beyond him. He despises caution; he seeks adventure; he is ready to challenge the world and the world is his oyster.
There is a "feel" about Australia today, a sense of purpose or destiny. The older Australians among us could search their memories and find no parallel to it. Success breeds confidence and the astonishing achievements of the 1950's have given birth to a kind of national self-assurance, and a psychological climate of boom and growth akin to that which must have been present in America during its periods of greatest development. Australians today believe in themselves and their country. They see opportunities which they believe to be unrivalled anywhere else.

By contrast with the 1930's, the present spirit of Australia is dynamic, aggressive, enterprising, expansive. We are in the mood to throw caution to the four winds. There is a refusal to accept the old, apparently pessimistic text-book views of the geographers and population experts who placed rather tight limits on Australia's potentialities for growth. Scientific advances have opened up new horizons and have compelled a modification of some of these views. Others, so far at any rate, are perhaps still valid. But anyone who went around quoting them today would find few sympathetic listeners. We are not in the mood to contemplate possible weaknesses. There is a feeling that we will overcome all obstacles. In the meantime if problems arise, we will find a way round them—somehow.

Now this attitude of mind is itself an assurance that development will be pushed ahead, a kind of guarantee of achievement. It does not exist in every country, indeed in many countries, and it is a great asset to have when you are tackling an ambitious assignment. We Australians have a new determination to make the most of our country and, while that mood prevails, we will, given an ordinary share of good fortune, continue to forge ahead.

The mood, however, is not without its dangers. Confidence is good; without it we can do nothing. But arrogance, boastfulness, blind faith—these are bad. They are bad because the arrogant man is a foolish man. He carries his head in the air and he cannot see the pitfalls yawning at his feet. He will take no criticism; he blinds himself to unpalatable facts; he refuses to recognise difficulties; he ignores argument in favour of assertion, and he neglects the sober, painstaking analysis and study which should precede action.
There have been signs that these attitudes of arrogance, impatience and intolerance are not entirely absent in Australia today. They are fortunately not widespread. If they became so, they would run us into trouble and threaten our future. Pride, after all, goeth before a fall.

Australia is a great and fortunate country; it offers amenities for enjoyable and healthy living in an abundance probably not surpassed anywhere else. But we haven’t got everything—far from it. To many visitors we appear an untidy country, often unnecessarily aggressive, and lacking in many of the things that make for the gracious and cultured life. Australia has much to learn from the older countries in some of the arts of living and in the ordinary every-day courtesies and graces that help to make life smoother and happier. In some things we show a deeper sense of democratic values than probably any other country. In others we fall short. Our critics may make insufficient allowance for our youth and, as yet, our immaturity, but if we keep their criticisms somewhere at the back of our minds, they will provide a healthy antidote to national swollen-headedness. In the present mood of confident exuberance, based on a decade of spectacular achievement and a justified faith in the nation’s future, let us not make the crass error of being too pleased with ourselves.
Tax Hopes

This is the time of the year when the usual clamour for reductions in taxation starts to make itself heard. The demands made are often extravagant, sometimes illogical, and show little regard for the inexorable mathematics of government finances. However, they serve a useful purpose in forcefully reminding the Government of the strong disposition in the community toward lower taxation.

The majority of people, certainly those in private industry, naturally enough, favour a reduction in taxes. This year it is widely hoped that in the approaching Budget the Commonwealth Government will be able to relax further the crisis measures which it found necessary to impose in the "little" Budget of March, 1956. Expectations that it would be able to do so last year were dashed with the serious fall in farm incomes and the anticipation of acute loan raising problems, arising partly from large maturing war debts.

There are certainly a number of things in the economic picture which provide a promising background for tax reductions. Farm incomes will be higher than provisionally estimated for 1958/9 and prospects for 1959/60 indicate further improvement. There has been an unexpected and most encouraging rise in the wool clip, which, combined with improved prices, could increase wool income in 1959/60. The meat industry is particularly buoyant and the outlook for metals and grains, although not good, is at least more hopeful than it has been.

There has been a remarkable turn-about in the external trade position. Fears of an uncomfortably large deficit on current overseas trading at the time of the 1958/9 Budget have now given way to hopes of even a slight surplus, with most of the cost of "invisibles" paid for by a capital inflow of possibly around £200 million. Instead of the anticipated decline in overseas reserves of the order of £150 million, the fall, if any, could be quite small. The improvement both in
exports and in capital inflow has been a pleasant surprise and has prevented what might have been a critical drain on overseas reserves. If this favourable trend continues, 1959/60 might conceivably see an addition to “London Funds.”

The budgetary position of the Commonwealth Government during 1958/9 has also turned out to be much better than estimated last July, largely because of the unexpectedly buoyant condition of the loan market. At the time of writing it appears that, for the full year, loan receipts will be at least £90 million above estimates. Substantial overseas loans have been successfully negotiated and the conversion of maturing war debts has not proved to be as big a problem as was expected. The deficit to be financed this year by Treasury Bills will be quite modest, compared with the £110 million allowed for in the Budget estimates.

But against this favourable economic and budgetary background the Commonwealth Government is unfortunately faced with the inevitability of further rises in expenditure. For obvious reasons it is difficult for the outside commentator to estimate, even roughly, what the increase in government spending will be in any one year. He can hardly be expected to know what is in the Government’s mind. Moreover, the position is complicated by the 15/- increase in the basic wage recently granted by the Commonwealth Conciliation and Arbitration Commission.

Over the last four years the increase in Commonwealth Government expenditure has averaged out at £80 million a year. It is unlikely to be less in the coming year. These inescapable increases in spending arise from three main causes:

First, the growth in population which entails more outlay year by year on social service benefits (pensions and child endowment for example) and in other directions.

Second, (as a consequence of rising living costs) pressure for increases in the rates of social benefits, for example, higher pensions.

Third, rises in governmental costs owing to increases in wages and salaries and prices of materials.
No government, however economy-minded, can escape these pressures on government spending. The Government, however, should be on the alert to prevent extravagant use of public moneys (of which there are not infrequent instances) since in many government activities there is an absence of the automatic checks against waste which operate in private business.

While we can expect increased revenue from taxes as a consequence of expanding population and, to a smaller extent, of higher money incomes, it is unlikely that this will be sufficient to offset the probable increase in spending. Prospects for government loan raisings on both the local and overseas money markets seem at the moment to be reasonably good, but it is quite impossible to estimate the amount which might be obtained from this source. However, even assuming that 1959/60 will be as fruitful a year for public loans as 1958/9 (albeit with considerable assistance from the banking system), some of the unavoidable rise in government spending is still likely to have to be financed from Treasury Bills.

Thus, on strict arithmetical grounds it would not be difficult to argue that the scope for tax concessions is narrowly restricted. But the final pattern of government budgets must be shaped with something more in view than a mere balancing up of prospective debits and credits. The business psychology created by the Budget, questions of social justice as between different sections of the community and the paramount issue of personal incentive and its bearing on productivity, are all matters which have to be considered.

With tax rates as they are, it is uncommonly hard for the man depending on his work as his main source of income to forge ahead financially and get on in the world. Even should he obtain a substantial lift in his yearly remuneration, or a fat bonus for work outstandingly performed, he will find that taxation will take away a very large slice of his additional rewards. The same considerations apply to the heavily taxed small business enterprise. If people are to give of their best, year after year, they must be able to see some worthwhile gains for exceptional efforts. The Government itself, in the White Paper, “The Australian Economy, 1958,” rightly asserts that “high taxation discourages enterprise by building
up a resentment that extra efforts do not pay . . . It will be of little use arguing that taxes have been higher in other times or that other people in other countries pay higher taxes. The conviction that they are taxed too much remains unshakable. And this reaction, although personal and subjective, is still important from the economic standpoint. For it is largely what people feel about taxation and the ways in which it affects their attitudes and habits and actions that really determines whether, from an economic standpoint, taxation is too high or otherwise."

The 1958 Economic Survey also made the point that the level of taxation must be appropriate to the current state of the economy. It cites 1955/6 as an instance when tax rises were necessary to check "harmful tendencies". By this logic, 1959/60 could be a year meriting tax reductions, that is on the grounds that overseas reserves were strong; that inflation had been effectively contained; and that the economy needed, if anything, a stimulus to spending. It can also be argued that lower taxes would make some contribution to keeping down production costs—an objective of supreme importance for a country such as Australia in which continued large-scale development depends ultimately on a rising level of export income.

The public is entitled to expect that the Government will seek out every possible avenue of making reasonable taxation reductions within the rather tight limits imposed by the inescapable demands of the Budget and by the general economic background.
How Fast
Does Productivity Increase?

Economists, political leaders, businessmen and others have come to accept a certain percentage figure as roughly representing the long-term annual rate of increase of productivity for their respective countries. In the United States this figure has been something between 2% and 3%; in the United Kingdom between 1% and 1½% and in Australia probably between 1½% and 2%.

An important new publication just issued by the National Bureau of Economic Research in the United States, under the authorship of Dr. Solomon Fabricant* (one of the foremost authorities in the world on productivity measurement) throws doubt on the validity of these figures. The investigations of the Bureau, which break important new territory in the estimation of long-term productivity changes, suggest that the present widely accepted measures may substantially exaggerate the true rate of growth.

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The measurement of productivity is one of the most important factors in modern economic analysis and in industrial bargaining and negotiation. Moreover, the close dependence of better living standards on higher productivity has in recent years become much better appreciated not only by experts, but by governments and industrial organisations and even, it is believed, by the general community.

"Productivity" should be clearly distinguished from "production". Production can be increased simply by using more resources, for example by using more labour or the same labour working longer hours. But productivity is a measurement of efficiency. It must take into account not only the volume of goods and services produced, but also

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*Basic Facts on Productivity Change, Occasional Paper No. 63 by the National Bureau of Economic Research, U.S.A.
the resources of labour, capital and materials required to produce it.

At present, the normal method of estimating productivity is to show changes in the volume of output in terms of man-hours of work. But this method ignores the contribution made by changes in the quantity of capital equipment and also in the quality of labour itself. For instance, the community is clearly better off, and its industrial processes more efficient, if it can obtain a given volume of output (other factors remaining constant) with less capital equipment.

Most countries now publish an official index of industrial production covering changes in the volume of output in manufacturing and mining. These indexes are frequently used by interested people for estimating changes in productivity, that is, output per man or per man-hour. Australia, however, does not follow this general practice. Until 1946 the Commonwealth Statistician published an index of "real material production per person engaged". This index has been discontinued apparently because of technical problems in obtaining a reasonably accurate estimate of changes in manufacturing output. One difficulty is that of producing a suitable price index for purposes of reducing value figures to a quantity basis. Other difficulties arise from the constantly changing pattern of production. New products come on the market while others go out of fashion. The automatic washing machine supersedes the old-time copper and wringer. For these and other reasons, the Commonwealth Bureau of Census and Statistics has been less than enthusiastic about post-war attempts to measure productivity in this country.

In an article in the "Economic Record", November, 1954, the Commonwealth Statistician, Mr. S. R. Carver, writes: "Australian official statisticians have been unwilling to publish experimental indexes which would almost invariably be used in making important decisions or in formulating policies . . . little or nothing is gained by the publication of rudimentary results of efforts to produce putative indexes of industrial production."

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IT is clearly of great importance that the community should have a reasonably accurate measurement of the rate at which its efficiency in the production of goods and services is increasing. This is important not only for the purposes of economic policy, but also for good industrial relationships so that there is some basis for assessing whether increases in wages, for instance, are keeping step with the rise in productivity. There has, however, been a widespread tendency to place far too much reliance on the crude measurements which, so far, are all that have been available to us. These measurements have been steps on the way to a better order of things but it is clear that their use for practical purposes is not only being overdone, but could lead to highly erroneous conclusions. At the present time any estimates of productivity, however reputable the source from which they emanate, should be approached with extreme caution, and with a much better appreciation of their limitations than is generally evident.

The National Bureau of Economic Research has now broken new ground on a very complicated and vital subject. Hitherto, most indexes of productivity have been deficient in that they concentrated on only one aspect, namely the labour content in output. Fabricant draws attention to the need for more refined measurements which take account of all the factors of production, not only labour, but, most importantly, capital.

Experimenting with various measurements of productivity, the National Bureau has compiled some significant findings on the trend in American productivity over the period 1889 to 1953.

Using present normal methods of measurement, the publication suggests that physical output per man-hour in the U.S. economy has grown at an average rate of about 2.3% a year. This figure appears to overstate the rise which has actually taken place. The Bureau makes two important refinements to present methods. First, it allows for the difference between high-paid and low-paid labour; second, it endeavours to take account of changes in the amount of capital used in the productive process.
Over the last half-century the proportion of skilled and semi-skilled men in the labour force has grown tremendously. Some part of the overall growth in productivity in the American economy must be attributed to the time and effort spent in educating and training the skilled worker—also the longer period of education and training that has gone into the production of more competent industrial management. The Bureau therefore gives a higher “weight” to skilled man-hours as compared with unskilled man-hours in its computations. In later years, this increases the number of man-hours to be divided into total production and the rate of increase in man-hour output is proportionately reduced.

Similarly with capital! Clearly a great increase in output can be obtained by the use of machinery. For example, a man with a spade may dig only 10 cubic yards of soil a day, where with a mechanical excavator he could dig, say, 500 cubic yards. But the increase is not all gain. Allowance must be made for the man-hours and other resources which have gone into making the mechanical excavator and into providing the fuel to drive it. Additional man-hours are involved in maintaining the machine and eventually in replacing it. All these man-hours should, strictly speaking, be taken into account in assessing the increase in efficiency made possible by the excavator.

When appropriate statistical allowance is made for different types of labour (i.e. the proportion of skilled to unskilled) and the contribution of capital to production, the Bureau finds that the rate of productivity growth in the American economy is reduced from 2.3% per annum to 1.7%. This is quite a significant difference. A 2.3% annual increase will double productivity every 30 years but 1.7% will take 40 years.

Fabricant admits that even the new index, while the best available, still has many limitations. For instance, how does one get over the problem of combining a changing proportion of old (i.e. established) and new goods in the composition of total production? How is account taken of changes in quality? For example, how much more valuable is a pair of creaseless sports slacks than the older type trousers
that have to be frequently pressed, or, the high denier gauge nylon as against the old-fashioned lisle stocking?

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IN Fabricant's view, America's productivity achievement over the last two-thirds of a century—even at a rate of growth of about 1.7% per annum—is still remarkable. He says few, if any, countries could show average rates as high over so long a period and the figure of 1.7% is low only in relation to "the rates dreamt of by countries embarked on ambitious programmes of economic development."

The estimates of the noted statistician, Colin Clark, have suggested that output per man-hour in Australia has been increasing over the long term, at a rate of about 1½% a year. This seems to be broadly comparable with the crude estimate of 2.8% for America. But in the light of the findings of the National Bureau of Economic Research, when capital and labour "inputs" are properly allowed for, Australia might not be able to claim a productivity increase of much more than 1% per annum. This is significantly less than the rate customarily accepted.

The new light these investigations throw on the measurement of productivity, suggest that despite all the great scientific and technological advances of the last few decades, the road to improved living standards is steady rather than spectacular. The use of productivity indexes based primarily on man-hours alone, is clearly a questionable basis for determining changes in real industrial efficiency and thus for the variation of incomes.
CONCENTRATING ON CAPITAL

Economists, back to Adam Smith, have divided the goods produced by a given economy into two broad classifications—capital goods and consumption goods. Consumption goods are those things such as the food, clothing and furniture we use for our everyday needs and for adding to our standards of comfort and of living. Capital goods are the machines, industrial and commercial buildings, electric power plants and other things which are used in the production of consumption goods. This is their only purpose. We do not need capital goods for their own sake, but only because they help us to increase the flow of consumption goods with less effort on our part. The aim and end of all economic activity may be said to be the production of more consumption goods. You can’t eat a spade, but you can use it to dig potatoes.

Not so long ago the distinction between capital goods and consumption goods was useful mainly as an aid to explanation of the economic process. Its value was more theoretical than immediately practical. But two comparatively recent developments have given the distinction a vital practical significance.

The first is the evolution of national income statistics which have now become an essential tool of economic policy in all countries. Among the most important estimates in national income data are those of the community’s expenditure on consumption on the one hand and of its expenditure on capital or investment on the other.

The second development which has made the distinction between capital and consumption goods of practical significance arises from the fact that nowadays practically all countries devote a much larger proportion of their resources to the provision of capital goods (and, consequently, a much smaller proportion to consumption goods) than they were accustomed to before the war.

This, indeed, represents one of the most striking changes in economics and economic policy over the last twenty years. “Capital” investment has become so central in modern economic thought and policy that expenditure on capital has been invested with a kind of high moral significance, whereas, spending on consumption is sometimes regarded as almost reprehensible and as something to be discouraged. The astonishing thing is that the political and economic implications of this great change in the disposition of the resources of most economies between
capital and consumption have received so little study.

Let us look, first, at some of the facts!

Before the war capital investment in Australia customarily represented less than 20% of gross national product. In recent years capital investment has been 25% or more of G.N.P. If investment in housing and private motor cars is disregarded and account taken only of capital expenditures by business and by governmental authorities in public works and utilities, then in 1957/8 capital investment amounted to just on 20% of G.N.P. compared with 14.5% in the last prewar year, 1938/9.

The following table gives a more detailed picture:

<table>
<thead>
<tr>
<th>Fixed Capital Investment</th>
<th>1938/9</th>
<th>%</th>
<th>1948/9</th>
<th>%</th>
<th>1957/8</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td>Trucks, Utilities</td>
<td>9</td>
<td>1.0</td>
<td>27</td>
<td>1.2</td>
<td>94</td>
<td>1.6</td>
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<tr>
<td>Motor Cars</td>
<td>20</td>
<td>2.2</td>
<td>54</td>
<td>2.4</td>
<td>192</td>
<td>3.3</td>
</tr>
<tr>
<td>Other Equipment</td>
<td>37</td>
<td>4.0</td>
<td>118</td>
<td>5.2</td>
<td>341</td>
<td>5.9</td>
</tr>
<tr>
<td>Buildings</td>
<td>19</td>
<td>2.1</td>
<td>34</td>
<td>1.5</td>
<td>174</td>
<td>3.0</td>
</tr>
<tr>
<td>Dwellings</td>
<td>28</td>
<td>3.1</td>
<td>67</td>
<td>2.9</td>
<td>218</td>
<td>3.7</td>
</tr>
<tr>
<td>Total Private</td>
<td>113</td>
<td>12.4</td>
<td>300</td>
<td>13.2</td>
<td>1019</td>
<td>17.5</td>
</tr>
<tr>
<td>Public Works</td>
<td>61</td>
<td>6.7</td>
<td>142</td>
<td>6.2</td>
<td>479</td>
<td>8.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>174</strong></td>
<td><strong>19.1</strong></td>
<td><strong>442</strong></td>
<td><strong>19.4</strong></td>
<td><strong>1498</strong></td>
<td><strong>25.7</strong></td>
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How does Australia’s rate of capital expenditure compare with other countries?

On information published in the United Nations’ “Year Book of National Accounts Statistics, 1957”, it seems that Australia has one of the highest rates in the world. This appears to be true even after allowance is made for differences in statistical definitions between the various countries. Most countries, for instance, do not regard expenditure on private motor vehicles as “capital investment”, whereas Australia does.

In the last year for which the United Nations’ figures are available—1956/7 for Australia and 1956 for other countries—the Australian rate of fixed capital formation (i.e. excluding investment in stocks) was probably exceeded only by Canada. As a percentage of G.N.P. the figures were—Australia 24.6%; Canada 26.1%. The exceptionally high rate of investment achieved by Canada was assisted by the huge inflow of American capital.

The United Nations’ source gives the figure for United States at 17.4% of G.N.P. but this is much understated relative to Australia because of the exclusion of motor cars for personal, as distinct from business, use.
The figures for other countries (which exclude private motor cars) were:

<table>
<thead>
<tr>
<th>Country</th>
<th>% of G.N.P.</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Germany</td>
<td>22.9</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>15.0</td>
</tr>
<tr>
<td>Sweden</td>
<td>19.7</td>
</tr>
<tr>
<td>France</td>
<td>17.7</td>
</tr>
</tbody>
</table>

From the standpoint of the Western countries, one of the most interesting speculations concerns the resources which the Soviet Union is devoting to provision for capital, under her programme of "forced" capital expansion. About this there can be no certainty, but a commonly used figure is 30% of G.N.P. This, of course far exceeds anything in the Western World and implies a savage restriction of consumption in the interests of capital formation. A figure of this magnitude would be totally outside the realm of practicability for any country wedded to democratic methods of economic planning.

The striking discrepancy between the rate of capital investment in the United States and Russia (i.e. around 20% as against 30%) has led many people to deduce that Russia must be rapidly overtaking the United States in productive strength and capacity. This, however, is an erroneous deduction since gross national product in the United States is nearly three times as great as that in Russia. The actual yearly addition to productive capacity in the United States may thus be substantially greater than in Russia despite the fact that the rate of capital investment is so much less.

WHAT has brought about this change? Why, in practically every country, has the provision of capital come to occupy a much larger place than before the war?

A number of factors seem to have contributed to it.

First, there is the paramount influence on economic policy exerted by Keynesian doctrine and the pursuit of full employment. In his prescription for chronic under-employment, Keynes placed great emphasis on investment. Effective demand and thus employment, he argued, depends on the level of investment. If effective demand falls short of what is required for full employment, then steps must be taken to increase the volume of investment. Conditions should therefore be made attractive for private investment (for example, through "cheap money") and if private investment is inadequate, then public investment should be expanded. This thought has exerted a deep influence on the thinking and policies of all countries in the Western World.

A second factor contributing to the increase in capital investment is the widespread emphasis now placed on productivity as the high road to better living standards. Before the war the phrase "man-hour output" was seldom heard in economic literature. Now it is rarely absent. One of the chief means of raising output is to provide the worker with more and better tools of production with which to work. This implies greater investment in productive equipment and facilities, demanding increased amounts of capital.

A third factor accounting for the great concentration on capital investment is the new doctrine of economic
expansion, or, as it is often called, "growth economics". Here, there are several influences at work. One is the belief that a rapidly growing economy is a buoyant economy providing expanding markets and a favourable field for business enterprise and employment. Another is the desire, seen as clearly in Australia as anywhere else, to provide the basis for increased population. Then there has been the determination to match, at least partly, the example of Russia which is able to achieve a tremendous rate of capital development by virtually starving consumption.

Whatever the causes of the concentration of the modern economy on capital investment, little attention has so far been given to its important economic and political implications. The issues here are big and complex and the comments made in this article are no more than introductory. They will serve their purpose if they help to stimulate discussion.

In the first place it seems clear that in a country such as Australia devoting 25% or more of its resources to provision for capital, there must be some small loss at least of individual freedom in economic matters. This arises from the fact that a democratic community, left to its own free choice, is unlikely to devote a quarter of its efforts to the provision of capital, some of the fruits of which it will enjoy, if at all, only in the remote future. It is much more likely to want to enjoy more consumption in the present than a capital programme of 25% of G.N.P. will permit. There thus arises a clash between consumption and capital investment. How is this clash to be resolved? It can be resolved only by government intervention. The state must step in to restrict consumption in order to free resources for the investment programme. This implies a measure of compulsion and control. It is important to understand the mechanism by which this compulsion is applied.

Resources for the capital investment programme are made available by the community refraining from spending some part of its income on its immediate consumption needs. Some of these resources will be made available voluntarily, that is as a result of the community's own free choice. The community, considered as a whole, will not spend all its income on its current needs. Part of it will be saved. These savings provide the means of financing capital investment projects of many kinds.

Voluntary savings may take various forms. They may represent contributions to pension funds, life insurance premiums, money lodged in savings banks or on deposit with trading banks, money invested in company shares and debentures and notes and in government bonds. Not all the savings are made by individuals. A large part is made by companies, most of which refrain from distributing all their current income or profit, and retain part for further investment or use in the business; depreciation provisions also represent an important form of company savings.

But the total of savings made voluntarily is likely to fall far short of the savings needed to finance a capital investment programme of the order of 25% of the community's total production. How, then, is the balance to be made good?
The government, in effect, determines that the voluntary savings of the community will be supplemented by “savings” enforced on the community. In other words, in addition to that part of its income which the community refrains, of its own choice, from spending, the government takes away income which would otherwise be spent on consumption. It is here that the element of compulsion enters and the basic principle of free individual choice is encroached upon.

How does the government apply this compulsion?

It applies it mainly through the instrument of taxation. By depriving the community of part of its income through taxation and using the proceeds for financing its own capital expenditure on public projects and basic services, it diverts resources from consumption to capital purposes. The increase in “taxes” need not all take place by accepted methods of taxation. One method, quite popular in Australia at the moment, is for public utilities concerned, for instance, with gas or electricity or water supply to raise their charges and to use the increased revenue for purposes of capital development.

The greater the community’s programme of capital investment, the greater will be the burden of tax for these purposes and the more will the community find its standards of consumption curtailed. The programme of capital investment may indeed conceivably be so large that the voluntary savings of the community, plus the “savings” enforced on it through taxation, may still not suffice. What can be done then? It may not be politically feasible for the government to increase taxes still further. But it has another weapon at its disposal—the weapon of inflation.

It can supplement the finance it can acquire through loan subscriptions, taxes, and increases in charges of public utilities, by borrowing from the central bank. By competing with other forms of expenditure—consumption expenditure and private capital expenditure—for the available resources of labour, materials and equipment, it forces up prices. The increase in prices serves to reduce the real value of incomes and among other things real expenditure on consumption. The government is thus able to effect a transfer of resources from consumption expenditure to its own capital expenditure.

There are other compulsions or controls which the government is likely to have to apply in order to divert resources into capital investment. We have become familiar with two of these in Australia in recent years. First, bank credit for consumption tends to be frowned upon, whereas it is made freely available for accepted forms of capital investment. Second, when imports have to be rationed, the bias tends to be against consumption items in favour of capital goods.

The scale of capital investment in Australia in recent years has compelled governments to resort to taxation and other sources of current revenue to make good the short-fall of voluntary savings. Indeed, the great part of government investment in public works and the such-like has for some years been financed by these means. Government loan moneys have played a comparatively insignificant role.

In the last year before the war, 1938/9, current revenues (including
Concentration on Capital (continued)

taxes) provided £37 million toward a total government investment programme of £61 million. In 1957/8, current revenues, mainly taxation, contributed £460 million to total public investment of £479 million. This sum (i.e. £460 million) represented 7.9% of G.N.P. In 1938/9 revenue used for public investment amounted to only 4% of G.N.P. In 1957/8 current revenue comprised 30% of all funds available for the financing of public and private investment. The comparable figure for 1938/9 was 18%. The figures for 1948/9 are also interesting. In 1948/9, government revenue contributed £135 million to the financing of public investment. This amounted to 5.9% of G.N.P. or 26% of all funds available for investment purposes.

The comparative position in the three years is summarised in the following table:

<table>
<thead>
<tr>
<th>Years</th>
<th>Taxes and Other Current Revenues used for Public Works</th>
<th>% of G.N.P.</th>
<th>% of Total Investment Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1938/9</td>
<td>£37 million</td>
<td>4</td>
<td>18</td>
</tr>
<tr>
<td>1948/9</td>
<td>£135 million</td>
<td>5.9</td>
<td>26</td>
</tr>
<tr>
<td>1957/8</td>
<td>£460 million</td>
<td>7.9</td>
<td>30</td>
</tr>
</tbody>
</table>

It is clear that taxes and other government revenues, that is "compulsory savings", have come to occupy a major part in the financing of the capital investment programme (both public and private) and that savings made available voluntarily have declined in relative importance.

An interesting side observation emerges from this. It is popularly supposed that the big increase in the burden of taxation (by comparison with before the war) is attributable in the main to the great growth in the scale of social services, particularly of direct cash benefits such as pensions and child endowment. This has certainly contributed. But the greater part of the additional burden can be traced to the high proportion of the community's resources now devoted to capital investment, particularly to public investment. Thus it is not merely, or mainly, the Welfare State which has entailed such a big addition to the tax load. It is rather the new-type economy, in which provision for capital is regarded as the highest good and in which consumption is looked upon as a wayward child to be kept under tight discipline, buttressed by occasional moral admonitions about the error of his ways.

...
THE strong present-day bias towards capital as against consumption (and the concentration on large-scale capital investment that goes with it) carries certain dangers. One is that it tends to give rise to the notion that all capital development is necessarily good. There is, for instance, a tendency at the moment to assume that every addition to the nation's capital resources must somehow or other result in improved living standards.

This is by no means necessarily so. Take the case of a huge irrigation scheme, the cost of which may run into tens of millions of £'s. The scheme may provide the basis for increased rural production and for the employment of greater numbers of people on the land. But what if the newly irrigated area is concerned mainly with the output of those things such as dairy products for which there is already not a payable or adequate market and which must be heavily subsidised by Governments? In that case the great expenditure on capital far from adding to the community's living standards could represent a drain on them.

What the community wants is not merely development, that is increased employment and production, but also better per head living standards. But when all capital investment is regarded as good in itself, this twin objective can be easily forgotten.

There is a tendency, too, to disregard the huge cost burden imposed by some capital projects. Productivity is not just a matter of output, it is a matter of output weighed against the input of the various factors of production including capital. The additional output obtained from investment in a new capital project may not be sufficient to compensate for the heavy cost of the project. There is, first, the cost of dividend or interest payments; second, of the depreciation of the investment; and, third, of its maintenance. The last-mentioned two are not just financial costs; they are costs involving real resources of materials and labour devoted to construction (a cost which is written off over a period as depreciation) and also of materials and labour devoted to maintenance. These costs must be weighed against the increase in output to be derived from a new capital project.

For example, in the present controversy over the reorganisation of the British cotton industry (which is in a depressed state because of lower-priced competition) there is a school of thought which argues that the introduction of modern equipment may prove more costly than the continued use of old equipment. This may arise because of the heavy capital charges on expensive modern plant, whereas the old equipment has, for the most part, been completely written off.

This all points to a conclusion which should be obvious, namely, that the directions of capital investment are all-important. Some are economic; others may be palpably uneconomic—either because the increase in output may not be sufficient to justify the capital costs incurred, or because there is no payable market for the additional production. But where capital investment comes to be regarded almost as an end in itself, the distinction between economic and uneconomic investment is likely to become severely blurred.
IS the strong emphasis upon the importance of capital investment in present-day thinking entirely right? Up to a point it undoubtedly is. Development means capital, and development for Australia is, by common consent, an objective worth making sacrifices for.

But it is necessary, in this as in all things, to keep a sense of balance and perspective. The costs and prospective benefits of many capital projects need to be much more closely analysed before colossal expenditures are embarked upon. Possible alternative uses for the money need to be exhaustively considered. We should not forget that the ultimate end of all economic activity is the improvement of standards of consumption, in other words of standards of living. Expansion or growth is, by itself, not enough.

This article might appropriately be concluded with a quotation from a paper by a leading world industrialist, Sir Alexander Fleck, Chairman of Imperial Chemical Industries Ltd.

"In determining how to deploy their available capital, the directors lay down the future lines along which their company will run. Since mistakes in the expenditure of capital are usually irrevocable—or at best difficult to correct—the effectiveness with which capital is deployed is basic to industrial efficiency. I hold that in modern industry the most important single factor is the productivity of capital. As the *Harvard Business Review* has put it, 'the basic measure of economic worth is the productivity of capital which means its power to produce profits'. We talk a lot nowadays about increasing the level of productivity. We have work study and incentive schemes. We evolve new methods of distribution or of stock control. We think up all sorts of ingenious devices for increasing production. All of these are most valuable and indeed essential to well-being. But compared with the proper management of capital their influence on overall efficiency is not that of life or death. It is not uncommon these days to have £15,000 of fixed capital investment behind each process worker; and this figure on occasions may be substantially exceeded. Where industries have to carry investment on this scale, the productivity of capital is inevitably the most important single consideration in industrial efficiency."
The 1959 Survey

The 1959 Survey of the economy by the Commonwealth Government is notably shorter than its three predecessors. In a world where the rising flood of words threatens to engulf the conscientious reader this is by no means a defect. Moreover, size is not a guide to quality and the new Survey is a first-class and finely balanced description of the economic developments of the last twelve months. The writing is lucid, the reader is spared the boredom of interminable statistics and his interest is cleverly sustained.

It was a good day for the economic intelligence of Australia when the Government decided, nearly four years ago, to publish an annual survey of the economy, and experience has shown that the production of this important document is in able hands. One may have doubts whether it is as widely read as it should be, but the student of affairs or businessman who neglects to do so has himself to blame if his understanding of the Australian economy is less than adequate.

But, since even the best of things are not beyond criticism, or at least suggestion, it seems a pity that this year's Survey did not have something to say on a matter which is of great importance to Australia and which has occupied a central position in public controversy in recent months. This is the question of overseas capital investment.

In the past 12 months it seems clear that the unexpectedly heavy inflow of capital has prevented what would otherwise have been a serious drain on our international financial reserves. Had this occurred, Australia would have faced up to 1959/60 with much less strength and with less confidence than is now justified.

Ignorance and misunderstanding about the economics of overseas investment are widespread and the new Survey might well have attempted to throw some light into dark places. The annual addition to overseas funds provided by capital inflow is now so great that a steep drop could give rise to acute difficulties and embarrassment. What are the circumstances which might lead to such an eventuality? As interest and dividend payments seem to be absorbing an increasing proportion of export receipts year by year, where does the point of prudence or safety lie? What is the net effect on the balance of payments when everything is brought into account—not only the cost of "servic-
The fact that the economy came through so well, and with only a few minor bruises is, in part, a tribute to modern economic management. But there were other fortuitous factors which helped to save the day and the Survey does not fail to give them full recognition. These were the record export year of 1956/7; the good season which followed the dry conditions of 1957; and the continuance of a strong inflow of capital from abroad which, in the first half of 1958/9, surpassed all expectations. There can be no doubt that Dame Fortune has smiled upon Australia at a time when we could hardly have done without her favours. As the Survey says, "... we do well to reflect how different things might have been if drought had continued, if capital inflow had fallen instead of rising, and if world recovery had been longer delayed." The fact that Australia has enjoyed such an extraordinarily long period of prosperity and has been able to push forward with development at a pace unparalleled in the Western World should not be allowed to lull us into a sense of false security. We do well to remember how large a part good luck plays in these matters and to be ready for the time when the tides of fortune may turn against us.

There is nothing inevitable about prosperity; it has to be earned and even with the best of management and the most strenuous endeavours, it still remains dependent on a large share of good fortune. Through the post-war years Australia has probably been better favoured in this regard than most other countries. Australia's achievement lies in the fact that we have not been slow to take advantage of our luck; we have been kicking with the wind, admit-
tedly, but at least we have made good use of it.

* * *

The special significance of this Survey, however, lies in the emphasis it places on the importance of imports to the economy. This, of course, has been done in previous Surveys but not so strongly as in the present one.

"It has been apparent for some time that the success or failure of our plans for enlarging the Australian economy may well turn on whether we succeed or fail in getting access to larger resources from abroad—access, that is, to the larger imported supplies our economy will inevitably need. Failure in this regard could, plainly enough, be the rock on which our aspirations founder because there is nothing more certain than that, whatever we may do to enlarge local production, the general growth of the economy will require more imports—more imports for the purposes of industry, let alone consumption."

There are some people who still harbour visions of a semi-autarchic Australia, largely independent of the vagaries of wool prices and the economic misfortunes of the rest of the world. They cherish the notion of an Australia virtually in complete command of its own economic destinies. It is an attractive picture, but an utterly unreal one. The Survey provides a salutary corrective to fanciful notions of this kind.

Since we need more imports, it follows that we need more exports and this makes cost and price stability of particular importance in the Australian setting. Rising costs would certainly render abortive our efforts to increase exports. It is irresponsible, therefore, to suggest that Australia should push ahead with expansion at breakneck pace, without regard to its inflationary effects. There is nothing that would more surely sabotage our efforts at development than a constantly rising cost and price level.

The Survey is worth quoting on this point, "...policies aimed at over-rapid expansion are likely to prove self-defeating. They quickly lead to inflation of demand for goods and resources. This brings on shortages of labour, materials and equipment which retard production and cause prices and costs to rise. They also cause excessive demands for imports which lead to import restrictions, in turn a source of cost increases. All such tendencies work against the expansion of exports and so the circle is closed."

What of the future? The Survey treads warily around the treacherous ground of economic prediction, and wisely, it does not attempt to look beyond 1959/60. Of this year it says: "If good seasons continue and commodity prices rise further, 1959/60 can be a prosperous year. The conditions are significant, however. The prospect depends heavily on good seasons and good prices."

The Survey thus avoids generalities about the future—in these days too common; it focuses attention on the essential conditions of Australian prosperity and development; it stresses the uncertainty of those conditions; it is neither optimistic nor pessimistic. On certain points the Survey may not be beyond criticism, but its basic economics are rooted in the realities of the Australian position: a praiseworthy document which should be studied by businessmen and all interested in national affairs.
Productivity, Progress and Peace

By

SIR MILES THOMAS

Sir Miles Thomas, D.F.C., Chairman of Monsanto Chemicals Limited, is also Chairman of the British Productivity Council and of the Welsh Development Corporation and holds numerous other offices and directorships. During the second world war he found himself, as managing director and vice-chairman of the Nuffield Organisation, appointed chairman of the Cruiser Tank Production Group and later went to the United States as chairman of the Government's Tank Engine Mission. He was knighted in 1943.

In 1948 Sir Miles was appointed deputy chairman of the British Overseas Airways Corporation and became chairman in 1949. At the time of his assuming the post of chairman of the Corporation it was losing nearly £8m. a year. In the subsequent five years it made good profits and in the last full year before his retirement from office the gross profit was £1 ½ million.

As man has progressed, so has his struggle to survive changed its emphasis. In much, though by no means all, of the world it is no longer simply a fight for self-preservation but a struggle for the preservation of values and for the increase of living standards. The fight for survival today is, above all else, an economic fight.

The way to achieve success in this struggle is, obviously, by the fullest use of resources. This does not mean that the
countries with the greatest natural resources will necessarily achieve greater results than those with less. On the surface, they should perhaps do so; but resources alone are not the complete answer. The successful countries will be those that make the most intelligent and economic use, proportionately, of the resources available.

Minerals and manpower, machinery and money—these provide many advantages. The intelligence of men and their willingness to work efficiently to achieve the maximum benefits from the resources available; these are the greatest advantages.

This use of resources has become known by the rather ugly word "productivity". It is a word often heard in discussion of the economic problems of today. For all its ugliness; its meaning is of high importance . . . only through increased productivity can we achieve better living standards, whether we live in Britain, Australia or the United States, in China, or Russia, or anywhere else in the world.

Leadership in world affairs today depends, ultimately, not on threats or bombs or missiles. It depends upon industrial and economic power—upon productivity. Production is not enough. In the markets of the world it is the cost-per-unit that matters, and higher productivity means lower cost per unit.

The productive power of resources, however, depends wholly on the attitude of mind of the people who use them. It depends initially on the attitude in the board room; eventually on the attitude throughout the whole undertaking, from board room to factory floor.

It is devastating to consider that industrial development can be hamstrung by failure to establish the correct attitude of mind in industry at all levels. When the British Productivity Council was established it was recognised that to raise productivity the basic requirement was to create the right attitude. Progress has been made, but much is yet to be done. And this is not a British problem alone. Increased productivity is a world problem.
How are we to achieve it? There are, I believe, two critical factors—understanding by the operatives, by the trade unions; and a service of information by the management.

One of the greatest barriers to better understanding and a sharing of enthusiasm between employers and employees is failure on the shop floor to understand about profits. I do not mean conflicting opinions about how profits should be divided, but misunderstanding about what profits are and their significance.

Profits are not an evil thing; they are the life blood of industry, measuring the success of new ventures and new processes; they are the measure of the efficiency of an organisation. They finance the new equipment which is the basis of higher productivity. Without profit a company, an industry, cannot progress.

It is a difficult subject and it cannot be over-simplified. But I believe that we must make every worker realise that he owes it to his own security of employment, to his opportunities for greater earnings, to inform himself seriously of profits.

Management, on the other hand, must attempt to clarify the picture about profits. The operative must be brought into that picture so that he may realise that profits are the best measure he has of the capacity of his management to do its job.

The whole atmosphere of industry will change if we can make profits—good profits, intelligently utilised—an accepted badge of honour rather than a term of opprobrium. I am not dreaming when I look forward to a time when the size of a company's profits will be the subject of enthusiasm on the shop floor just as great as in the board room.

Despite the importance of the operative's attitude towards productivity, however, the problem is essentially, primarily, a problem for the manager. There are many problems of management today—technical, scientific, and financial problems. But the most urgent—if we are to get the best out of our plants—is to arouse the interest, support and enthusiasm of the whole staff and work force by telling them what is
going on, and in a way which will arouse and retain their interest.

It is an extremely complex and time-consuming task. It is not easily delegated; yet it is vital.

In the past twenty years we have learned a great deal about welfare within industry. This has been to everyone's benefit, employer as well as employee. But we are only just beginning to tap the tremendous potential of telling people what is going on, in a way which will compel more interest in their individual jobs. Managers must look to more than their machines, to more than the simple welfare of their workers—they must secure their full co-operation and enthusiasm by telling them what is going on. Not as a reluctant duty but as a basic key to success. Failure in this sphere is not only a failure in human relations. It means that plants will not be operating at the full efficiency; it means that more money will be sunk in more plant which will still not be used to its full worth.

There are no blue prints for this task. Results will grow quietly when all engaged in industry learn to respect each other's views, responsibilities—and differences; and learn a new confidence in each other.

That is the surest road to greater productivity. Greater productivity means competitive strength in world markets by providing lower unit costs. One of the great misapprehensions which has to be tackled is the idea that the battle to keep down costs is camouflage for attempts to keep down wages. This certainly is not so. With modern production methods, with proper understanding of productivity, low unit costs go hand in hand with increasing real standards of living. This has long been apparent in the United States.

We have grown accustomed to seeing its effectiveness there, and some of us perhaps believe that it will work only in North America. But consider the recent example of Germany. In seven years from 1949, weekly earnings there rose by more than 50 per cent, but productivity kept pace—and labour costs per unit of output actually fell by 15 per cent. Thus the 50 per cent increase in wages was paid wholly in real
money: it was accompanied by no inflation, it meant a real and total increase in the standard of living, and it effected no decrease in the Germans’ competitive power in world trade. Rather did it improve their competitive power by expanding the home markets.

Germany, obviously, is a formidable competitor. But now a new one appears.

Our attention has for some time been focused on the Sputniks, dramatic evidence of Russia’s growing scientific prowess. But what of the fact that Russia’s growing productivity rose, we are told, by 44 per cent between 1950 and 1955?—and there are plans to have increased it by a further 50 per cent by next year.

If the Commonwealth countries match the Russians in expansion and further improve the efficiency of their production, it means higher standards of living all round. But if we fail to match their efforts, it can mean economic domination—and that would be greater than any military strength as an argument of the power of the Soviet system.

An almost bewildering amount of attention in both hemispheres today is directed towards the activities of Russia. I sometimes think that many of us have an entirely misleading conception of that country. A great many people think of the Russians as a pastoral people who spend most of their time being misled by communist commissars, swilling vodka, and generally pursuing extremely earthy activities. But you do not make an H-bomb with stolen plans and a screwdriver: its production is possible only as apex of a vast industrial and scientific complex.

The greatest danger from Russia is not strategic or military, but industrial and economic. Whatever their ideology, if the Russians’ productivity in manufactured consumer goods rose by 44 per cent between 1950 and 1955, and with mass markets running to hundreds of millions of people, they have a frightening export potential, which could undermine our own chances. Therefore it is essential for the Commonwealth to see that its standards of productivity rise.
If productivity in both East and West, in the Communist bloc and the free world, rises, there is nothing to fear. Indeed, there is all to welcome, all to gain—providing that we handle it intelligently.

Productivity rising on an international scale is perhaps the greatest hope for the future of the world. Productivity of the more advanced nations can ease the problems of the world if those nations are willing to share its benefits with the lesser developed. The future of mankind depends not only on the way in which the already advanced nations advance further: it depends equally on whether the backward nations, the underdeveloped territories, are to benefit from the application of modern methods, in science, in technology—and in management techniques.

Nobody supposes that academic instruction can qualify an individual for responsible executive management. Experience is essential. But it is equally wrong to suppose that experience alone can be relied upon to provide management talent on the scale and the calibre that is needed today. Management must be taught; and an understanding and appreciation of the use of the various techniques of management constitutes an important part of this training.

Through such training and the sharing of such training, we can provide a future for the less fortunate lands of the world. Unless we can show them ways to increase their standards of living, we fail miserably. Western standards, beliefs and ideals will mean nothing to men and women with empty bellies.

Not only that. Our own future depends to a large extent on the ability and willingness of the under-privileged countries to produce and sell to us the raw materials for which we rely on them increasingly. We cannot sell them farm tractors, for instance, unless they have the currency to pay—and they will not have the currency unless they can produce and sell the raw materials which are their only assets.

To establish this mutually beneficial trade we must help these countries to abolish hunger so that they can make full
use of their resources. In so doing we shall also establish a climate of goodwill without which trade cannot flourish.

Too often we regard productivity as a weapon in the cold war, rather than the mutual basis of economic development for all the people of the world.

If we can find a way to increase world productivity, and to share its fruits, we will have made the largest step forward ever in history towards ensuring a peaceful future for mankind. The fear of the H-bomb may be a deterrent to war—but what a way to live, in perpetual fear! That is no peace. The only peace is the economic contentment of men and women.

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