An Admirable Survey

THE 1962 White Paper on the Australian Economy is the sixth in a series which began in 1957. These Surveys have made an indispensable contribution to the understanding and public discussion of Australian economic problems. Perhaps their most significant feature is that they afford an insight into the thought and economic philosophy of those who, as senior advisers to the Commonwealth Government, play a determinative part in the making of economic policy.

The surveys are always marked by a commendable moderation of tone and opinion. They eschew dogmatism and certitude — qualities so conspicuous among “the angry young economists”. The surveys do not pretend “to know all the answers”. The 1962 edition is no exception. It fully maintains the mature standard of economic discussion set by its predecessors.

The one criticism that might be made of this document is that, in parts, it smacks a little too much of an essay in self-justification. Perhaps that is understandable. Government officials can hardly be blamed if, in public discussion, they tend to gloss over or excuse their own mistakes.

In the light of what we now know, there can, however, be little argument that three quite serious errors were made in the boom-recession period of 1959/61. One, the abolition of import restrictions in early 1960, was an adventurous bid which very nearly led to disaster. The situation was saved by
an almost miraculous recovery in the balance of payments in the latter half of 1960/61, largely because of an unexpectedly heavy influx of overseas capital. The survey claims that the removal of import controls did its job in restraining the boom by adding to supplies. This is unconvincing. It seems far more likely that the suddenness of the measures aggravated the boom by the over-strong boost which it gave to business expectations. Increased supplies also meant that industry could push ahead with plans of capital expansion very much more rapidly than would otherwise have been possible.

In its efforts to promote recovery from the recession, official policy erred in precisely the opposite direction. It was much too timid. The 1961 Budget, which should have had a strong expansionary bias, contemplated a meagre cash deficit of £16.5 million. This amounted to little more than a drop in the ocean of total national expenditure of over £7,000 million. A few months later the Government was, in effect, compelled to recognise its error in its measures of February 7, 1962. The survey itself says “... the rise in unemployment through December and January emphasized the need for a faster rate of progress”.

The survey is able to point with some satisfaction to the accelerated pace of expansion in employment and production which has followed its February policy. Nevertheless, the economy has not yet recovered the verve and confidence it displayed before it was subjected to the shock treatment of November 1960. The Government was undoubtedly right in taking strong steps to “crack the boom”, but the nature of these measures had a shattering effect on business confidence. This was the third mistake.

The central concern of the 1962 survey is to examine whether progress can proceed on a smoother, more orderly, trend without the sharp alternation of booms and recessions which have been a feature of the post-war years.

The survey leaves no doubt where its authors stand on the importance of avoiding booms. Inflation, it says, “... is a grave social evil; it is also a pervasive economic malady and Australia has reached a point where there can be no compromise with it”. Stability of prices, it avers, “has become a matter of almost fateful importance”. This view would receive the strong
support of most economists. Nevertheless, as the survey recognises, the fight against inflation will be anything but easy. An economy (such as the Australian) seeking a high rate of growth is particularly susceptible to the inflationary virus. To achieve a high rate of growth, the ratio of investment to consumption must be high. But a high level of investment requires a high level of savings, and this conflicts with the natural desire of most people to spend more and more on current consumption. If investment is pushed too high, in other words, if an over-rapid rate of growth is attempted, then, in a free economy, inflation must result.

We have been a long time learning this lesson in Australia. And even now there are some people who do not accept it, or at least accept it only with great reluctance. Paradoxically, the same people who want "the sky to be the limit" with the rate of growth, and who are prepared to countenance some inflation, are also the fiercest critics of the Government's alleged "stop and go" policies. They fail to see that their own prescriptions would vastly increase the susceptibility of the economy to the "fits and starts" type of progress which they deplore.

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The survey examines at some length contentions, which have been recently much discussed, that some form of overall national planning provides the way to a faster and smoother rate of progress, with the avoidance of booms and recessions. This planning envisages the setting of "targets" of performance for the economy as a whole and for the main industries and sectors of the economy, covering a period of some years ahead. Here the survey achieves a high point in clear, convincing argument. Many will agree with its admirably stated conclusion:

"On the whole, the broad disposition of the Australian economy and those who work in it is probably against the notion of an elaborated plan which might, at best, prove somewhat rigid and therefore, cramping and, at the worst fall to pieces through initial miscalculation. What suits older, more mature economies may be quite wrong for an economy like ours which is, in important respects, still in a frontier stage of development."
The objections which the survey raises to planning of this kind are: First, the great difficulty of setting reliable targets, neither so high as to lead to an excess demand on resources, nor so low as to produce frustration on the part of those industries which felt themselves capable of doing more than the plan demanded.

Second, the danger of disruption of the plan because of sudden and unpredictable changes — to which the Australian economy is especially prone — in export earnings and capital inflow. Then there are such disturbing influences as droughts, the human propensity to speculate, the possibility of sudden cost increases and large-scale industrial strife — all of which can throw the plans out of gear.

Third, the restrictions which such a plan, even if compulsion were avoided, might impose on the initiatives and freedom of private enterprise. The judgments of those controlling a particular industry as to what was in the best interests of the industry might run entirely counter to those of the people directing the plan.

The inescapable truth is that a really "free economy" is difficult to reconcile with the elaborate arrangements envisaged by the advocates of far-reaching planning.

Is it, then, within the power of governments to completely avoid the booms, and the recessions which follow in their train? The answer to this may be "no". The greatest difficulty in preventing booms is that, deep down, most people probably like them. The straight line of progress, which some apparently hold to be possible, seems to be a counsel of perfection. The imperfections, irrationalities and often unpredictable character of human affairs do not lend themselves to this kind of flawless performance. Even the most highly planned economies have found this out to their cost.

This is not to say that every attempt should not be made to minimise the extent of the fluctuations inherent in progress. Indeed we have made great strides toward doing just this. The term "trade cycle" has, significantly, almost disappeared from the jargon of today's economics. The great peaks and valleys which marked, and marred, economic progress for at least the 100 years up to 1940 have since the war been reduced to little
more than gentle undulations. And there is reason to believe that we can do even better in the future.

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It is clear that better economic performance would be aided by constant contact and discussion between government, business and labour, because, as the survey says: "Without this there cannot be an adequately informed common mind on the problems in which all have a share and towards the solution of which all must co-operate. Neither can there exist the necessary measure of understanding, trust and freedom from needless conflict".

Wherever feasible, it would also be of advantage for the Government to provide some guide as to future prospects of growth in the economy as a whole and in particular sectors. But, as the survey rightly states: "Much of the requisite information and the people capable of interpreting it are to be found only within industry itself, and it would undoubtedly be a great gain if major industries would undertake and publish forward studies of their own sectors". The survey stresses the weakness of statistics which, as it points out, in the main, record and interpret the past, whereas the key questions to be answered lie in the future.

Altogether the 1962 survey makes an admirable and convincing contribution to the discussion of current economic issues. The proposals advanced for continuous and effective consultation between government, industry and labour are especially important. The authors deserve high commendation.
THE COMMON MARKET (THE EUROPEAN ECONOMIC COMMUNITY)
Established in 1957 by "The Treaty of Rome"

Present Members: Belgium, France, Germany, Italy, Luxembourg, the Netherlands.

The Aim:
- To eliminate all tariffs and trade restrictions between the member States.
- To establish a common tariff toward the rest of the world.
- To bring about close consultation on overall economic policy and an "ever closer union" within the Market.

Time Table: The tariff changes are to take place progressively over a period of years to be completed by 1973 at the latest.

A Watershed of History

The time for decision on Britain's entry into the Common Market is getting very close. That Britain will soon be a member seems almost a foregone conclusion. Apparently all the present members of the Market (France with some reservations) want Britain in — they feel the Market is only half complete without her. And Britain herself has now almost certainly decided that her historical destiny lies in participation in the great adventure of the European Economic Community.

The spectacular success of the Common Market had, of course, much to do with Britain's decision last August to apply for membership. Britain could hardly relish the prospect of living side by side with a new, dynamic, expanding economic giant of nearly 200 million people, from whose market she was virtually excluded and with whose great potential competitive power she might find herself fighting a losing battle in markets
overseas. The political prospect of exclusion seemed even more depressing. Britain, no longer one of the world’s super-powers, appeared certain, with the economic and political advance of the Market, to decline still further in influence and to lose, among other things, her special historic relationship with Washington to Paris, Bonn and Brussels.

In Australia there is, unfortunately, a great deal of confusion over the matter of Britain’s prospective membership. Much of this arises out of ignorance of the meaning and nature of the Market itself. This has led to almost morbid speculations about the impact on the Australian economy, with damaging effects on business confidence.

The essential thing to grasp is that the Common Market is much more than an alliance between a number of European countries to gain for themselves certain economic advantages. While it has immensely important economic implications, and while, during the brief period of its existence, it has promoted to a remarkable degree the economic growth and welfare of the member countries, it is, in a sense, a profound mistake to think of the Market primarily in economic terms at all. It is, in its essence, a tremendous political concept — one that could alter the whole future course of the world. Its ultimate goal is nothing more or less than a federation, or at least a confederation, of European States. It aims, in other words, to develop a new kind of Europe altogether, to substitute for the divided, warring, national States of history, a Europe united by economic and political bonds that would make future internecine European wars difficult, probably impossible.

The conception is a staggering one, and although there is still a long, long, way to go, the distance already travelled is also staggering.

But this grand conception of a United Europe cannot be completely consummated, perhaps must eventually fail altogether, without Britain’s participation. The leaders of the Common Market are well aware of this. Thus, in the negotiations in which Britain is now engaged with the Market countries, the cards are by no means stacked all one way. The Market needs Britain as much as Britain needs the Market.

The agonising dilemma which confronts Britain is that a decision to stay out of the Market could well be a decision to
turn her back on history, the eventual consequences of which for herself, for Europe, and for the world, might prove calamitous.

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To understand the Market, it is necessary to understand its origins. The Market is the most momentous of the many great international institutions which have arisen out of World War II. The War planted in the minds of many thinking Europeans the conviction that things could not go on as they had in the past, that the terrible periodic destructions of life and industry must be prevented, the recurrent blood-baths stopped, and that the divided Europe of sovereign national States must be somehow replaced by a unity of European peoples working together in peace for their mutual economic and political benefit. Otherwise, Europe had no future and, as a centre of civilisation, it must decay and die.

This development was given brilliantly forcible expression in a booklet on the Common Market published last year by the London “Daily Telegraph”. Referring to the Europe of 1945, the booklet says:

“How low had Europe fallen! Small wonder that many, contemplating the wreck, lost all hope. They were wrong to do so. For it was in this soil, seemingly poisoned for ever by bitterness, mistrust and hatred, by crimes without name or number and by the almost universal experience of defeat and humiliation — it was in this soil that there germinated at last a seed long dormant: the idea of European unity.”

 Appropriately enough, it was Sir Winston Churchill himself who gave this concept of a united Europe its first memorable post-war expression. Addressing the University of Zurich in September 1946, he declared: “The sovereign remedy” for the ills of Europe was “to recreate the European family, or as much of it as we can, and provide it with a structure under which it can dwell in peace, in safety, and in freedom. We must build a kind of United States of Europe”.

But prior to this, in the years following the first World War, the French Premier, Aristide Briand, supported by the German Foreign Minister, Gustav Stresemann, had championed the cause of European unification. And, at the time of the Hague Conference in 1929, Briand went so far as to advocate
a United States of Europe. But any faint hopes of the realisation of Briand's dream were wrecked by the great tornado of the World Depression, which caused nations to seek refuge from the economic storm within their own frontiers. How different would have been the course of history if Briand's aim had come to fruition and the frightful holocaust of World War II had been prevented!

What we must realise is that behind the development of this tremendous concept of a united Europe, lies fear and mistrust of a powerful, resurgent Germany. It was felt that only as a member of a close-knit family of States, where the policies and actions of each member were subject to some degree of supervision and control by the other members, could there be some assurance of containing Germany and persuading her to work in harmony with other European countries. The spectacle of the Germans and the French working together amicably on the problems presented by the Common Market is perhaps the most extraordinary and heartening fact of the post-war world. Chancellor Adenauer's visit to Paris in 1960 was the first visit in peace-time by a German political leader for over eighty years.

The first big development on the road to European unity, the Schuman Plan, was as much an outcome of the widespread European fear of the Germans, as it was of the better economic use of resources. Were the great steel and coal resources of the Ruhr Valley to be controlled, as in the past by a Kaiser William II or a Hitler, or were they to be controlled by no single nation, nor even by an international authority, but by some kind of supra-national body with powers of its own? The question was settled in 1950 by the formation of the Coal and Steel Community which does for coal and steel what the European Economic Community is in process of doing for the European economy as a whole. The six-member European Coal and Steel Community is the fore-runner of the Common Market. But by the time the Treaty of Rome (launching the Common Market) was signed in 1957, the European idea of unity was no longer pre-occupied with fear of a resurgent Germany; it had become an end in itself. It is significant that the top executive of the administrative organ of the Common Market, Professor Walter Hallstein, is himself a German.
LOOKING at it in the broadest perspective it is hard to see how the full consummation of a United States of Europe — if that is feasible — could be anything other than of great benefit to the rest of the world. And these benefits should be not only those of a political or military character (for one thing it would mean a massive strengthening of the Free World vis-a-vis the menace of Communism) but, in the ultimate, economic as well.

The growth in strength of the economy of Europe can hardly be to the disadvantage of the rest of the world any more than the development of the United States into the world's leading economic power has been to the disadvantage of other nations. Rather the contrary; as America has grown in strength so has its ability to assist countries less well-placed through the provision of capital, financial aid and technical know-how. The United States, too, in spite of her past protectionist policies, is after all the world's largest importer. As the European economy expands, it must be expected that it, too, will become a major source of supply of the world's capital needs and an expanding market for the goods of other countries.

All these prospects — political and economic — would be greatly enhanced by Britain's entry. Britain would bring to the Market not only her unrivalled experience in the working of parliamentary democracy and of the rule of law, her passionate concern with freedom itself, but also an unequalled knowledge of international problems and diplomacy arising out of her historic position in world politics and her association with the many diverse countries, races and creeds that comprise the British Commonwealth. This would all predispose the European Economic Community toward taking a liberal, outward-looking view of its place in the world and would greatly lessen the danger, if it exists, of a narrower, inward-looking, exclusively European view.

While Australia is entirely right to be concerned with both the short and long run implications of the Common Market so far as her own economy is concerned, we should look beyond insular and short-term considerations and try to see the Market in all its tremendous potentiality for the future security and stability of the world. We want to be great
fighters for our own cause, certainly, but we also want to show
greatness of mind and heart and that bigness of vision which is
necessary to the realisation of a better world.

In some quarters in Australia there is a feeling that the
United States is pushing for Britain’s entry into the European
Community so that she can grab for herself some of the
markets which have hitherto been protected by Common-
wealth preferences. While the United States has never minced
matters over its dislike for systems of preferential trade, there
is no justification for attributing such an unduly low motive to
our great friend and ally.

We in Australia should never forget that the security of
the free world, and of ourselves, largely rests on the military
might of America. Perhaps it is not as well known as it should
be that the United States is devoting 12% of its national in-
come and nearly 50% of its total Federal Budget to defence
purposes. Australia’s spending on defence amounts to 3% of
the national income and 15% of the Commonwealth Budget.

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It is clearly impossible to estimate the effects on the Aus-
tralian economy of Britain’s entry into the Common Market
— for one thing we are completely in the dark about the out-
come of any arrangements Britain may be able to negotiate on
behalf of the Commonwealth. In any case, this is not the place
to attempt it. Mr. Menzies and Mr. McEwen have un-
doubtedly made the strongest possible representation of Aus-
tralia’s position, and there is good reason to believe that the
views they have advanced are receiving careful and symp-
pathetic consideration in the negotiations at present proceeding
in Brussels.

But in trying to draw up a balance sheet, there are three
considerations that should not be overlooked. First, it is fully
appreciated by the Market countries that unless reasonable pro-
vision can be made for the protection of Commonwealth trade
outlets, Britain would be placed in an impossible position and
would probably feel compelled to withdraw her application
for membership. The British Government has affirmed many
times that it could not enter the Market under conditions which would be to the serious detriment of her Commonwealth partners. Should Britain enter the Market, the impact on Australian exports is unlikely to be nearly as severe as many people think. The member countries have proposed that a pledge by the Common Market to follow liberal trade policies should be written into the treaty that would admit Britain to membership. Under this pledge the Common Market would then start immediate negotiations for world-wide agreements covering the marketing of primary products. Agreements of this kind have been advocated on behalf of Australia by the Minister for Trade, Mr. McEwen, as a solution to the problems presented by the main primary products.

Second, the growth of Australia's exports to Asia in recent years has been spectacular — from £90 million ten years ago to over £300 million today. The tremendous economic expansion of Japan alone gives strong grounds for thinking that the increase of exports will continue and will at least help to offset losses of trade we might conceivably — but may not — sustain through Britain's participation in the Market.

Third, there is in process in the United States at the moment a powerful movement to liberalise world trade. A recent number of "Time" stated: "As a cause and as a doctrine, protectionism is virtually dead in the U.S.". The President is requesting powers from Congress to negotiate sweeping reductions in the American tariff in return for reciprocal reductions in the Common Market tariff on a non-discriminatory basis.

On products in which the U.S.A. and the enlarged E.E.C. account for 80% or more of world trade, and on tropical raw materials, the U.S. administration wishes to be empowered to bargain the complete elimination of tariffs altogether. On the rest of American imports, including temperate-zone agricultural products (of interest to Australia) the President is requesting powers to make cuts in all tariffs of up to 50%.

While these developments hold out promise for Australia and other countries, much of American protection of temperate-zone agricultural products takes the form of quotas and other special restrictions. If the enlarged E.E.C. and the U.S.A. are able to negotiate some effective limit to the total system of
agricultural protection, for instance by lowering their agricultural support prices, many of Australia's fears would be resolved.

But these efforts of the Kennedy administration to achieve a new and freer world trading system would in all probability break down if Britain fails to gain access to the Market.

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THE Common Market unquestionably involves certain hazards for Australia. How could it be otherwise? The Market is a revolutionary concept, because it implies a sharp break with the past, a new vision of historical destiny. But Australia is not the only country for which the Common Market involves risks and possibly short-term sacrifices. All the present member countries themselves have taken risks in its formation. Britain would be taking great risks should she decide to enter. Some of her industries would certainly be seriously affected and some will probably go to the wall.

The over-riding question is whether the risks and sacrifices are worth the ultimate benefits which it is hoped to gain. Nothing great in the world can be achieved without the willingness to venture.

The Common Market is a watershed of history, a climactic in historical evolution. Jean Monnet, one of the great architects of a United Europe, in a recent article in the French journal, "Realities", says that the fate of the world's 3,000 million — soon to be 5,000 million — depends on what the 500 million in North America and Europe do. "Upon their actions, upon their unity, upon their progress, depend, at one and the same time, their future and that of the whole world." Failure to bring to full fruition the unity of Europe could set humanity back centuries in its struggle for world security and order. That would be a disaster immeasurable!
Advertising Under Attack

RECENTLY there have been signs of a growing disquiet, especially among thoughtful sections of the community, over some types of advertising. This is true not merely of Australia, but also, and perhaps more so, of other countries such as the United States and Britain.

The seeds of this concern are almost certainly to be found in the tremendous, pervasive impact of television on the public mind. It is generally recognized that with the advent of television a new and powerful force of enormous potential, for good or ill, has been introduced into the field of mass communications. Advertising on a TV screen, combining picture, text and sound, has exceptional powers of penetration. It attracts and holds the attention in a way that no other form of advertising can hope to do. Because it cannot be ignored nearly so easily as advertising in the press or on the radio, television advertising has given a new meaning to the concept of repetition. Already it is said that television brings much greater results in selling certain types of products than other advertising media. For instance, the products of some comparatively small firms have become, almost over-night, nationally known; this would hardly have been possible without the aid of television.

But there is another aspect to it besides the strictly commercial. Television advertising is of such a character that it has become part almost of the daily lives of a great proportion of the people; thus it affects the standards, values and tastes of the community to an extent that was in no way possible with older forms of advertising. No other form of communication could possibly hope to absorb the attention of so many people at the one time. It has been estimated that in the United States it would take a theatre on Broadway one hundred years, assuming a full attendance at each performance, to cater for the numbers who normally watch a top-rated TV programme.

Over the last year or two, advertising has been on the receiving end of a barrage of criticism — particularly in the United States and Britain — from government officials, well-known intellectuals and even from leaders of the advertising profession itself. Last February, a conference was held in Washington between representatives of Madison Avenue, the advertising centre of America, and representatives of government bodies responsible for the supervision of advertising. At this conference, Mr. Minow, Chairman of the Federal Communications Commission, referred to television's "many screaming, cajoling and offending commercials". Mr. Paul Dixon, Chairman of the Interstate Trade Commission, bluntly told the meeting that the need to improve the level of advertising — particularly on television — was urgent. He proposed that his Commission should be empowered to order the immediate cessation of offensive advertising, rather than as at present having to await the
outcome of lengthy hearings and investigations before action could be taken.

Quite possibly authorities in the United States may have been encouraged to take action by a succession of widely read books, such as Vance Packard's "Waste Makers" and Professor Kenneth Galbraith's "The Affluent Society", which have trenchantly attacked advertising.

The eminent historian, Arnold Toynbee, in an address at Williamsburg, Virginia, in June, 1961, made the startling statement that "the destiny of our Western civilisation turns on the issue of our struggle with all that Madison Avenue stands for, far more than it turns on the issue of our struggle with Communism. An economy that depends for its survival on the artificial stimulation of wants cannot survive for very long". Professor Galbraith of Harvard University, now American Ambassador at New Delhi, put forward a somewhat related view in his work "The Affluent Society". Galbraith claimed that advertising constantly creates new demands for consumer goods for which the public recognizes no need, or feels none, until an advertising campaign arouses it.

It is significant that criticism of advertising in the United States has also come from within the advertising industry itself. In an article in "Time" magazine (October 20th, 1961) headed "Rumble on Madison Avenue", the president of a leading advertising agency is quoted as saying: "People are irritated by advertisements on television"; and another agency president is reported to have stated: "The trouble is that a lot of agency people have the idea that the public is a bunch of clods and they write advertisements accordingly".

In Britain, also, advertising has come in for harsh criticism. Last March, a prominent British economist, Mr. W. B. Reddaway, in a letter to "The Economist", said that advertising was "a beggar-my-neighbour process of wasting resources."

Here, in Australia, a leading advertising executive recently complained that "incompetent advertising is destroying top-management's confidence and consumer respect for the industry". He expressed the fear that unless something were done, Australia could follow the lead of the United States in seeking to curb misuses of advertising through an extension of government controls.

How much weight should be given to criticisms of this kind? First of all it is necessary to distinguish between the criticisms which have been directed at the standards and tone of advertising — such as those advanced even by advertising people themselves — and the generalised attacks on the whole concept of advertising itself, such as those of Professors Toynbee and Galbraith and Mr. Reddaway. However, there seems little doubt that criticism of this latter kind has been at least partly provoked by the more blatant examples of inane advertising, appearing particularly on television.

These attacks on advertising as such can be dismissed as palpably absurd. They appear almost equivalent to saying that because the quality of some soap is poor there shouldn't be any soap.

From the community's point of view, advertising performs the essential function of informing the buying public of the nature and range of products available for their consideration. It is difficult to conceive of any alternative method of information which would be as convenient for the buyer as well as the seller, and also less costly than advertising. Without the expenditure of a great deal of time and trouble, and thus at the cost of great inconvenience to themselves, consumers would be operating more or less in the dark. If there were no adver-
Advertising, producers and sellers would have to find other methods of bringing to the notice of the consuming public the particular products and services vying for their favour. How, for instance, would retail shops and stores draw the attention of the public to the particular bargains which they may have to offer on Fridays? (In New York, a few years ago, a newspaper strike led to marked falls in sales in department stores and shops). Advertising plays, too, an almost indispensable part in the launching of a new product or a new variation of an old product, thus enabling the firm concerned to throw out a challenge to well-established, but possibly inferior, lines.

There is also the question of costs. A leading British manufacturer of confectionery stated: “If I didn’t advertise, I would have to treble my travellers. It would cost just as much and would be a lot more trouble”.

Advertising is a part of the competitive economic system on which all the democracies rely for promoting efficiency in production and distribution, for maintaining and improving standards of quality, and for extending the range of goods and services available to the consumer. Competition in production implies competition in selling, and advertising is an integral part of the selling process.

Thus advertising provides a means — one might say an essential means — by which competition is consummated both between products and firms. The criticism that advertising is wasteful has therefore a close affinity with criticisms, which have sometimes been made in the past, that competition itself is wasteful because it sometimes leads to a surplus of particular products, or to excess or misdirected capacity. Mr. Reddaway, for instance, has referred to advertising as a “beggar-my-neighbour” process. In a sense, of course, that is true; but competition is, in a sense, a “beggar-my-neighbour” process. Competition is no more than an attempt to out-do one’s rivals in vying for the customers’ attention.

But the justification of competition is that this “beggar-my-neighbour” process enhances the general prosperity of the community as a whole, because it leads to efficient, low-cost production, to lower prices, to better-quality goods and services and to new goods and services. Admittedly, competition may at times give rise to waste in the use of resources, but the vindication of competition rests on the case that the wastes are far outweighed by the economies and benefits resulting from it. Moreover, the criticism that competition is wasteful implies that other methods of conducting our economic arrangements would be less wasteful. But some of the most staggering examples of waste and misuse of resources are often found in state-owned enterprises, where competition is absent, or at least not so prominent. The British Government’s ground-nuts scheme in Central Africa — launched soon after the war — in which £40 millions of taxpayers’ money was virtually poured down the drain, is a classic example. Nor have public utilities in Australia been immune from wasteful planning and use of resources. There have been many well-known examples. Indeed, the constant threat of financial loss, which hangs over the heads of shareholders in privately-owned competitive enterprise, is a salutary means of ensuring that wastes, on balance, will be kept to a minimum. In public monopolies, losses incurred due to mis-management can often be covered up and at any rate are borne by the taxpayers in general.

Galbraith’s assertion that advertising helps to sell people things they don’t really need may be true up to a point, but as one astute observer has pointed out “all people really need is a cave, a piece of meat and possibly a fire. The
complex thing we call civilisation is made up of luxuries”. Within reason, advertisers have every right in a free society to breed a “healthy discontent” with existing standards of living and thus lift the community's material sights.

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There is an important by-product of advertising which cannot be disregarded in any appraisal of the place of advertising in the economy. This is the part which advertising plays in the modern system of mass communications. Under existing arrangements competitive advertising helps to promote the dissemination of news and views by materially cheapening the price of newspapers and magazines to the public. Newspapers derive somewhere about 60% of their revenues from advertising, compared with only 40% from sales. Advertising revenues also pay the cost of entertainment and educational services provided through commercial radio and television stations. Any serious curtailment of the extent of advertising would, therefore, necessitate a radical change in the present methods of financing mass communications.

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While it is undeniable that advertising contributes indispensably to the efficiency and effectiveness of production and distribution in the democratic economies, there have been misgivings about some of its broader social implications and effects. These doubts have become so widespread, particularly since the advent of television, that they cannot be lightly dismissed.

For example, a recent poll taken among 180 well-known American citizens (conducted by the American Association of Advertising Agencies) found that although 90% regarded advertising as a productive force, over 50% said it promoted standards that were too materialistic, accused it of ignoring social values or felt that it tended to destroy individualism and was helping to make America “soft”. It seems that the critics felt that advertising was promoting an undesirable degree of uniformity in tastes and was dulling the power of people to think for themselves. Hence Mr. J. B. Priestley's word “admass”. There is also the feeling that too many advertisements are making misleading, absurdly exaggerated and false claims for the products with which they are concerned. How much weight should be attached to these views?

From the technical aspect a good deal of modern advertising is very well done and is, in fact, quite entertaining. However, it has to be conceded that too often it is fatuous in tone and sometimes just plain silly. In addition, claims made are sometimes so preposterous that no one could be expected to take them seriously, least of all the advertisers themselves.

In most cases there is probably no deliberately malign intention on the part of the advertisers. Nevertheless, there are few people who would deny that there is need for some improvement in the general standards and tone of modern advertising. The responsibility for this improvement, as some leading members of the advertising profession have recognized, rests squarely on the shoulders of the advertisers themselves. If they ignore their responsibilities they must tend to bring advertising into disrepute and invite public criticism and even government interference with their activities. As we have seen, advertisers in America are increasingly being subjected to government criticism and control in one form or another. And even in Australia some aspects of advertising, particularly those related to patent medicines, are being brought more and more under active government supervision.

There has, admittedly, been some attempt by the advertising industry to put its house in order. For instance,
The Australian Association of Advertising Agencies, whose membership comprises most of the reputable agencies, has drawn up a code of ethics which prohibits any member from resorting to advertising which misleads, exaggerates or makes ridiculous claims or is in bad taste. Since expulsion from its ranks would probably mean loss of entitlement to commissions from the proprietors of advertising media, the Association has some power to enforce penalties by disqualifying from membership any agency which ignores the code.

No one would deny the need in our competitive society for vigorous, aggressive selling, but that can be achieved without methods which offend standards of commonsense, moderation and good taste. It is therefore to be hoped that attempts by the Australian Association of Advertising Agencies to raise the standards and tone of advertising are properly supported by the members of the profession. This would not only be in their own interests, but also in the interests of the community and of the democratic system of free competitive enterprise. The present trend of things has elements of disturbance to those who believe in the free economy and they are entitled to expect a change in direction toward better things.
# Facts About Advertising

## Table I

<table>
<thead>
<tr>
<th>Advertising Media</th>
<th>£m</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Press</td>
<td>69.6</td>
<td>56.5</td>
</tr>
<tr>
<td>Direct Mail</td>
<td>15.0</td>
<td>12.1</td>
</tr>
<tr>
<td>Television</td>
<td>13.8</td>
<td>11.2</td>
</tr>
<tr>
<td>Poster</td>
<td>11.0</td>
<td>9.0</td>
</tr>
<tr>
<td>Radio</td>
<td>10.0</td>
<td>8.1</td>
</tr>
<tr>
<td>Picture Theatre</td>
<td>4.0</td>
<td>3.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>123.4</td>
<td>100.0</td>
</tr>
</tbody>
</table>

## Table II

<table>
<thead>
<tr>
<th>Country</th>
<th>Advertising Expenditure as % of National Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>2.8</td>
</tr>
<tr>
<td>Australia</td>
<td>2.3</td>
</tr>
<tr>
<td>Canada</td>
<td>2.3</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>2.1</td>
</tr>
<tr>
<td>Japan</td>
<td>1.5</td>
</tr>
<tr>
<td>France</td>
<td>0.8</td>
</tr>
</tbody>
</table>

## Table III

<table>
<thead>
<tr>
<th>Category</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufactured Products, etc.</td>
<td>74.9</td>
</tr>
<tr>
<td>Retailers and Amusement</td>
<td>35.5</td>
</tr>
<tr>
<td>All other</td>
<td>13.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>123.4</td>
</tr>
</tbody>
</table>

## Table IV

<table>
<thead>
<tr>
<th>Category</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Daily Press</strong></td>
<td></td>
</tr>
<tr>
<td>Paint and Accessories</td>
<td>£3,933,000</td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>2,085,000</td>
</tr>
<tr>
<td>Cars and Trucks</td>
<td>1,519,000</td>
</tr>
<tr>
<td><strong>Women's Periodicals</strong></td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td>£813,000</td>
</tr>
<tr>
<td>Cosmetics, etc.</td>
<td>651,000</td>
</tr>
<tr>
<td>Drapers' Supplies, etc.</td>
<td>537,000</td>
</tr>
<tr>
<td><strong>Television</strong></td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td>£2,979,000</td>
</tr>
<tr>
<td>Petrol and Oil</td>
<td>890,000</td>
</tr>
<tr>
<td>Smoking and Accessories</td>
<td>889,000</td>
</tr>
</tbody>
</table>
ECONOMIC forecasting is a necessary part of modern economic and business management. Indeed, in these days, forecasts of both the short and long range future are as numerous as the flowers in spring.

Businesses, of course, are under necessity to make periodic forecasts of future markets for their products as a basis for their plans of capital expansion. These forecasts are usually subject to constant review and are amended for changing conditions. But future product markets are affected not only by circumstances within the industry itself, but also, by economic conditions and the rate of growth of the economy. Thus the work of the market analyst must be supplemented by that of the economist.

There are some things that the economist can say about the future with a reasonable degree of assurance of being correct; but there is also a large and significant area of the economy where predictions become very chancy and sometimes little more than informed guesswork. This is why economic forecasting, though essential, is often a hazardous and unrewarding occupation.

Yet the economist shows no reluctance to act the role of soothsayer. Of course he is under strong pressure to do so. What most people want to know of the economist is what is going to happen next year, the year after, and even 10 years ahead. The Government wants to know; the businessman wants to know; the investor wants to know; and even the man in the street is more than a little curious. Some people seem to imagine, indeed, that the main function of the economist is to foretell the future. That, they believe, is what he is trained to do, and if he can't do it with reasonable accuracy, or refuses to do it, then he is not much of an economist.

Perhaps what many fail to understand are the great difficulties which confront anyone, even the most highly skilled
and trained minds, in looking into the crystal ball of the economic future. At best they can often only “see through a glass darkly”. It is true that the forecasters of today are better placed than their predecessors. They have at their disposal more comprehensive statistical data and much better analytical tools with which to work. Nevertheless, they are still at the mercy of those events which defy prediction. Moreover, the forecaster cannot help but be influenced by his own hopes and fears about the future and by the inclination of his own nature — (Is he, by disposition, an optimist or a pessimist?).

Two things which profoundly affected the economy of Australia during the 1950’s, both in the short-term and in its long-term development, were the Korean War early in the decade and the Suez crisis in 1956. Both of these episodes, particularly the former, gave a tremendous and quite unexpected boost to world commodity prices and this reacted, either favourably or adversely, on the economies of practically every country in the world. But the economist (or for that matter any one else) could hardly be expected to have foreseen these events, and if he had foreseen them, to predict with any precision their impact on economic conditions. Yet, as far as Australia was concerned, the impact was stupendous.

The Korean crisis led to the attainment of all-time record levels of export income, industrial production and national development. It also provoked one of the greatest bouts of inflation in Australia’s history. All forecasts a year or two prior to the outbreak of the Korean War were made to look ridiculous. Indeed, one of Australia’s most respected economists predicted, only a few months before the crisis, that the post-war inflation was virtually over and that business and governments could base their planning with some assurance on a reasonably stable level of prices and costs.

The Suez incident helped to save Australia from a balance-of-payments dilemma that threatened to be the most serious since the war. The economists who at that time were taking a gloomy view of Australian prospects (and many were) proved to be sadly astray. But, on the basis of the facts at their command, what else could they have done? They could
hardly have been expected to take into their calculations a grave political upheaval, which probably no one, not even the best-informed statesmen, had expected.

The economist cannot fairly be expected to foresee the occurrence of great world political crises of this magnitude, but their effect on economic trends, both in the short and long term, can be shattering. The best-laid plans can be dislocated; the most careful and intelligent prophecies can be rendered absurd.

Yet major political developments of this kind are not the only things that can upset prediction of the economic future. Some great technical break-through, for instance, might have almost equally upsetting effects.

Myxomatosis, for example, by achieving a wholesale reduction of the rabbit population, undoubtedly boosted the production of Australia's great primary exports, especially wool, far above what anyone would have believed possible a few years earlier. And who can say with any assurance what effect the extraordinary developments in artificial fibres might have on wool prices and thus on the Australian economy within the next decade? Only a month or two ago, the Deputy Chairman of Courtaulds in Britain, Mr. C. F. Kearton, made the bold and provocative, and from the Australian viewpoint disturbing, statement that: "Courtelle is going to make sheep useful for mutton, and nothing else".

Again, who can say when a major advance, such as the discovery of oil in large-scale commercial quantities, might be made? And if it is made, who can assess the extent to which it will affect Australia's economic future?

In no aspect of the economy are attempts at prediction more prevalent than in the overseas balance of payments. This is, of course, understandable since so much in the future turns upon the state of the balance of payments a year, or two years, or even five or ten years, hence. If short-term prospects appear to be bad, and a serious decline in our sterling reserves seems to be imminent, this might well indicate a tighter business situation, with the possibility of higher taxes and a tough budget and a restriction of bank lending; or, alternatively,
the imposition of import quotas. Or, if the longer term outlook for exports appears to be unfavourable, this could point to a slowing down of development and the need for a more cautious attitude by business toward investment projects designed to cater for future domestic markets.

Yet in this critical aspect of the economy, the crystal-gazers have been singularly unsuccessful. It is an instructive exercise to compare some of the predictions of the state of the balance of payments which have been made during the last ten years, with the actual outcome in each case. Such a study serves to reveal the hazardous character of economic forecasting in this most vital part of the economy, even when the forecasts are confined to so short a period as the position of the balance of payments at the end of the financial year in which they are made. In December, 1958, a prominent economist estimated that the run-down in reserves over the whole of the financial year, 1958/59, would total £175 million. The actual fall was £9 million.

To take another example: The year 1960/61 was universally expected to be a bad year for overseas payments, and predictions (made during the year) of the decline in sterling reserves ranged as high as £250 million. As late as March, 1961, (a few months before the end of the financial year), a well-known economist predicted an adverse movement in overseas reserves of £240 million for 1960/61. In the event, the reserves showed a rise of £40 million. (Admittedly, this included a borrowing of £78 million from the International Monetary Fund in April, 1961.) Factors which upset the forecast were the larger-than-expected drop in imports, the larger-than-expected returns from exports, and the sudden, unforeseen rush of incoming capital in the closing months of the year. Yet the inability of the experts to predict the course of the balance of payments, sometimes for only a few months ahead, does not deter some economists from making confident statements about the prospects for five, and sometimes as much as ten, years in the future.

The hard truth that must be faced is that much of economic forecasting amounts to an attempt to predict the virtually unpredictable. This does not mean that the attempts should not be made. But it does mean that they should not be taken
too literally. And it suggests, too, that the forecasters themselves, in their own interests, would be well advised to concede, quite frankly and openly, their limitations in an exercise which at times can be little more than informed guesswork. Too frequently the forecasts are accompanied by an air of assurance which must tend to mislead those who are disposed to base their plans upon them. This can lead to serious errors in business planning and even in government policies. All forecasts amount to statements of what is likely to happen under certain assumptions. But if the assumptions are not realised, the predictions themselves will be wide of the mark. Too often the underlying assumptions are overlooked by those who use the forecasts and sometimes are forgotten even by the forecasters themselves.

The great difficulties of foretelling the future with any accuracy place serious limits on what can be expected from national economic planning. The planners are, in effect, planning for a future of which they can have only, at best, an imperfect and incomplete knowledge. Plans which appear right today can be lamentably wrong tomorrow. Some new, unforeseen influence raises its head, some great discovery, some world-shaking event, some entirely unexpected occurrence, and the most carefully-laid, elaborate plans are rendered fit only for the pigeon-holes. Life is change, and change is the enemy of planning, because the nature and extent of many of the changes cannot be foreseen. To try to imprison the dynamic processes of economic growth within a pile of tidy blueprints is to attempt the impossible; moreover, it runs the risk of weakening the very forces on which development and progress depend.

ON the other hand, it would be equally wrong to go to the other extreme and dismiss economic forecasting as no more than an interesting pastime for economists and statisticians, but valueless from any practical standpoint.

While no one can say what will be the state of the balance of payments or the level of prices in, say 1965 or 1970, the statistician can tell us, within broad limits, the size of the domestic market in those years in so far as it is affected by the size of the population, he can tell us also the likely total of the
available work-force based upon the age distribution of the population. From these projections it is possible to obtain some idea of the probable local demand for housing, for community services such as electrical power, gas and water supply and for many basic commodities, and even for a fair range of consumer goods. The businesses and public utilities supplying these goods and services are at least in a position to assess, in general terms, what is likely to be required of them. These kind of long-range forecasts are thus of quite considerable value. They can be made with a fair degree of mathematical accuracy and do not demand any occult or exceptional powers of economic divination.

Short-run predictions of economic and business conditions, can also, at times be made with some confidence in their broad accuracy. One would expect, for instance, that toward the end of the current year, say six months from now, business will be more buoyant, and employment, incomes and consumer spending and industrial production will all be higher than at the present time. At least that is a strong probability, and economic prediction can deal only with probabilities, never with certainties.

* * * * *

W HEN all the reservations are made, there still remains much that the economist-statistician can do in helping us to see into the future. When he confines himself to what he reasonably can do, he can be of indispensable help to policymakers, to businessmen and to the public. When he yields to the temptation of attempting more than he can reasonably do, he can give rise to serious miscalculations on the part of business and to serious mistakes in public policy.

A failing to which economists are prone is that of over-reaching themselves, of pretending to know more than they do know. It is nice, of course, to be regarded by one’s fellows as a genius or a prophet, but few are cast for that role. The general run of economists, like doctors, lawyers and engineers are not magicians, but just ordinary mortals trained in a certain technical expertise. The truly great, those with some peculiar insight or unusual gift of intellectual intuition, are rare indeed. Any generation can count itself fortunate if it possesses even one or two of this type. And even genius can at times be wrong.
The Prospects for Development of Northern Australia

By

W. A. Beattie

The author of this article, Mr. W. A. Beattie, is an Economic and Pastoral Consultant, and practical farmer. He is widely known and respected throughout Australia and overseas for his knowledge of farm problems. Mr. Beattie is an M.A. of Cambridge University, where he was a College Prizeman. He graduated in Classics, Philosophy, Economics, Modern Languages, and Law. He is the author of a number of books and papers, including surveys of the Primary Industries of Uruguay and the Beef Cattle Industry of Australia. He spent 3 years in South America on behalf of the United Nations, including an International Bank — F.A.O. Joint Mission. Mr. Beattie has made a special study of the economics of under-developed countries.

In considering the prospects for development of any region of any country, certain basic questions immediately arise. Where is it and what is its extent? What sort of people live there? How is it governed? What is the inventory of its resources? How can its resources be developed economically? The last problem involves this: Can it gear its production to the satisfaction of a domestic or a foreign demand, always bearing in mind that that demand will never be static in this rapidly changing world? This particular question is apt to contain a very large psychological element because in a world which now has so many new and striving nations, the element of competition is greater than it ever was previously; and unless one, by the use of brains and imagination, can foster and maintain a demand for one's products, and then continually remould them to a changing market, the outlook can be bleak.

There is no political or geographical description which fits the designation "Northern Australia" so I propose to take what would be more or less the northern half, which would be the area above the 25th degree of latitude. The area would be above a line crossing Australia from east to west, from the
city of Bundaberg in Queensland to the coastal town of Carnarvon in Western Australia. The line would pass a little south of Alice Springs in the Northern Territory as is shown on the map published with this article. In round figures the area would be about 1.5 million square miles. This is somewhat greater than the area of India and Nepal combined or of Argentina and Chile combined, and somewhat less than half the area of either the United States of America or the United States of Brazil. By any comparison it is very large.

Apart from quite a small aboriginal population, its people are mainly British in origin with a sprinkling of migrants from Europe, most of whom are on the Queensland cane fields, and a very few Asiatics. The total population would be about 450,000 in Queensland, 21,000 in the Northern Territory and possibly about the same in the Western Australian division — a total of about half a million. The density of the population, apart from that of the Queensland coast, is extremely low. The Queensland portion is governed from Brisbane, the Northern Territory portion from the Federal Capital of Canberra with very limited powers vested in a local legislature in Darwin, and the Western Australian portion from Perth. There is constant complaint from residents about the inefficiency of government by what they regard as remote control, and to this is added their additional complaint, which has some substance, that vast tracts of the land are too tightly and in too orthodox a pattern governed by even remoter control — from the Head Offices of pastoral companies in Melbourne, Sydney, Adelaide and Perth and even in London. The last decade has shown considerable liberalisation however.

Where, as in this case, population is sparse, the real problem of political government and business direction must lie in delegation. The matter of separate government — within, of course, the sphere of Federal coordination — must depend on the rapidity of development and consequent attraction of population to given areas of sufficient size, which in turn calls for imaginative thinking. For example, there is increasing discontent about the extent of delegation by Canberra to the Northern Territory Legislature, as a natural concomitant of growth, and there is a weak but growing move in Queensland for the establishment of at least one additional State. It may well be that these two independent movements may lead eventually to a general reconsideration of the whole problem of States and their powers within the Commonwealth. It is hardly conceivable that any new State would have the sovereign powers given so long ago, and under such different circumstances, to the existing six States. I will not pursue this interesting enough subject but will merely mention that I feel it may have considerable importance in the development of the areas in question. But one must also bear in mind that a present obstacle to the development of the Commonwealth in its various parts is the diversity of laws, regulations, procedures, not to mention the jealousies, which make things unnecessarily difficult for business and farming and costly to all taxpayers.

When one considers the question of the inventory of the resources of the area, the striking thing is the rediscovery after many years of those resources which were recognised, and at least superficially known, in quite early days of exploration. Early explorers and pioneers, many of them men of ability and achievement, knew a great deal about water resources, about the occurrence of minerals, and had clear visions of the future of the region. But population was so low, domestic demand for produce so minor, distances from world markets so great in terms of time, that many years had to elapse and decades of social and industrial and political history passed through, before visions could begin to
Development of Northern Australia (continued)

become a reality. Only since the end of the last war has the time been ripe for a much more detailed survey, and more intensive exploitation, of the resources of the area.

On the whole, development only responds to a fairly urgent demand, to an obvious need. In past years that was absent. Australia had to pass through the lengthy depression of the '80s, several minor ones, the dreadful one of the '30s, and had to endure two major wars, before she could say that she had attained her majority and so go forth mentally and politically prepared to match her resources and ability in open competition with the other nations of the world. There are still many Australians who have not grasped this fact, and who still want the best of both worlds — to have our old parent country, Britain, guarantee us markets for traditional products, a very small proportion of which come from the North (apart from sugar) while maintaining our own independence to deal where and how we like. As Britain has tremendous problems of her own and has to make difficult decisions as to how to face them, so we must, more or less alone now, face new problems in world competition. We can only hope for a little more time to handle the transitional period, but it is in this period that we must think far more about our North.

The resources of Northern Australia fall into three main categories — soil, water, minerals. I will deal with these briefly in order.

The Land Survey group of the Commonwealth Council for Scientific and Industrial Research has, since the end of the last war, engaged in a project of considerable importance. Region by region, it has described climate, geology, geomorphology, hydrology, soils, vegetation, land systems and land-use groups of Northern Australia. The reports so far presented are of great basic value. This work has been supplemented by, in particular, the State of Queensland mainly through the work of a body known as the Bureau of Investigation, and also through a division of the Department of Lands which devotes itself to scientific investigation. As yet, we have not the complete picture but progress is considerable.

In the matter of water resources, not a great deal of information was available pre-war and most of our knowledge is very recent. For example, the Queensland Irrigation and Water Supply Commission is working on a series of river basin investigations and the latest, that of the important Fitzroy River Basin, was not published until August 1961. Most of our knowledge of the situation in the Northern Territory comes from the recently published "Proceedings of the Northern Territory Scientific Liaison Conference" of February 1961. But apart from the work of Professor Whitehead who has looked at, and is enthusiastic about, the Cape York Peninsula, we have very little to go on in many of the more remote areas such as those of the Kimberleys and Arnhem Land. It is also unfortunate that, in accordance with Australian traditional thinking, we have considered water in the North from the rather narrow point of view of drinking water for livestock and some limited irrigation, and not equally for the production of hydro-electricity and for general industrial purposes.

As regards minerals, Dr. H. G. Raggett, Secretary of the Department of National Development, pointed out recently (December 1961) that it was 1947 before the first large-scale geological mapping programmes were mounted by the Bureau of Mineral Resources as the beginning of a systematic geological mapping of Northern Australia. Although air photography has been practically completed, a vast amount of mapping and general survey work is still to be done. Contemporaneously, certain individual
investigations have been carried out, though on a very small scale, and a few stratigraphic bores have been put down, again on a very small scale compared, for example, with what is being done in a country like Canada. Geophysical surveys have been proceeding as far as very limited funds and personnel have permitted. In addition, work has been and is still being done by the Departments of Mines of the various States, and by companies interested in mineral development.

It is in the mineral sphere that results and prospects so far have been most spectacular. The Mount Isa mine in Queensland produced 57,500 tons of lead and 24,000 tons of zinc in 1960 (the limiting factor being the market) and 73,000 tons of copper. The copper reserves are calculated to be sufficient to support a high rate of production for at least 50 years. At Tennant Creek, in the Northern Territory, the Peko Company, working gold, discovered copper and in 1960-61 it produced 15,444 ounces of gold, 57,654 ounces of silver and 7,669 tons of copper. Encouraging lead-zinc ore bodies have been discovered at McArthur River in the Northern Territory and Dugald River in North West Queensland.

In 1960, 14,400 tons of asbestos was produced in the Hamersley Range area of Western Australia. Just north of this region lies the Pilbara district where there are iron ore deposits apparently several times greater than previously known Australian reserves. Across the de Grey River and in this general area is Mt. Goldsworthy which is about to be worked by an Australian company, in conjunction with two American companies. A £4.5 million deep-water port will be constructed at Depuche Island southwest of Port Hedland, a £1 million three-mile causeway to the island from the mainland, and a 120-mile standard gauge line from Port Hedland to Mt. Goldsworthy. Two completely modern towns will also be built, no governmental contribution being involved. It is interesting that in the Pilbara area one also finds gold, gold-antimony, lead-silver-zinc, copper, lead-zinc-vanadium, tin-tantalite, lithium-beryl-uranium, and industrial diamonds. There is tungsten and bismuth at Hatches Creek in the Northern Territory; tin at Herberton, Maranboy, Mt. Wells and Anningie (near Alice Springs); cobalt near Mt. Isa; and we now know of the immense bauxite deposits about
to be worked at Weipa on the Cape York Peninsula. This is only one of several such deposits.

Having outlined the mineral situation (as at present known after comparatively little exploratory work) one must think of industrial power. Oil search is still progressing at several points, but even if this fails, we have more uranium than we are likely to be able to export or use in the foreseeable future, and its use as a source of power is not far away. There are also immense reserves of coal in Queensland at Mt. Mulligan, Bowen River, McKenzie River Basin, Blair Athol and the Styx River.

The most probable sites for hydro-electric development are in the Burdekin Valley; probably a choice of sites on the Cape York Peninsula where rainfall is of the order of 58 inches a year; and the area of the Kimberleys between Wyndham and Derby bounded by the King Leopold Range and Durack River where there are many rivers, deep rocky gorges and a rainfall of 25 inches. Hydro-electricity is planned for the Ord River Dam. Mainly round the Kimberley, Northern Territory and Queensland coasts but not very far inland (as rainfall drops considerably in very short distances) are innumerable sites for good water storage. One has only to look at the provision made for the towns and mines of Mt. Isa and Mary Kathleen in an area of not much over 20 inches annual average rainfall to show what can be done given the right topography to provide run-off, stream flow and dam sites.

The next question which arises is: Can the resources that have been mentioned be developed economically by private enterprise without subsidy? In the case of the mineral fields, experience says “yes”. The Mt. Goldsworthy iron ore development will not ask for, nor receive, any Government assistance. It has been necessary to reconstruct the Townsville-Mt. Isa railway line, but this was overdue for passenger and livestock and general transport in any case. In some instances there may be port or other facilities needing Government assistance in the cost of construction, but this assistance would, in any case, be normally provided for communities of comparable size to those likely to result from the development of the projects in question. This contrasts with the Government assistance required for rural development which will demand free stock-route improvement, road-train facilities, irrigation dams and headworks generally, including main channels, free extension and inspection and veterinary services. Although all this may be justified where there is density of production, it must probably mean a heavy net drain on revenue in the low rainfall country which comprises the greater part of Northern Australia.

Rural development does not attract population because the incidence of employment is low. Only 5 per cent. of our population works on the land. We don’t, of course, want a peasant population which, theoretically, could be the means of raising rural population to a higher level. We must keep food costs down and wool costs down. This means large areas better managed, using the most modern techniques and more mechanisation. The population of Mt. Isa town, which is almost wholly dependent on mining, is 13,315; this is three times the population of the Kimberleys. To attain really high figures one must have secondary industry. The presence of a mining town helps the man on the land, who must supply its population and must diversify his agriculture to do so. This in turn helps to increase the farming population in the vicinity. The process of evolution in the North would be greatly speeded up by running small, and then greater, industries based on the products.
of the mines. The climate is for the most part dry and healthy, unlike that of the monsoonal tropics.

What I therefore visualise is a series of important mining towns carrying in themselves quite a high population, and a more diversified farming plan based on the need to supply such towns. This in turn leads to some increase in the rural population and at the same time gives a better and more certain financial return for farm or station products. The impetus to industrialisation will at first be weak but may easily grow much faster than most of us can at present visualise. It would be based on cutting transport costs to Asian markets.

In Northern Australia we will have for some time to come an exportable surplus of cattle, wool, sugar and tropical fruits. I think we need have no worry about wool provided we rid ourselves of complacency. In the case of cattle, it seems to me that the production from the Kimberleys and a good deal of the Northern Territory should go to East Asia, and to facilitate and ensure this, it is my feeling that Asian capital (from Japan or Hong Kong or Manila) should be involved. One of the great difficulties facing Asia is concentration of money in a few hands, and lack of faith by Asian investors in the political and financial stability of their own governments. (This does not apply to Japan or Hong Kong). Thus we should have no trouble in attracting some of that capital here on terms which are satisfactory to Australia and which will above all tie the East to us in legitimate trade.

East Asia is short of many of the minerals that we possess so abundantly. We can help by exporting minerals in a limited way so as to stimulate industry and employment there. When we do so, we perhaps might endeavour to enter into partnership in, or set up, industries in countries using these minerals and thus bring back a reasonable portion of the profits. We would supply capital and know-how. This is the modern trend and it seems to me to be right and logical. The problem of Asia is to create employment, and the problem of Australia is to help solve the problem of Asia. It is as simple, and as complex, as that.

I can’t see that we would do ourselves anything but harm in being blind imitators — growing in the north, under irrigation, things which Asia can grow as well and probably better and which she needs to grow and sell. I refer to crops such as cotton, sugar, rice. When these are already surplus in the world, what right, sense or business logic is there in adding to the surplus especially when, in doing so, we only tend to deprive the Asian peasant of the ridiculously small income he already receives. A recent visitor to Asia reported that the people he met were much more concerned about our rice and cotton growing projects than about the White Australia policy — and well they might be, not being aware of our severe limitations. The Australian taxpayer should also be concerned when the vast capital diversion and subsidies which will inevitably be involved are brought into the reckoning.

One would imagine that we would be much wiser to use the water from the Ord River scheme (already started and expected to cost £20 million) in the Kimberleys to provide drought fodder for our cattle industry, or to provide water supply for mining towns, than to add to the world’s surpluses and at the same time worry and even give offence to our near neighbours. If we must produce a crop, can’t we produce something which has industrial uses with possibly a by-product for cattle feeding? Have we ever really thought about the matter at all? Are we spending this £20 million on a proven plan or in hope? This brings me back to the point I made in the beginning: Can we gear our northern production to a domestic or foreign de-

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mand? This is new thinking. In primary industry we have always been in the habit of producing to our heart’s content. Then, when we have found that the products are not in sufficient demand to bring a payable price, we send our politicians and civil servants abroad to belabour those who don’t want them any longer, or who want less of them, or who want higher quality, or have “had” the methods of those few fringe operators who I like to refer to as our “business bandit” class.

A USTRALIA must have a much higher population. She must keep on increasing her standard of living, which involves diversifying products for domestic consumption. At the same time, she must be able to meet foreign competition particularly in industry. I visualise mineral development in Northern Australia as being largely tied in with increasing domestic use of its products by our own factories. This involves much greater stress on education, and the keeping of our best brains here. Previously, we have exported them. There is ample evidence that, given the education and the opportunity, our good men can keep us up in front technically. They can invent new machines, new techniques, new products, new designs. If this is not so, then Australia has no future. The sooner we realise this the better. I don’t think that we have, as yet. Our outlook is too agricultural, too narrow, too laissez-faire. We are already being badly caught off balance by European developments and our immediate footwork must be fast. Present policy neglects the resources of the North.

Finally, therefore, I would say that the prospects for development of Northern Australia are immense because we have the resources which (though only recently proven) are yet scarcely touched. But the worrying thought is this: Is our outlook right? Are we prepared to meet the modern world on its own terms? Have we any overall plan of development of the whole of Australia, because we must not think of the North or South separately, but of the whole? Are we mature enough to handle the potential wealth that we have? Will we continue to look back nostalgically to Europe only, or should we look forward in addition to the immensely exciting and challenging future of our relations with Asia? If the former, we will not use the North to advantage. If the latter, we will, and we must.