Margins Judgment

This issue of “Review” had already gone to press when the margins determination in the Metal Trades Award was given by the Commonwealth Conciliation and Arbitration Commission on the 27th November. There has therefore been no time to analyse the judgment of the Commission in detail but a few brief, general observations can be made.

The judgment awards a fitter an increased margin of 21/- a week making his new margin 96/-. This represents an increase of 28% and this percentage is to be applied to all other classifications in the metal trades. It will also be taken as a guide for the revision of marginal rates of pay throughout industry and the public service.

It is only six months since a substantial rise of 15/- in the basic wage was granted by the Commission. A fitter has thus benefited by the best part of £2 a week increase in wages during the current year. Moreover the 15/- increase in the basic wage this year was preceded by quite sizeable increases in 1956, 1957 and 1958 amounting in all to £1.5.0.
All this is combining to spread the impression among the community that large and regular annual increases in money wages have become an integral part of our industrial and economic arrangements. If this is so, then the Australian economy will undoubtedly be faced with the prospect of a continuous inflation of costs and prices.

It is generally accepted in other countries that the goal of wage policy should be to keep wage increases broadly in step with improvements in national productivity. It is difficult to estimate even roughly what the judgment will add to the total of wage and salary incomes. One estimate is £65 million a year, but this ignores the repercussions of the judgment on the incomes of those not directly affected by it. All in all, the 1959 basic wage and margins determinations may result in an addition to the national wage and salary bill of somewhere between 5% and 10%. It is certain that wage increases are far outstripping any conceivable average long-term gain in national productivity — which might be somewhere between 1% and 2% a year. (Over the last 10 years nominal wage rates for adult male workers have risen by over 80%.)

It is, in our opinion, naive to suggest that wage increases of this magnitude will not result in quite substantial additions to prices. There is little doubt that the decision of the Commission in the margins case on top of the basic wage decision earlier in the year, combined with other inflationary forces present in the economy at the moment, will quicken up the present trend of rising costs and prices. Over the latest 12 months for which figures are available the cost of living rose by the best part of 4%. It seems certain that the rise in the coming 12 months will be quite a bit greater. There is thus a possibility that another strong inflationary movement will shortly be under way. Moreover — and this is the important thing — this development would occur at a time when practically all the countries in the Western world are making a strong and determined effort to prevent further inflation and to stabilise their cost and price structures — and in fact are meeting with some success. At the Annual Meeting of the International Monetary Fund in October, the Managing Director, Per Jacobsson said:
"In all likelihood world inflation is over . . . Monetary stability has indeed become a guiding principle for the vast majority of countries. . . . no individual country can — without grave risks — afford to deviate from international price trends."

If Australia is about to get out of step with the rest of the world the responsibility cannot be laid entirely at the door of the Commission which is undoubtedly in a difficult, and indeed unenviable, position. The primary task of the Commission, as it itself avers, is to settle industrial disputes. The clamour for higher margins, particularly among the salaried professional groups, has been so pronounced for some months past that a decision which gave a set-back to their hopes would have been greeted with widespread dismay, and would probably have endangered industrial peace.

Moreover, since no increase in margins had been granted since 1954 the claims for a general adjustment in marginal rates have not been without some measure of justice. The effect of numerous and substantial basic wage increases has been that the position of the skilled worker has been rapidly deteriorating relative to that of the unskilled. This is a situation which no community could for long afford to view with equanimity.

But, regardless of the justice of the Commission’s determination, no sensible person can regard without disquiet the continued steady up-creep in costs and prices, and the prospect that this will now accelerate.

While one may have every sympathy with the Commission, nevertheless the question now arises whether the whole approach toward the fixation of wages in Australia has become out-dated and is due for sweeping revision. It is certainly time to ask whether it is not possible to obtain greater harmony between wage determinations and the economic policies and objectives being pursued by the Commonwealth Government. Too often in recent years the Government and the national wage-fixing authority have appeared to be pulling in opposite directions.

We hope to examine these matters in some detail in the January/March, 1960, issue of "Review".
Overseas Investment Controversy

No economic topic has aroused more controversy over the last 2 or 3 years than overseas capital investment. This is not surprising. Overseas investment has been one of the most colourful and spectacular features of the Australian economy in the period since the war, as it was in the 1920's and in the 1880's. Both of the earlier periods of large-scale borrowing abroad were followed by serious economic slumps and this, no doubt, partly accounts for the unease which appears to lie behind the views of its critics.

Broadly, there appear to be three schools of thought on the subject. At one extreme is the school which regards overseas investment as an unqualified good, which sees only the benefits and which is virtually blind to any disadvantages or costs that it might entail. At the other extreme there is a small minority school of thought which tends to ignore the benefits and thinks mainly in terms of the dangers and costs. This school holds up its hands in horror at the profits being taken out of the country by "rapacious overseas capitalists" and at the increasing control over Australian industries being obtained by outside interests. This view, it must be said, is, for the most part, palpably political.

A third school of thought takes up a position somewhere between these extremes. It concedes the substantial advantages that overseas investment confers, but its attitude is not entirely uncritical. These criticisms stem from fears of growing burdens imposed on the balance of payments, of increasing competition with established industries in markets already fully catered for by local capital, and of the effect on share values if overseas support were suddenly withdrawn.

Unfortunately overseas capital investment is one of those subjects on which the truth cannot be ascertained with any approach to mathematical precision. There is no way by which the credits and the debits of the matter can be totalled up. The most important and enduring benefits cannot be measured at all; nor is there any means of estimating how heavily the burden of costs will weigh upon the economy in the future. The important thing at the moment is to get the problem into something like a balanced and proper perspective. This, of course, can only be done if it is considered not
as something apart, not in isolation, but in relation to the major economic objectives and policies which Australia is pursuing.

* * * * *

**FIRST, we must look at some essential facts.**

Since the war Australia has received a grand total of £1424 million of overseas capital. This is the net amount after deducting capital outflow which up till 1950/1 was quite substantial because of the repatriation of overseas government debt. Of the total, about £1400 million represents private investment, the remainder being net government borrowing (i.e. after deducting repayments of capital). Only £865 million of the £1400 million of private capital investment can be specifically identified. The Commonwealth Statistician shows an unidentified capital inflow amounting to £534 million. This includes the effects of errors and omissions in the estimates of all items in the balance of payments; but quite a large part probably represents direct and portfolio investment and the acquisition of real estate and other assets by overseas organizations and individuals. There is little doubt that some part of unidentified investment came to Australia during the years 1948 to 1952 in hopes of an appreciation of the exchange rate.

The identified part of private investment can be broadly divided into three:—

1. **Direct**—amounting to £503 million. This is mainly investment in Australian subsidiaries and branches of overseas firms.

2. **Undistributed profits**—amounting to £309 million. These are profits accruing to overseas firms but retained in Australia for further investment.

3. **Portfolio**—amounting to £53 million. This represents purchase of shares, debentures or notes for ordinary investment purposes, unassociated with control of the business in question. This is not the full total of portfolio investment since there is probably a substantial amount that cannot be identified.*

* The detailed figures, year by year, are set out in the appendix attached.
Since 1947/8, 29% of identified private investment has come from North America and 68% from United Kingdom. Compared with British investment, a much greater part of American investment consists of undistributed profits. In the three years 1955/6 to 1957/8 undistributed profits make up 72% of North American capital, but only 33% of British.

The importance of overseas private investment to the Australian economy can be gauged from the fact that, including undistributed profits, identified capital alone has provided over the last decade something like 1/5th of the total of Australian private investment in productive equipment (i.e. excluding investment in housing and motor vehicles for private use).

A good part of it has gone into the manufacturing industries particularly motor vehicles, farm and other machinery, electrical and other engineering, oil refining, chemicals, rayon and nylon, food and tobacco. In addition to manufacturing, oil search and non-ferrous mining, insurance and retail trade have also attracted substantial overseas capital.

Altogether it has been estimated that overseas capital has provided an additional 10% of savings (over and above local savings) for the finance of all public and private capital investment. This figure should not be confused with the contribution (mentioned above) of overseas capital to the total of private investment in productive equipment.

Most of the critics of overseas investment have directed their shafts at its measurable impact on the balance of payments. In particular, American investment has come in for some severe criticism on these grounds. The usual procedure is to add up the foreign exchange made available to Australia as a result of capital inflow and to subtract from this the cost of servicing overseas capital by dividends and interest remittances. As one would expect when the cost of remittances is brought into account, the net exchange advantage to Australia is not nearly so pronounced as it at first sight seems. Yet it still comes out heavily on the credit side.
For instance, over the period from July, 1954, to June, 1959, Australia received £545 million in foreign exchange from net capital inflow and paid away in dividends, remitted profits and interest £248 million. These figures of capital inflow exclude undistributed profits which bring no additional overseas currency.

Because of the American practice of financing expansion in Australia largely through undistributed profits, some critics have argued that the net gain to the balance of payments in recent years from private dollar investment (after deducting outgoings for dividend payments, etc.) has been negligible. They contend that the great part of the additional overseas exchange resulting from "new" capital investment has been consumed by remittances abroad to service the dollar debt. But these calculations ignore the fact that identified direct private investment comprises only part of the picture. Between 1954 and 1959 total dollar inflow on capital account amounted to £207 million of which only £50 or £60 million is attributable to private dollar investment which can be identified. To obtain a complete picture of dollar gains, government loans from the World Bank and other dollar sources, and also unidentified private capital inflow, must be brought into account.

The total position is set out in the table below:

<table>
<thead>
<tr>
<th></th>
<th>£ million</th>
</tr>
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<tbody>
<tr>
<td>Private</td>
<td>Total</td>
</tr>
<tr>
<td>Capital Inflow</td>
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</tr>
<tr>
<td>Outflow of Dividends,</td>
<td>68</td>
</tr>
<tr>
<td>Interest, etc.</td>
<td>62</td>
</tr>
<tr>
<td>Net Gain</td>
<td>62</td>
</tr>
</tbody>
</table>

Net Dollar Gain on Investment from North America 1954/5 to 1958/9


The critics of dollar capital also fail to give sufficient weight to the considerable benefits (that cannot be measured) which have arisen from the interest of American
investors in this country over the post-war period. Even from the strict balance-of-payments standpoint, there is no means of ascertaining the extent to which this investment has contributed to the expansion of exports or to the saving and replacement of imports—a notable example of the latter being the establishment of the motor vehicle and oil refining industries.

But there have been other vast general benefits to the economy. Professor H. W. Arndt of the Canberra University College sums these up well in the following passage:

"There is no need to dwell on the very great advantages which Australian manufacturing industries have derived in the post-war years from the introduction of overseas, and especially American, enterprise, managerial skill, techniques, methods and new products. Through the stimulus and example they give to domestic firms, through training of local labour at all levels in new skills, and through the pressure of powerful competition, the benefits of technological advance spread beyond the firms in which the overseas investment is made; they accrue as external economies to residents of the borrowing country and represent an additional net benefit which, though quite incapable of measurement, may be very substantial."*

These manifold advantages must be set against any costs on external account when considering the total net benefits of overseas investment. Criticism based only on the addition to and subtraction from the overseas exchange position is clearly far too narrow, and for that reason can be highly misleading. This does not mean, however, that it should be entirely ignored. It would be purblind to disregard the fact that the burden of the overseas debt payment on the balance of payments has been steadily increasing since the war and is likely to grow still heavier in the future.

Total payments on account of remittances of interest on government borrowing abroad and of dividends and profits from overseas private investment have increased appreciably—from £33 million in 1948/9 to £68 million in 1958/9. But practically the whole of this increase is attributable to payments of dividends and remitted profits, interest payments on government debt having risen only slightly. The full story is shown in the table on the opposite page.

Some idea of the relative burden of these remittances on the balance of payments can be gained by relating them to

* From a paper. "Overseas Borrowing—the New Model", published in "The Economic Record", August, 1957. Although written over two years ago, this is still the best available analysis of the subject.
the level of export income. The ratio has increased quite markedly over the period.

In 1948/9 interest payable on Australia’s overseas debt represented 3.7% of export income and net dividends and remitted profits only 2.4%. By 1958/9 the interest bill had declined to 3% but dividends and remitted profits had grown to 5.2%. If undistributed profits are included, the total commitment on equity capital grew from 3.6% of exports in 1948/9 to 9.3% in 1958/9. If, as seems likely, the burden continues to steadily increase in future years, a growing proportion of export income will be pre-empted for payment of dividend and interest commitments on overseas capital.

This further emphasises the need, which is being stressed in many quarters, for the progressive expansion of export income if the pace of development is not to be seriously retarded. For the immediate future it might be said that we will be able to support the burden of servicing the overseas debt more or less comfortably provided export income remains reasonably buoyant. Difficulties could clearly arise however should there be a steep fall in export income for in that case the room for manoeuvre in maintaining the flow of essential imports might be dangerously restricted. These difficulties would intensify if the decline in export income were in any way prolonged.
But the main risk associated with heavy capital inflow of the magnitude which Australia has had in recent years arises from its uncertainty from year to year. Should the flow of capital sharply decline, the economy could be plunged, perhaps suddenly, into serious difficulties. A heavy inflow of capital year after year creates an expectation of its indefinite continuance. We come to take it more or less for granted. Economic policies and business planning become geared to this expectation. Particularly does this apply to the external balance of payments where we have come to rely on a high rate of overseas investment to achieve some approach to balance in our overseas accounts.

We have only to look at the last financial year, 1958/9, to realise the crucial importance of a continuing high level of capital inflow to the economy. In that year net capital inflow totalled £177 million, the second highest figure since the war. This enabled Australia to finance a large deficit on current account with a loss of only £10 million to its overseas currency reserves. This situation, allied with the brighter prospects ahead, led the Commonwealth Government to ease import restrictions to permit an additional £50 million of imports in the 1959/60 financial year. In 1957/8 capital inflow totalled £136 million—a not insignificant sum. If there had been no increase in 1958/9, overseas reserves would have fallen by £50 million and any increase in the import quota would have been highly improbable. But what if capital inflow in 1958/9 had fallen say to £100 million? In that case overseas currency reserves would have slumped by nearly £90 million and the position would have looked a little sick. If there had been a big fall in capital inflow, say to £70 million, overseas reserves would have dropped by £120 million and we would have been facing a quite critical situation.

This is not meant to be a scare picture. It is a canvassing of possibilities to illustrate the dependence of the Australian economy on the continuance of a heavy importation of capital. Our economic arrangements are based on the expectation of its continuance; if it should fall away, the economy would run into heavy weather. There is an analogy with a person whose physical well-being depends on the
regular intake of a certain drug. If his system were to be deprived of the drug, he would be in serious straits.

This suggests, too, that there is a limit to the amount of foreign capital which the Australian economy can safely absorb. In moderately strong doses it can be—and so far has proved to be—highly beneficial. Over-doses, however, would sow the seeds of trouble in the future.

As with most things, it is necessary to keep a balanced perspective on the matter. To suggest that there are risks attaching to the kind of large-scale borrowing from abroad in which Australia is at present indulging does not mean that the risks should not be taken. We do not, however, want to close our eyes to them. That is the way of foolishness; it ends up in the economic mire.

The risks of heavy capital inflow are part of the total risks associated with development of the magnitude we are undertaking.

What is perfectly clear is that development on the scale Australia has achieved since the war would not have been possible without the substantial assistance that it has received in so many ways from overseas capital investment. Without that assistance, economic growth must have been much less rapid, our population increase much smaller, and our industrial structure much less efficient.

This is the broad context in which we have to consider overseas investment. Rapid development, by its very nature, places a strain on the balance of payments. It expands the demands for imports of many kinds and, since it must take place quite largely in the manufacturing and service industries, it does not necessarily add proportionately to exports. This is a fault—if fault it can be called—of a great part of developmental investment, of domestic as well as of overseas investment. A developing country with expanding markets and with a stable political system must expect to, and will attract, overseas capital in large quantities. To refuse or discourage that capital in any way would, in effect, place a brake on the developmental process and no government is likely to do that unless
compelled to. It should be prepared to take risks, but the risks should not be fool-hardy.

APPENDIX

NET CAPITAL INFLOW TO AUSTRALIA FROM OVERSEAS COUNTRIES — 1945/6 TO 1958/9

£ million

<table>
<thead>
<tr>
<th>Year</th>
<th>GOVT</th>
<th>Undistrib. Profits</th>
<th>Direct Portfolio</th>
<th>Unidentified</th>
<th>Total Private</th>
<th>TOTAL</th>
</tr>
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<tbody>
<tr>
<td>1945/6</td>
<td>—</td>
<td>5</td>
<td>—</td>
<td>—</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>1946/7</td>
<td>12</td>
<td>9</td>
<td>—</td>
<td>—</td>
<td>34</td>
<td>43</td>
</tr>
<tr>
<td>1947/8</td>
<td>13</td>
<td>8</td>
<td>21</td>
<td>3</td>
<td>52</td>
<td>84</td>
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<tr>
<td>1948/9</td>
<td>14</td>
<td>6</td>
<td>49</td>
<td>2</td>
<td>104</td>
<td>161</td>
</tr>
<tr>
<td>1949/50</td>
<td>21</td>
<td>16</td>
<td>109</td>
<td>2</td>
<td>125</td>
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<td>83</td>
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<td>41</td>
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<tr>
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<td>34</td>
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<td>10</td>
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<td>31</td>
<td>34</td>
<td>52</td>
<td>20*</td>
<td>40</td>
<td>146</td>
</tr>
<tr>
<td>TOTAL</td>
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<td>309</td>
<td>503</td>
<td>53</td>
<td>534</td>
<td>1399</td>
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</table>

* Estimated.

Source: Balance of Payments Bulletins prepared by the Commonwealth Statistician.

Note: This table includes repayment of loans, but does not include remittances abroad on account of interest and dividends.
October 8

Do the results of the British election on October 8 mean the end of an era in politics?

Certainly the result came as a great surprise. The surprise lay not in the Conservatives' victory—that was generally expected. It arose from the fact that the governing party was able to double its majority of 53 seats in the old House to 100 in the new. This confounded even the best informed political observers. It made nonsense of all predictions based on past experience and seemed to threaten the validity of the theory of the "swing of the political pendulum".

Here was a party which for three successive elections had not merely been returned to office, but had been returned at each election with an increased number of seats. This phenomenon, which has no parallel in British political history over the last 100 years, clearly cannot be explained away by ordinary surface considerations. Admittedly, the Conservative Government had not been a bad Government. It had done some very wise and good things. At the same time it had not been a brilliantly successful Government. It had made some serious political blunders—notably the Suez adventure—which at other times might have been sufficient to bring about its defeat at the polls.

It has a valuable asset in its leader, Mr. Macmillan, who, since becoming Prime Minister had gained not merely widespread respect but general popularity. But the leader of the Labour Party, Mr. Gaitskell, was also well regarded, and, in spite of the disaster suffered by his party, appeared to gain rather than to lose in personal stature during the elections. Moreover, on occasions in the past—most notably of all in the elections of 1945—a Government led by a greatly revered and even loved national figure had been dismissed from office by the electors. The personalities and public appeal of the leaders of the major parties clearly do not offer anything like an adequate explanation of October 8.

There has been a striking parallel between the electoral experience of Britain and Australia since the end of the war. The clamorous public demand that an Allied victory should herald the beginning of a "new order" spelt the doom of the
old conservative policies in Australia in 1943 and in Britain in 1945. But in 1949 in Australia and 1951 in Britain the socialist Governments were in turn decisively rejected. They have been mooching around, rather aimlessly, in the political wilderness throughout the 1950’s. Last year’s elections in Australia bear a close similarity to this year’s elections in Britain. In Australia, as in Britain, the reigning Government was returned, against all expectations with a greatly increased majority. In Australia, as in Britain, normal reasons are not sufficient to explain why the electoral pendulum has ceased to obey the laws of political gravity.

* * * * * *

THE great question that the result of the British election poses is whether socialism is any longer an effective political doctrine in the advanced democracies. Is socialism, in this sense, dead? Or is it just down, severely mauled, but not out? Can it hope to live to fight another day? And if it is dead, or if it is so sick that there is little prospect of its recovery to vigorous health, what are the implications for the political future in Britain and Australia?

While there is little that one can be certain about in politics, it is difficult to resist the conclusion that October 8 heralds the end of an era. For 40 or more years politics in Britain and Australia have been marked by one great pervasive struggle —this was the struggle between socialism and capitalism (or private enterprise, or free enterprise, whatever one may prefer to call it). There was hardly a national issue that was not coloured by this over-riding political conflict.

In the early years of the struggle the socialist parties (although more often out of office than in) firmly believed that the replacement of a capitalist society by a socialist society was only a matter of time, and that in due course an educated electorate would see the error of its ways and give a triumphant Labor Party a mandate to go full steam ahead with its socialist programme. Indeed, even on the part of many of those who supported free enterprise there was no great confidence that the citadel could be held indefinitely
against the socialist onslaughts; the best that could be hoped for was to delay the evil day as long as possible.

Toward the end of World War II it seemed to many socialists that the great day had dawned at last and that the way was clear for the introduction of major advances toward the ultimate goal. In Australia this did not occur. Even though a socialist government held office it appeared to lack the confidence to hit out boldly. Indeed on the one occasion that it went for a really big hit—the attempt to nationalise the trading banks—it found that public opinion formed an impenetrable field, and it was dismissed from office in 1949.

In Britain the situation was different. The economy was in desperate straits, standards of living were austere, and the public were consequently more receptive to far-reaching changes. Important industries were nationalised; a national health service was established and comprehensive national insurance was introduced (although this last was supported by all shades of political opinion). In the early post-war years Britain certainly seemed to be moving with fair rapidity in a socialist direction. But the reaction came in 1951 and the people by rejecting the Labour Government clearly indicated that they had had more than enough of socialist policies and the strait-jacket economy, at least for the time being.

During the 1950's the strength of the British economy has marvellously improved, standards of living have risen, a psychology not far removed from despair has been replaced by one of hope and optimism. With every advance in prosperity, the appeal of socialistic policies seems to have declined and the Labour Party to have lost ground. And now, at the end of the decade, the British electorate has dealt socialism what appears to be an almost mortal blow.

Socialism has also received a severe set-back by the rapid progress achieved in certain economies—for instance, Western Germany, Italy, France and Japan—through policies based substantially on free enterprise principles.

* * * * * *

It is important to understand certain things about socialism. As originally conceived, it was not merely a political and
economic programme; it was, in its ultimate sense, a philosophy of society, a way of life. It aimed not merely at correcting the economic shortcomings of the pre-1939 economic order and at the removal of manifest social injustices; it provided not merely a political programme by which it hoped to accomplish these objectives; it also had in view the acceptance by society of a new set of values, based on what it called the service motive. It aimed at replacing a society which it claimed was inspired mainly by personal profit by a society motivated by the ideal of personal service. It aimed, indeed, at a transformation of human nature itself. Thus it proposed the nationalisation of industry not merely because it held that public enterprise would be more efficient than private enterprise, but because it would assist the subordination of the motive of private gain to that of public service. In this sense socialism was a revolutionary movement. Its ultimate aim was not just to improve, but to destroy entirely, the old structure of society and to replace it with a new edifice founded on a different set of values.

Of course there has never been any doubt that a world in which self-interest played little or no part and in which the desire to serve their fellow humans was predominant in men’s hearts would be a far better world than any we have seen yet. The question to which the socialists never gave sufficient thought was whether you had to take human nature as you found it; whether you had to base your economic and social institutions on human nature as it was, rather than on something that it clearly was not. Socialism represented an idealized rather than a practical conception of society. The great Canadian political philosopher and humorist, Stephen Leacock, gave the classic retort: “Socialism means everybody working along with everybody else for everybody’s good, in cheerful co-operation and equality, instead of each selfishly working for himself in a world of inequality and injustice. The idea is grand, I’m all for it. But I’m not fit for it. At least I might be, but I doubt you other people. I’d hate to give up my house and my shares in my latest get-rich-quick gold mine till I’m a little more sure of the rest of you”.

Moreover, this strongly idealistic aspect of socialism led its advocates to be over-critical of existing society. For instance, they clearly under-rated the part which the motive of service
played in the "profit and loss" economy. Nevertheless, in this sense, in its philosophy as distinct from its political programme, it has to be conceded that socialism possessed a certain nobility. And in this sense, but perhaps in this sense alone, socialism will never die, because it is based on an enduring ideal of the perfectibility of human nature.

* * * * *

But what of socialism as a political force?

The political programme of socialism had its roots in the industrial conditions of the 19th Century. Great extremes of wealth and poverty; the concentration of property ownership and power in a few hands; unemployment and insecurity; shocking and sometimes inhuman conditions of work; generally low standards of life; gross inequality of opportunity—these were the evils that socialism set out to cure, and that gave the movement increasing strength as the years went by. But, gradually up to World War II, and rapidly thereafter, the evils have been overcome. Average standards of life are vastly higher; offensive inequality has been abolished; virtually everyone has been guaranteed some degree of economic security; full employment is taken for granted; educational opportunity has come to depend much more on ability and much less on the means to pay for it; the ownership of property has become widespread and the profits of industry are diffused through the community; working conditions are good and reasonable leisure time is the prerogative of all.

In other words, the evils of which socialism complained have been eradicated, the things which socialism set out to do have been largely accomplished. And, ironically enough, this new kind of economic and social order has evolved, in the main, without the application of socialist remedies. It has come about within the framework of the capitalist structure and with the help of Keynesian ideas, which are essentially liberal rather than socialist. It has been achieved along with, indeed—it could be argued—because of the retention of the basic features of the free enterprise economy—private ownership of the means of production, the profit motive, personal initiative, some inequality of incomes and rewards, the free
market mechanism. The things which socialism regarded as necessary—the public ownership of productive capital, the nationalisation of education and of health services, the detailed government planning of all major aspects of economic life and the abolition of the free market—have not proved necessary to the economic ends it had in view.

This, of course, does not mean that there is nothing left to do. Present-day society is clearly far from perfect; the scope for improvement and reform is still vast. But traditional socialism no longer seems to provide the right medicines for the particular ills which exist. Rather it would appear to threaten to throw away the baby with the dirty bath water.

* * * * *

The years since the end of World War II have seen a social revolution. They mark a climacteric, a turning point, in social history. There is no longer such a thing as a "working class", unless we are all members of it. There is certainly no such thing as a "property-less working class". The mass of people have achieved a degree of material prosperity and of financial security and independence which would have seemed like a Utopian dream to the early socialists. The world has moved on in the last fifty years, in the last ten with extraordinary rapidity, and political socialism is beginning to look rather as if a Dickensian novel were played against a "back-drop" of modern functional homes, towering city glass-houses and gleaming stream-lined automobiles and household appliances. It has become strangely out of place, out of time, in the mid-twentieth century, an anachronism. "The old order changeth", but socialism remains the same.

Moreover, we are by no means at the end of the road. Further rapid gains in material prosperity on all fronts seem assured with the increasing momentum of pure and applied science, the peaceful application of atomic power, the spread of automatic machinery, the growth in trained, responsible management and of more highly educated and skilled workers, and last, but not least, the improvement in economic understanding and planning. In the coming age of automation, old-time socialism, if it survives, will look even more anachronistic than it does at the moment.
It is hard to imagine that the new and increasingly prosperous “haves” will be ready to display much enthusiasm for a political doctrine which drew its inspiration and support from the existence of a large numerical class of “have-nots”.

* * * * *

THE political battle of the past 40 years was based on scarcity, on a fluctuating insufficiency of total production. Scarcity has been succeeded by abundance; instability by an almost astonishing stability.

What, then, is to be the great political struggle of the future? In a universally prosperous society can there be one at all? It is certainly hard to imagine a vigorous, thriving democracy, unless there are sharp differences of political viewpoint and great matters of contention.

Although speculation is hazardous, there are signs that a new struggle could shortly emerge about the ends towards which the great productive potential of modern society is to be directed. It has recently been claimed that what the advanced industrialised democracies are short on today are not the ordinary articles of commerce, not food or clothing, or motor cars, or household appliances or television sets, but the “collective goods”, the provision of which usually falls within the province of governments—schools, hospitals, roads, parks and gardens, city beautification, comfortable public transport and the like.

This thesis has been argued in a recent book, “The Affluent Society” (which has achieved best-seller status in the United States) by a Harvard economist, John Kenneth Galbraith. A similar argument was advanced in Australia last August by the Governor of the Commonwealth Bank, Dr. H. C. Coombs, in an address given at the Congress of the Australian and New Zealand Association for the Advancement of Science. Dr. Coombs said:

“We may well have reached a stage in the development of our standards of living when the greatest improvement can be obtained from the improvement in the physical environment in which we live and in the development of services co-operatively provided rather than in the further accumulation of personal possessions . . . A gracious city—well equipped with well-planned roads and highways, with parks and playing fields, providing fine schools, universities,
public buildings, theatres and the like—may well give a better life for its citizens than one which lacks these amenities but sprouts television antennae from every roof-top and whose streets are jammed with opulent chromium-studded motor vehicles."

What do these ideas imply? They imply that a greater part of total national expenditure should be made by governments and a smaller part by individuals in a personal capacity. In order that this can be accomplished Governments must transfer spending power to themselves through the agency of higher taxes and the individual must to that extent sacrifice some of his control over the spending of his own earnings. Many people would view such a development with some disquiet.

Now this thesis of greater government spending—while it may be conscientiously and objectively held—is one that is obviously dear to the old-time socialist's heart and provides a political band-waggon on which many of them are likely to jump. Indeed a few have already done so.

There is here a field of political contention which is likely to take shape in the years ahead. The "old socialism" deplored the fact that the mass of people had too little of the essential requirements and amenities of life—of accommodation, food, clothing and the normal comforts and minor luxuries of civilised living; the "new socialism", by contrast, deplores the fact that they may have too much. In other words the "new socialism" (if such it can be called) is different from the "old" in that the "old" concerned itself with scarcity whereas the "new" concerns itself with abundance. But it may wish to utilise that abundance in ways that may not be consistent with the principles of free enterprise and of free choice.

What will be the answer of free enterprise?
The sudden jump in the numbers of young people between the ages of 15 and 24 will present Australia with a challenging problem in the decade ahead. The extent and complexity of this problem should not be under-estimated; the solution cannot be left to chance but will need comprehensive investigation and forward planning if it is to be successfully met.

From the economic standpoint the nature of the problem will be two-fold:

First, a vast increase in the numbers of young people entering the employment market year by year.

Second, a great increase in the number of marriages.

These two developments will clearly have important implications for the demands for capital for industry; the provision of educational facilities, housing and related services; and last, but not least, for the level of migration.

If the increases were to occur by progressive and consistent, even if fairly stiff, steps, the economy might possibly be expected to adjust itself to them, more or less naturally. But, in fact, the increase in the numbers of people in this critical age-group (15 to 24) will soar steeply over the next two or three years and these are the years in which the difficulties are likely to be most acute.

Here are the facts of the problem:

In the 10 years ending 1957, the number of 15-19 year-olds increased by only 79,000. Of these 66,000 were migrants. The numbers aged 20 to 24 actually fell by 6,000. Without migration the fall would have been 89,000.

In the next decade (if the Commonwealth Government successfully achieves its projected migrant target of about 100,000 net a year) the population aged 15-19 will grow by nearly 400,000.* The number of people aged 20-24 years will also increase by around 400,000.* Scaling back the migration target by half would not greatly reduce these magni-

* Based on estimates prepared by the Department of Demography, Australian National University.
A Sudden Surge

Even if migration were completely suspended the numbers in each of these groupings would still increase by 300,000.

There will thus be a remarkable contrast between the 1950's and the 1960's. This is set out in the following table:

<table>
<thead>
<tr>
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<th>1950's</th>
<th>1960's</th>
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<tbody>
<tr>
<td>Increase in nos. aged between 15 and 19</td>
<td>79,000</td>
<td>400,000</td>
</tr>
<tr>
<td>Increase in nos. aged between 20 and 24</td>
<td>—6,000</td>
<td>400,000</td>
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The sudden lift in the numbers of young people in the early years of the 1960 decade (over the previous 10 years) is largely a consequence of the Great Depression and an unusually large number of marriages in the years immediately after the war. During the 1930's the Australian birth-rate fell to an abnormally low level—17 per 1,000 of the population, compared with 24 per 1,000 in the early 1920's and 23 per 1,000 today. As a consequence, the rate of natural increase in population (excess of births over deaths) fell from 1.3% a year in the 1920 decade to 0.9% in the 1930 decade. In the 1940's the rate of natural increase returned to more normal proportions. The current rate of natural increase (1.4%) is the highest since before World War I.

Because of the low birth-rate of the 30's there was a dearth of young people during the late 40's and the 50's; in the 60's the economy will have to adjust itself to the sudden surge of teen-agers and people of marriageable age born in the 1940's.

It is estimated that the Australian working population has increased by almost 700,000 over the last 10 years to its present level of just over 4 million. Of this increase, migrants have contributed about 500,000. Nearly 900,000 young people, married women and other new entrants came on the labour market from local sources over the decade, but deaths and retirements reduced the net gain to around 175,000. On average, there have been 140,000 newcomers a year to the labour market—50,000 migrants and 90,000 native Australians—mainly young people leaving school. After allowing for deaths and retirements, the net increase in jobs has averaged about 70,000 a year. In the 1960's the net increase will average around 115,000 a year.
At present nearly 60% of all young people aged 15 enter the labour force and 40% go on to higher education or stay at home (mainly girls). In 1949 there were 105,000 fifteen-year-olds in the Australian population; by 1958 there were 144,000. But this year the number is 168,000 and by 1962 it is expected to reach 210,000—that is double the number in 1949, and 66,000 more than 1958. From 1962 on, the number should flatten out around 210,000 a year. Compared with 1958, something like another 40,000 jobs a year must be found for those leaving school at 15. In addition the over-15’s must eventually obtain employment after taking their leaving certificates and university degrees.

Whereas in the 50’s the actual addition to the labour force came mainly from migrants, in the 60’s a larger part of the increase will come from the Australian-born population.

This is clearly shown in the table below:

<table>
<thead>
<tr>
<th>Increase in Labour Force</th>
<th>1950/59</th>
<th>1960/69</th>
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</thead>
<tbody>
<tr>
<td>Australian-born (Net—after deaths and retirements)</td>
<td>175</td>
<td>26</td>
</tr>
<tr>
<td>Migrants</td>
<td>500</td>
<td>74</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>675</strong></td>
<td><strong>100</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1150</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Sources: 1950/59; derived from data published by the Commonwealth Statistician; 1960/69; derived from projections prepared by the Department of Demography, Australian National University, which assume net migration of 100,000 a year and continuance of present rates of natural increase.

Some people seem to suggest that the sudden expansion in the numbers of young people will present few if any difficulties and that in a sense the problem will solve itself. The very growth in demands for homes and all the services and accoutrements necessary to modern housing, for schools and hospitals and the rest will itself ensure that ample jobs will be available. These people draw an analogy between the present situation and the one that confronted Australia after the war when something like a million jobs had to be found rapidly for the men and women returning from the services and changing from war-time to peace-time employment. But the then-prevailing fears of great unemployment proved
to be unfounded. So far from there being a labour surplus, there was a labour shortage.

It is, in a sense, true that the growth in demands created by a larger population and by the increased number of marriages will provide more employment opportunities. But this statement of the problem is an over-simplification. It conceals two difficulties:— First, the greatly increased need for capital; and second, the pressure thrown on the external balance of payments by the rising demand for imports which must flow from an enlargement of the internal economy.

The sudden growth in the numbers of young people will set up acute strains on the capital market. While the numbers in the 15-24 age-group have remained abnormally low, the economy has managed, on the whole, to provide sufficient houses for young couples getting married and adequate productive facilities to absorb the new entrants into the labour market. Over the past decade we have been setting aside about 25% of the gross national product for our total fixed capital requirements. This has been one of the highest rates of capital formation of any of the industrialised democracies and in recent years has probably been exceeded only by Canada, which has received extraordinary assistance from the huge inflow of American investment. Capital development at this rate places a considerable burden on the community because of the suppression of consumption which it entails. Indeed, the savings set aside voluntarily for purposes of capital investment have fallen far short of the demands for capital and the leeway has been made good by “forced savings” extracted from the community by governments through taxation.

But great as the burden of providing sufficient capital has been in the past decade, it is likely to be greater in the decade in front of us. This arises not from the fact that the increase in population in absolute numbers will be greater in the 60's than in the 50's (assuming migration is maintained at a high level) but from the phenomena to which we have drawn attention—that is, the steep rise in the numbers seeking work for whom jobs must be provided and in
the number of marriages consequent upon the changing age-
composition of the population.

Even with a capital provision of something like 25% of
gross national product over the last decade, there are serious
shortages in various fields such as sewerage, roads and water
supply. In the coming years a ratio of 25% of capital to gross
national product is unlikely to be sufficient. Indeed it may
have to be substantially increased if the new capital require-
ments of the rapidly growing labour force and for housing and
education and related facilities are to be met.

Education provides a pertinent example. The Murray
Report estimates that by 1967 the number of university
students will be 87,000. This would be over double the num-
ber attending universities only ten years earlier in 1957. No
sooner will Victoria have established its second University than
it will be faced with the need for a third in the late 60’s.

In the sphere of secondary education the outlook is also
serious. Victoria, for example, is now starting to feel the
impact of the wave of births which began around 1947. The
Premier pointed out in his recent Budget Speech that when
his Government came to office in 1955 there were 73,000
pupils at secondary and technical schools; by 1962 there
will be 146,000. In the space of 7 years (1955 to 1962)
accommodation and staff in secondary schools will have to
be doubled. There will also be greatly increased pressure on
technical schools.

The savings for all these new capital requirements will have
to come largely from our own pockets. Overseas investment,
although important in particular fields, can at best make only
a minor contribution to total requirements. During the early
1950’s the problem of obtaining savings was eased by the
fact that in the immediate post-war period consumption
goods were in short supply and there was also the backlog
of savings accumulated during the war. A war-battered world,
hungry for primary products, also meant high prices for
Australia’s exports. The terms of trade (the relationship of
export to import prices) were thus highly favourable to Aus-
tralia, and this gave a tremendous boost to savings.

All this has changed. The terms of trade are no longer in
our favour; there are ample supplies of consumer goods,
and savings are hard to come by. If voluntary savings fall short, then more "forced" saving may be inevitable. Barring inflation, forced savings can only be obtained through taxation. Clearly it will not be easy in the 1960's for Governments to satisfy the insistent public demands for substantial tax cuts.

No one can be sure how the strains on the economy, caused by the great and sudden increase in the numbers of young people, will develop or what policies will prove necessary to cope with them. But economists and businessmen at least will be watching the situation over the next few years with keen interest.
The Modern
University and the
Community

By
SIR GEORGE PATON

Sir George Paton has been Vice-Chancellor of the University of Melbourne since 1951. For some years he was Dean of the Faculty of Law. He was Victorian Rhodes Scholar for 1926.

In this article, which he has contributed to "Review", Sir George writes of the purposes of a university and in particular of the problems facing the University of Melbourne. He asserts: "There is not in Victoria a real recognition either of what a university can accomplish or what it will cost to bring this about."

This article should help to develop a better appreciation of the place of the University. When a community begins to place a proper valuation on higher education, it gives evidence of its own maturity.

IN ENGLAND the problem facing the modern University is often expressed in the question "service station or ivory tower?". This is really a false simplification. No community will support a University which deliberately ignores the problems of modern society. But if a University is solely concerned with practical problems, its soul departs and, most interesting fact of all, it even loses the ability to be of practical use. Those who sell their heritage for a mess of pottage should at least make sure that the food is of the requisite quality.

The University must produce graduates with the necessary expertise to fill the traditional professions, but its essential task is really more fundamental in two ways — firstly, it should produce personalities rather than mere technical experts, and secondly, it must advance the field of knowledge.

The production of persons in the sense in which I use that term is not an easy matter. Any democracy depends on leadership if it is to survive, and a true University should leaven the community with graduates who will not only perform
their professional duties satisfactorily, but also acquire the influence and power necessary to give direction to society. Man does not live by bread alone. The discoveries of nuclear physics will undoubtedly lead to great benefits for humanity — but at the moment they have created problems which, unless solved, may lead to the disappearance of humanity itself. A concentration on technology alone not only produces a materialistic community, but exacts retribution from the forces of life that refuse to be bound by this narrow approach. The answer to Communism cannot be spelt out merely in terms of bigger and better hydrogen bombs.

The University must supply the stimulus in all aspects of that complex culture which goes to make up the life of society. Its task, therefore, ranges from producing professional expertise to keeping alive the interest in music, drama, literature and the arts. The object is not the mass production of graduates cast in a specific mould but rather highly developed individuals who, in addition to their skills, will possess the characteristic of objectivity, incisiveness of mind, and a sense of service. Nor must we forget a sense of humour, of high adventure and a capacity to debunk the pompous and expose the obscurantist.

It is not easy to do this within the limited University resources available. Oxford and Cambridge have won their fame not because of the technical brilliance of their formal teaching, but because they have collected together interesting persons with minds that have a cutting edge and exposed the students to them. The tutorial system means individual attention to each student — this is the only known method of producing what is needed.

The major problem facing Australian Universities is to secure enough men of the right calibre so that the student may not only be taught but fired with enthusiasm for his subject and developed in personality. Such teachers are rare in any country. There is a world of difference between the merely competent teacher and the one with an imaginative flair.

In the United Kingdom the staff/student ratio was, until recently, around 1 : 7; in Melbourne in 1958 it was 1 : 13.5. In other words, English Universities have nearly twice as many staff as we have to deal with a given number of students. In spite of the substantial allocations received by the Universities after the Murray Report, the increase in the number of students has meant a gradual worsening of the staff/student ratio. One fears even to contemplate what the position would have been without the Murray grants. The number of students at Melbourne is going up at roughly the rate of one thousand a year. Everybody realises that to create a new high school for 1,000 pupils would require a significant budget; but too many in the community consider that the University should be able to take an extra thousand every year and express surprise when we emphasise that this will either cost money or results in a substantial lowering of standards. It is easy to blame governments — but governments can spend only what the community gives to them. There is not in Victoria a real recognition either of what a University can accomplish or of what it will cost to bring this about. It is not a healthy state of affairs if the chief preoccupation of Vice-Chancellors becomes the sordid subject of overdrafts, lack of accommodation and inability to secure staff.

The student flow is increasing more than the statisticians estimated. There is the obvious point of the increased birth rate at the end of the war — but there is also the fact that one in four of the migrants coming to Australia settles in Victoria. There is also a growing appreciation of the opportunities provided by
a University course and a system of scholarships which puts University education within the reach of those who in pre-war days could not afford to enter. By 1968 it is calculated that there will be 24,000 students. That would give Melbourne and Monash 12,000 each — except for London this is greatly in excess of any University in the United Kingdom. These figures show that unless Monash can develop quickly there will be thousands denied the career they wish.

I now turn to discuss the problems of research, the professions and the humanities.

There are few scientific developments in the modern world which do not owe their origin to work in University laboratories. The atom bomb, radar, penicillin, aniline dyes — these are merely illustrations of developments from University research. In the United States in 1870, 8 million farm workers were required to feed 40 million persons. In 1955, the same numbers of farm workers were sufficient for 165 million. This represents a fourfold increase of productivity, and it is estimated that by 1975 this increase will itself be doubled. To put it in another way, one farm worker fed five persons in 1870, and by 1975 one farm worker will feed 42. This progress is entirely due to the increasing use of technology. Federal Government and State instrumentalities have cooperated with the Universities in studying all the problems from agricultural engineering to soil analysis. The resulting benefit is such that both the politician and the man in the street are content to pour millions of dollars into research of all kinds, with supreme confidence that the successful projects will compensate for those that fail. Australia is only beginning to realise the work that needs to be done.

Yet Universities cannot survive if all research is technological and directed to the solution of a practical problem. The old Cambridge toast used to be “Thank God for the higher mathematics, and may they never be of use to anyone”. Fundamental research must be pursued for its own sake. The results may well revolutionise the life of society — but only in the long run. In the short run, we must encourage, and provide the money for, people to spend their lives investigating problems, the practical application of which may be at the moment beyond anyone’s imagination.

One of the most worrying problems of the modern University is to secure sufficient resources to develop its basic science departments. The phenomenal advances in science have been secured through the use of equipment itself of phenomenal cost. If a University is to attract the right type of professors, it cannot afford to be left behind in the race. Both the United Kingdom and the United States are well in advance of Australia in the provision of equipment and research funds to laboratories. If the present financial stringency in Melbourne continues for another decade, we will destroy the reputation so painfully built up. Unless a fair proportion of the most brilliant brains of the community can be kept within the University, its leadership will suffer. This problem is especially acute in such subjects as Physics and Chemistry. Nuclear physics requires millions for equipment, and even with the closest co-operation of the Atomic Energy Commission, Australian Universities cannot regard the problem as solved. It is easier to raise popular enthusiasms for medical than for scientific research. The most outstanding Victorian appeal in recent years was the Anti-Cancer Campaign. But the weakness is that neglect of the Universities means that there are not sufficient trained workers to enable full advantage to be taken of the funds available for medical research. Every type of research and every research institution depends on the University for
the production of its workers. It is a long term process and financial stringency today may be catastrophic in ten years. Mere Bachelors of Science are of little use for research. The trainee must do his Master's degree, his Ph.D., and then go abroad — it is practically a ten year programme from matriculation. The United States is worried today because there has been a tendency to "soften" school education — to put in the "interesting" subjects and to neglect the drill of the somewhat tough disciplines of classics, modern languages, mathematics and science: Minds cannot be trained without hard work and the general view of American educators is that the softening process in the last years of the high school has gone too far. The challenge of difficulty is an essential part of mental development.

In dealing with the type of training needed for the professions, we are facing the difficult problem of deciding how the relatively short training can best be used to produce professional competence. This is an academic problem into which I do not propose to venture, but the result of my twenty years of teaching is a strong conviction that the problem has not been, and never really will be, solved. The advance of new learning each year renders more vast the field which the student must master and there is an economic limit to the period of training.

The Universities thus must deal with the problems of science and technology, and the practical task of training the professions.

But it is entirely wrong to regard Universities as mere instruments for securing better material standards of living. There is nothing objectionable in the desire of every class to live more comfortably and more elegantly — but it must not be the sole aim of life. The University should produce the general leaders who understand man and the life he leads. The more dramatic the advance of science, the greater are the social problems which must be faced. There are the obvious subjects of study — forms of government and the machinery which can make it effective. It is a curious commentary that, while millions of dollars may be spent on the design of a new model motor car, it is difficult to get a million pennies for research into the design of government and administration. But no University can ignore the human problems of society, however hard it may be to secure the money to investigate them.

Many seem to think that there is a great economic demand for technologists and scientists, while the University obstinately produces a superfluity of arts, law and commerce graduates. Actually, the demand for the latter is much steadier and less subject to fluctuation than the first. Measured in terms of employers' requests to our Appointments Board, the demand for scientists has steadily fallen over the last three years. But this last statement is likely to mislead unless it is emphasised that, even after the fall, we cannot satisfy the demand that exists. Thus the production of graduates with a general training is just as necessary as the training of scientists.

The prophets, who first invented the social doctrines which we all accept as axiomatic today, were usually very unpopular in their day and generation. Neither Christ nor Socrates found willing acceptance of their views — yet how much poorer the community would be without their imaginative leadership in the fields of religion and thought. A University cannot be a mere upholder of popular views. It must encourage the individual to tread into the dangerous fields of social investigation and it must protect his right to freedom of speech where vested interests wish to strike him down. A University thrives on intellectual controversy — but it should be based on a sense of objectivity and responsibi-
lity. Intellectual arrogance and "stunting" do not advance the cause of thought. But it is of vital importance that a University does not submit its staff to religious or political tests, or demand that they resign if their views are unpopular. Not all heterodox views stand the test of time, but many of the imaginative adventurers into the field of thought have laid us deeply in their debt.

Of the law graduates, a substantial proportion never intended to practise as barristers and solicitors. The remainder, if they are good, easily secure interesting posts. What should be the result of an effective training in law? Essentially it is the ability to master a mass of refractory material, to isolate the real issues and to exercise judgment in the solution of the problem. Whether in business or the civil service, these qualities are invaluable and the careers of many lawyers outside the profession (in the narrow sense) show that the community is not blind to this fact. Minds that have been taught to cut, to isolate the irrelevant and to write with pungency, conciseness and illumination — these are of benefit in any sphere.

It is obvious that both the child and the community will be happier if the pupil is guided into a vocation where he will be content and able to use his talents to the best advantage. Yet there is a great shortage of vocational guidance experts, and there is no course specifically designed for their needs. The University hopes next year to remove this reproach by staffing an Applied Psychology Unit. We were given the building several years ago but have been unable to pay for the staff.

The whole subject of tensions is fraught with interest. Tensions exist in the international sphere, between races within the same country, between capital and labour, and within the home. Occasionally these tensions produce a brilliant genius, as the pearl is created by the oyster because of the discomfort caused by the grit. But in social terms the cost of these tensions is catastrophic. Much research is now being done on these problems, but we are only skimming the surface.

Finally, a University must foster art, music and drama. A University should teach musical appreciation and also make music. Courses on the history of art must be given in order to raise the general taste. Design is a problem that affects our whole culture — the motor cars we drive, the houses in which we live, the implements we use and the gardens we create. A University should be the leader in fostering a demand for elegant, functional design.

The commercial theatre must be helped to flourish, but to secure a proper background for the development of the critical faculty we need professional repertory theatres which can afford to produce plays which are significant and yet would not be a commercial success. The University for six years ran its own professional repertory theatre, but the cost was too heavy. This year the Elizabethan Theatre Trust is assisting us. We could well do with greater public interest.

The thesis of this article is that democracy cannot even survive without an effective University structure. The days are past when the University was mainly concerned with producing men for science and the professions. Its task is now much wider. On paper, democracy is a risky process. We cast the responsibility of the most important decisions to a popular vote, optimistically assuming that the man in the street can balance short run and long term advantages. If democracy survives, it will only be because it produces leaders who can grasp the significant and persuade the cynical. Having spent forty years in various Universities, I would be the first to deny that I expect to find all the brains of the
community among our graduates. I would be the first to admit that a proportion of our University products is not the success which it ought to be. But I do affirm that the leadership of the best University products is that which makes democracy work. If we lose the struggle with the communist world, it will be largely because of internal decay rather than outside pressure. And may I say this? A community gets the University it deserves — if we have not done all we should, have you done all you can to help us?

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