Sane Budgeting

The Commonwealth Government has on the whole budgeted wisely.

There is nothing easier than to court public popularity by distributing tax concessions and cash hand-outs. And this year the Government might almost have been excused if it had shown a disposition to use the Budget to retrieve some of the political ground lost over the last 18 months. Its refusal to tread the tempting path of political expediency is, therefore, especially praiseworthy.

The presentation of the Budget is invariably the signal for a hostile and largely unthinking outburst—an annual bear-baiting event. There has not been one Budget in the last ten years that has not been the subject of widespread public censure.

Most criticism this year centres on the argument that the Budget fails to provide the economy with a sufficient stimulus to go forward with confidence. But the budgeted deficit of £118 million—the largest since the war—is not inconsiderable and the Government, with some justification, has clearly decided that it reaches the outer limits of prudent financing.

The Government shows itself to be well aware of the aspects in the present business situation which are causing concern. The recovery from the 1961 recession has been more halting than was hoped. Unemployment has been falling, but not rapidly enough. Housing has remained a weak spot in the economy. (Perhaps the Budget Speech might have given a
stronger lead on the problems of home building.) Notwithstanding increases in production over a wide range of industries, there still persists a disturbing, even puzzling, degree of hesitancy and uncertainty in many business circles. The great intangible in all economic planning is the unpredictable factor of business psychology. The picture of the economy given in the Treasurer's Budget Speech should help to provide some reassurance for those disposed to take an over-cautious view of business prospects.

For the first time since the War the economy seems to have broken free of the grip of what had become an apparently irresistible inflationary momentum. This hard-won victory is all the more significant in light of rising costs in Western Europe and Japan. Last year export income achieved an all-time record and overseas reserves at the 30th June had reached the relatively satisfactory figure of £561 million. The rural position is good. The estimated wool clip will be higher than the record of last year. Large plantings of wheat have been reported and a record crop is in sight. The volume of meat production seems to have been well sustained. Under the stress of tighter markets and increasing competition, the extravagances encouraged by the boom have been trimmed back and productivity in many manufacturing industries has improved notably. This is a significant gain.

There is a more than ample supply of money in the economy to support demand. Savings bank deposits rose last year by £157 million. Debts on hire purchase agreements were reduced and hire purchase companies have ample money to finance additional business. The banking position is highly liquid with a plenitude of funds available for business borrowing. In the coming months spending power will be strengthened by the receipt of tax refunds—estimated by the Treasurer to be of the order of £90 million.

It could hardly be contended, then, that business recovery is being held back by lack of money. With this in mind it must be concluded that the Government would have been unwise to contemplate a deficit greater than the £118 million for which it has budgeted.

Some may argue that Government spending could have been lower and tax concessions greater within the limits im-
posed by the amount of the deficit. However, a good part of
the increase in government expenditure was already "com-
mitted" as a consequence of arrangements with the States at the
recent meeting of the Loan Council. These arrangements were
widely supported at the time in view of the slack in emplo-
ment. Moreover, the directions in which government spending
is to be increased are, in this case, hard to contest. The increase
of £17 million over last year on capital works in northern and
western Australia would be supported by all those who take a
sound and broad view of future development. The increased
subsidy of £2½ million for oil exploration is certainly justified
in the light of recent events in this field. While the I.P.A. is
no supporter of "the affluent-society type" of government
spending, we find ourselves in strong agreement with special
measures of this character. In any case, there is no certainty
that further tax concessions would give a comparable boost to
the economy in a situation where there are already plentiful
supplies of money and a marked degree of business hesitancy.

The important thing now is for business to recover full con-

fidence in the future of the economy. This recovery will
not be promoted just by the simple expedient of pumping
more and more money into the economy through massive
budget deficits. We are afflicted with a shortage of confidence
rather than a shortage of money. It is not easy to put one's
finger precisely on why this lack of confidence persists and the
Treasurer's own attempts to explain it are not entirely convinc-
ing. Part of the explanation may lie in the fact that during the
boom many businesses, taking a too optimistic view of future
prospects, were encouraged to expand productive capacity in a
rather reckless fashion. This has left some industries with more
capacity than they can use for the time being, and with a
natural reluctance to undertake further expansion. This reluct-
ance is no doubt aggravated by the fact that business profits
generally, which are substantially down on levels of recent
years, may not provide sufficient inducement for fresh capital
developments. Uncertainty about future imports and import
policy may be a contributing factor in some industries where
fears of import competition are most pronounced.

But, as internal conditions improve, as they should in the
months ahead, the business mood can be expected to improve.
At the core of the Government's thinking on the Budget is undoubtedly the desire to refrain from setting in motion a rise in costs and prices. Once an inflation has been started, it quickly assumes a kind of self-perpetuating momentum, and it cannot be brought rapidly to a halt. A renewal of inflation at this juncture, when long-term export prospects are beginning to promise so well, would be nothing short of a disaster for the Australian economy. To cast away fecklessly the stability achieved at long last after so many years of inflation would be an act of the greatest folly—of this the Government is well aware.

There is a further, and very potent, reason why the Government is undoubtedly right to move with just a trace of caution. Experience has shown that as expenditure increases and the level of employment moves close to the full-employment mark, the Australian economy exhibits a pronounced tendency for imports to rise with disturbing suddenness. We appear to be going along quite nicely and then over-night we find that imports have shot up to levels which threaten trouble with the balance of payments. The Australian economy, to use a technical phrase, has an alarmingly high "marginal propensity to import".

Although the Budget Speech makes no mention of it, the Treasurer and his advisers almost certainly had well in mind that imports over the last three months—at around the £90 million mark—have already begun to rise substantially, around £20 million above the average level of preceding months. The danger of a sudden and dangerous deterioration in the balance of payments is ever-present in the Australian context. Having achieved a position of some balance in our external finances, it would be foolish indeed to let this slip if we can possibly avoid it.
EVERYONE is agreed on the need for Australia to "grow" as rapidly as possible. But at that point agreement ends. On the means by which the objective of rapid growth should be pursued there are two rather violently divergent schools of thought.

There is, on the one hand, the school which is acutely dissatisfied not only with the present rate of growth but with the rate of growth achieved through the 1950's. This school holds that we should be growing very much faster—a figure of 6% per annum has sometimes been whispered (in the 1950's we averaged 4.3%).* They argue that this can be done through the agency of more expansionary fiscal and monetary policies; much heavier expenditure on investment, especially on government projects; a more ambitious immigration programme; and, last but by no means least, by national planning and the setting of official targets for performance by the economy as a whole and for key industries. It is not perfectly clear how far this school of thought would go in enforcing adherence to the plans, but one is left with the impression that they would not shrink from some measure of compulsion where it can be imposed within the limits set by the Constitution. They would also be prepared to accept inflation and to take risks with the balance of payments in order that their goal of a faster pace of growth could be realised. The extremist members of this school profess to believe that expansion is of a higher priority than stability of prices or equilibrium in the balance of payments.

The second school of thought does not accept the notion that the long-term rate at which the economy is expanding is, under the circumstances, much too slow. It holds that the record of achievement in the 1950's was outstandingly good,

* These figures refer to the increase in total Gross National Product, not G.N.P. per head.
indeed one of the best in the world, and surpassed only by those countries where conditions were exceptional.† If it rejects the idea that growth is of a higher priority than stability of costs and prices and in the balance of payments. In fact, it would dispute that there are priorities at all in these matters; indeed, it would contend that without stability of prices and continued strength in external finances, growth itself would be jeopardised. This school of thought therefore stands for a more cautious fiscal and monetary policy than the “expansion at all costs” school and is averse to a sudden large jump in government spending on capital works. Finally, it is not entirely enamoured with national economic planning and target setting (at any rate in the Australian context) as a means of speeding up the rate of growth.

This, in general, seems to be the approach being taken by the Commonwealth Government and its advisers. It would also number among its supporters, the I.P.A.

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What is wrong, then, with the views of the “rapid expansion at all costs” school of thought?

In the first place, it is a profound and exceedingly dangerous mistake to imagine that the rate of growth of the Australian economy can be speeded up if we are prepared to relax our attitude toward inflation. To some extent this approach seems to be a mental hangover from our experience in the 1950’s. We got through the 1950 decade without grave calamity, yet we had one of the greatest periods of inflation in Australian history. We also had a reasonably high rate of growth—according to the “inflationists” not nearly as fast as it should have been, but for all that, not too bad. And, so they argue, we can do better in the future provided we will only plan for it.

It is, of course, debatable whether the inflation of the 1950’s had much, if anything, to do with the pace of expansion we achieved; it is even possible that we might have done better without inflation. But there is no need to enter into that in order to demonstrate the fallacy of the “expansion at any price” approach.

†Western Germany and Japan, for instance, achieved extraordinarily high rates of growth. This was partly because of the severe economic setback sustained by these countries in the war and the low, initial level of productivity.
The 1950's was in many respects a quite exceptional period. Post-war world commodity shortages, which were aggravated temporarily by the Korean War and the Suez Crisis, and scarcities of many manufactured goods meant that costs were not the decisive factor in determining the level of exports. Export prices were high, in some years fantastically high, and export producers, although faced with rapidly rising costs, were still able to sell at a good profit.

Nevertheless, over the decade, the long-term trend of commodity prices was steadily downward as supplies increased and the world returned to a more normal supply-demand relationship after the disruption caused by the war. At the same time import prices for manufactured goods were edging upwards. By the end of the '50's, the terms of trade, which exercise such a strong influence on the Australian economy and which were so much in our favour in the early years of the decade, had deteriorated greatly. At the present time they are less favourable even than before World War II and there seems to be little prospect of any dramatic improvement.

Many world commodity markets are now over-supplied. Others are being subjected to steadily intensifying competition from substitutes. Markets for manufactured goods are becoming more competitive with the growth in strength of the economies of the European Economic Community and of Japan, and they are likely to become still more so as the movement toward more liberal conditions of international trade, for which the United States is providing the main impulse, gathers way.

All this should not be taken to mean that Australia cannot add greatly to its export income in the years ahead. Indeed, the prospects of expanding exports may well be far better than we may at present imagine. We are, for instance, just beginning to sense the vast opportunities that lie ahead in the Asian area. The entry of Britain into the Common Market may initiate a great forward step in the liberalisation and expansion of world trade. But to take full advantage of all the opportunities that may open up in the export field, the prevention of
inflation will be of prime importance. In the 1960's, efficiency and competitive costs have become the means of growth, but inflation undermines both.

* * * * * * *

IT may be true that, for a short time, growth can be speeded up by inflation. Otherwise unused, although less efficient, resources of labour and capital are brought into play. For a short period we can live on the “fat” of accumulated overseas balances. Inflation is, in effect, a means by which resources can be diverted to investment. It achieves this result by cutting consumption, by reducing real incomes through the agency of higher prices. But all this shortly brings its own retribution. As costs rise and productivity falls, exports become harder to get; excess domestic demand leads producers to concentrate on the home market; lower-cost imports are encouraged; the balance of payments deteriorates. Moreover, those who find that their standards of living are falling because of rising prices will soon be clamouring for more money in order to retrieve their position. The initial inflation thus tends to provoke more inflation. Further, the additional investment resources that inflation has provided by imposing “forced savings” on a part of the population tend to find their way into speculative and unproductive purposes—extravagant real estate schemes, for instance. As the inflation continues and the overseas position weakens, overseas investors may take fright and the flow of capital from abroad may fall away just at the time it is needed most. The boost given to the economy through inflation is thus short-lived. Soon it is inevitable that steps be put in train to arrest the inflation and to strengthen the balance of payments. These steps must curb and slow down the forced, but short-lived, rate of growth to the rate which the country can afford and is prepared to pay for: to what it can afford without serious balance-of-payments’ imbalance; to what it is prepared to pay for, in other words to the level of savings which it is, in fact, prepared to countenance. Experience shows that this is not unlimited. Governments which try to force “savings” on the people by extra-heavy taxes soon find that the people’s tolerance cannot be stretched too far. One great economic
truth is that people never, at least in peace-time, readily acquiesce in any reduction in their current standards of living; on the contrary that they will fight bitterly against any such reduction and, further, that they are looking all the time for some improvement. Economic policies which ignore or run against these basic desires can lead only to trouble.

* * * * * * *

Perhaps most extraordinary is the recent resurgence of faith in national economic planning. We call it a resurgence because this faith had suffered an eclipse since the early post-war years, when it would seem to have been thoroughly and effectively exposed by some of the most respected names in economics in the English-speaking countries.* Now it has been given a new lease of life, and the strangest thing is that the planning religion has gained converts among those who one would have thought would have regarded it as the greatest of economic heresies.

National planning which contemplates the setting of targets of growth for the economy and for the main industries for 5 or even 10 year periods, has been put forward as a means both of vastly speeding up the rate of growth and of avoiding the so-called "stop and go policies" of the 1950 decade. Some businessmen have undoubtedly been led to give their support to planning by the shock they sustained through the 1960 November measures.

It seems almost child-like to imagine that the rate of growth can be accelerated just by the fact of some authoritative body saying, in effect, that instead of a growth rate of 3% or 4% we will have one of 6%. As someone ironically said of the newly appointed planning body in Britain, the National Economic Development Council: "The N.E.D.C. said 'let there be growth and there was growth'." Equally ingenuous is the idea that "stop and go" can be entirely eliminated from economic policy, that it should never be necessary to step on the accelerator or apply the brakes.

The more one examines the tenets of the planners the more questionable they become. The greatest single argument

*Lord Robbins, Sir Denis Robertson, Prof. J. Jewkes, Prof. J. E. Meade, Sir Roy Harrod.
against planning is not a new one. It is that the planners are attempting the impossible task of trying to reduce economic development to some kind of pre-ordained, coherent form when the influences that bear upon development are so numerous, so variable and so extraordinarily complex. Over-all economic planning pre-supposes forecasting. But how is one to forecast national levels of demand for any length of time in the future when those levels can be affected by a hundred and one factors—economic, scientific, technical, even political—most of which cannot reasonably be foreseen?

One of the most expert and well-documented attempts at national forecasting of which there is record, is that of the Ridley Committee appointed in Britain in 1951 to predict future levels of consumption of energy in Britain over a 10-year period. The results are such as should raise doubts even in the minds of the planners themselves about the efficacy of their own prescriptions.

The Ridley Committee’s estimates, contrasted with what actually happened, provide the illuminating table below.

<table>
<thead>
<tr>
<th>CONSUMPTION, 1951-1961</th>
<th>Committee’s Estimate</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Energy Sources</td>
<td>+16%</td>
<td>+9%</td>
</tr>
<tr>
<td>Coal</td>
<td>−4%</td>
<td>−28%</td>
</tr>
<tr>
<td>Gas</td>
<td>+27%</td>
<td>−4%</td>
</tr>
<tr>
<td>Electricity</td>
<td>+38%</td>
<td>+84%</td>
</tr>
<tr>
<td>Oil</td>
<td>+82%</td>
<td>+249%</td>
</tr>
</tbody>
</table>

The great error arose in the complete failure of the Committee to anticipate the massive shift in the 1950’s towards oil and electricity. The forecasts also went sadly astray because of a complex of economic, technical and political factors which the Committee could not have been expected to foresee.

If errors of this magnitude can take place in a basic industry such as the provision of power, where competition is limited, where production and prices are largely under governmental control and where external influences do not play a predominant part, how difficult must be the task of forecasting and planning in the many industries of a much more unpredictable character?
Admittedly, some of the strongest advocates of planning are not unaware of these difficulties and this has led them to say that "planning without teeth is worse than no planning at all". In other words, the only way the forecasts can be made to come true is by bringing the economy under rigid control. This is, of course, entirely unacceptable to democratically minded peoples who wish to preserve their freedom to choose and decide for themselves. But even if this kind of planning were politically acceptable, it must tend to destroy individual decision and initiative and to be resistant to scientific and technical changes which threaten to upset the tidy pattern of "The Plan". National planning is an attempt to reduce future development to a pattern conceived by the planners, which is sure to be vastly different from the pattern, which would result from the free play of changing economic and scientific forces. Does anyone seriously believe that the pace of growth can be speeded up by a system of this character?

* * * * * * *

The advocates of much more rapid growth are accustomed to point to serious deficiencies and shortages in many areas of the Australian economy. There is, of course, nothing easier than to make a lengthy catalogue of all the things we should like to have more of. It is possible to think of a hundred and one things we need in Australia at the present time. But that can be done of any economy in the world. However, just to list our needs doesn't help very much. Economics has been defined as "the problem of the satisfaction of wants with scarce resources". In the foreseeable future, resources will never be sufficient for all our needs. The real issue is how we can maximise our resources and put them to the best use. Certainly a policy of internal inflation is not the way to do it.

There is probably no economist in Australia to-day—although there were some a few years ago—who does not recognise that growth and development require an expanding volume of imports. These increased imports—or resources—can generally only be obtained by more exports. But under to-day's conditions, as we have seen, inflation and rising costs would make it infinitely more difficult to build up our exports.
There is always a temptation for a country to try to do more than it has resources to do it with, just as there is a temptation for many people—which most, fortunately for themselves, resist—to spend above their incomes. Nations find it more difficult to steer clear of the temptation to tread the prodigal path. The easy way for those in control of economies is to retreat in face of all the pressures to which they are subjected. This has too often been part of the history of democracies. But, if there were ever a time when the government should be resolute in standing firm against all those who would have it embark on over-ambitious, inflationary schemes of growth and development, or policies which would add to costs, this is it.

There are some reasons for thinking that, in spite of the Common Market, indeed possibly because of it, Australia stands on the brink of tremendous possibilities in the field of exports. The two things most needed are competitive prices and costs and energetic and adventurous marketing. Those who are most vociferous in arguing for faster rates of expansion may yet get what they want (in spite of themselves and their disdain for those opposed to their inflationary prescriptions) provided we do precisely the opposite of what they are advocating.
Great Changes in World Trade

ONE of the outstanding economic developments since the war has been the remarkable expansion in international trade. In 1961 the volume of world trade was much more than double, 120% greater than, the pre-war volume and 87% above 1950. Over the last three years, since 1958, the volume of trade has jumped by 25%.

The expansion in trade has far outstripped the increase in world population (35% since pre-war; 20% since 1950). It is, in large part, a reflection of rising prosperity and living standards and strong, sustained economic growth, particularly in the advanced industrialised countries of the Western world. This has led to an expanding demand for all kinds of imported materials and of capital goods. It has also given rise to a greatly increased exchange of manufactured goods between the industrial countries themselves, particularly within Western Europe, but also between Western Europe and the United States. In Japan, which during the 1950's had the highest rate of development of any country, the emphasis has been more on imports of raw materials and foodstuffs.

This great expansion of trade has also been assisted by the progress toward more liberal trading conditions, particularly in manufactured goods, which has been achieved during the post-war period. The new philosophy of trade liberalisation contrasts with the doctrines of economic autarchy which clamped down on the world during the 1930's. It has been given practical expression in the efforts of G.A.T.T. to whittle down the restrictive trade barriers erected in the inter-war years. The activities of such institutions as the International Monetary Fund and the World Bank established after the war to assist countries with balance-of-payments problems (or in need of finance for development purposes) have also helped to keep the trade currents flowing strongly.

But perhaps the most promising developments in trade liberalisation are of very recent origin. The six members of the Common Market have already gone a long way along the road towards eliminating tariff barriers between themselves. With the probable entry of Britain and other European countries into the Market, the next logical step would seem to be a scaling down of tariffs against the outside world. President Kennedy now has authority from Congress to offer sweeping reciprocal tariff concessions to the Common Market. There seems little doubt that this is one of the principal reasons why the United States is pressing for Britain's entry into the European Community. American leaders obviously hope that Britain would help promote the acceptance of outward-looking economic policies within the enlarged Market, aimed at lower tariffs, world-wide commodity agreements and other arrangements to expand imports from the rest of the world.

Tariff reductions would assist the primary-producing and under-developed countries to expand their exports of foodstuffs and raw materials to Europe and North America. Asian and South American countries with cheap-labour costs
Changes in World Trade (continued)

would also be able to export greater quantities of labour-intensive manufactures such as textiles. At present, for instance, Britain buys 30% of her textiles from the under-developed countries, the "Six" only 5%. To the extent that the poorer countries are able to expand their export earnings, the burden of foreign assistance being shouldered by the United States and by Western Europe itself will be proportionately lighter.

* * *

World trade is dominated by the industrialised, high standard-of-living countries. This predominance has become even more pronounced in recent years, particularly because of the remarkable economic revival throughout the Western European area.

In 1960 the industrial countries of Western Europe, North America and Japan accounted for two-thirds of all world imports and exports (including those of the Communist countries). Western Europe itself accounts for about 40% of all world trade with only 10% of world population. By contrast, Asia (excluding Japan and Soviet Russia) with 50% of the world's population contributes less than 10% of world trade. The main reason is, of course, the lack of economic development and the poverty of its peoples. This applies also to Africa and South America which, notwithstanding their large populations, barely account for 10% of world trade between them. The main contribution of the under-developed continents of Asia, Africa and South America to international trade has been in tropical products such as rubber, jute, copra, bananas, tea, coffee and cocoa, minerals such as tin, copper and diamonds and, more recently, petroleum.

While the absolute and relative increase in the exports of the industrial areas has been a notable feature of international trade since World War II, there has also been a growing tendency for the industrial world to trade within itself. Western Europe provides a classic illustration of this tendency. This can be seen from the table below.

**Source Of Western Europe’s Imports**

<table>
<thead>
<tr>
<th>Year</th>
<th>Western Europe</th>
<th>North America</th>
<th>East Europe</th>
<th>All other</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>42%</td>
<td>16%</td>
<td>3%</td>
<td>39%</td>
</tr>
<tr>
<td>1960</td>
<td>52%</td>
<td>15%</td>
<td>3%</td>
<td>30%</td>
</tr>
</tbody>
</table>

The stage for the expansion of trade within Europe was set by the Marshall Plan in the early years of post-war reconstruction. Out of this grew such institutions as the Office of European Economic Co-operation, the European Payments Union, the Iron & Steel Community and, ultimately, the Common Market, all of which helped reduce trade and financial barriers impeding the free flow of goods.

During the 1950’s the value of Western Europe’s trade, both intra-European trade and trade with other areas, grew faster than world trade as a whole. Exports by Western European countries to each other rose by 127% between 1950 and 1959, compared with a rise in world exports of 86% during the same period. Western Europe’s exports to the rest of the world in 1959 stood 106% above 1950 but imports from outside Western Europe were only 62% above 1950.

Since 1950, the proportion of world trade accounted for by the primary-producing and under-developed countries has declined steeply. Whereas the volume of exports of the industrial countries has more than doubled, exports of the less developed areas have risen by a mere 40%. But in values the contrast is even more striking. The prices of agri-
cultural products and raw materials, which are virtually the sole exports of the under-developed countries, are now nearly 10% lower than in 1950. Against this, the prices of manufactured goods have risen by 30%. The result is that manufactures now comprise a much larger share of the value of world trade, and food and raw materials a much smaller share. This is shown in the table below.

**Percentage Of World Exports (Values)**

<table>
<thead>
<tr>
<th></th>
<th>1938</th>
<th>1950</th>
<th>1960</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food &amp; Raw Materials</td>
<td>44.4</td>
<td>46.4</td>
<td>34.2</td>
</tr>
<tr>
<td>Petroleum &amp; Coal</td>
<td>8.2</td>
<td>10.0</td>
<td>10.0</td>
</tr>
<tr>
<td>Manufactures</td>
<td>47.4</td>
<td>43.6</td>
<td>55.8</td>
</tr>
<tr>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td></td>
</tr>
</tbody>
</table>

The declining contribution of the primary industries to the international exchange of goods is attributed to several causes. First, throughout Europe there has been a noticeable desire to achieve greater self-sufficiency in cereals and other foodstuffs. Second, in the richer countries the consumption of staple foods has tended to stagnate, or even decline, with rising incomes. In Western Europe, the principal importer of many food crops, and in the United States, a major market for many tropical products, expenditure on food has lagged significantly behind the rise in total expenditure. Third, there has been increasing resort by the industrial countries to synthetic substitutes made in their own factories. Over the past decade, we have seen a fantastic growth in plastic and man-made fibres to the detriment of base metals and natural fibres.

The sluggish growth in world demand for primary products has led to mounting trade deficits in the under-developed countries of Asia and South America. But at the same time that their export incomes have been lagging, their import needs have been rising. Besides substantial imports of capital goods and raw materials for industrial development, the low-income countries also need large quantities of foodstuffs to feed their growing populations. The compelling need for a rapid acceleration of the pace of economic growth in the non-industrial countries in order to raise standards of life from their present near-subsistence levels is recognised as one of the major challenges facing the world at the present time. Some idea of the magnitude of this task may be gained from an estimate made by the United Nations' Statistical Office. In order to achieve an increase in the per head income of the under-developed countries from their present meagre levels of an average of about £50, to £70 by 1969, their average annual per head rate of economic growth of 1.8% in the 1950's has to be raised to 3.2% during the 1960's. But this acceleration in the rate of growth would entail a doubling of imports; this increase is far beyond the present capacity of the under-developed countries to finance out of their present or prospective export earnings. They are thus critically dependent on the industrial countries for both trade and aid.

United States' policies have also had a disturbing influence on world trade in primary commodities since the War. Huge surpluses of these commodities have been accumulated as a consequence of the farm price support programmes of the American Government. In 1959/60, 71% of America's wheat exports, 50% of rice exports and 26% of maize exports were sold on non-commercial terms to assist under-fed peoples in the poorer countries and in an effort to reduce surplus stocks. Although America's share of world output of most primary products is no greater than pre-war (in the case of cotton considerably less) she is now supplying almost half the world's exports of wheat and cotton and two-thirds of the maize. The pre-war proportions were wheat 6%, cotton 43% and maize 9%. 

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However, the parties to G.A.T.T. are now conducting a series of conferences on the prospects of world commodity arrangements with a view to setting "normal," realistic prices. This action, together with proposals — admittedly nebulous at this stage — for a joint North American and Western European scheme to finance food purchases by the underdeveloped countries, offers a ray of hope for better trade opportunities in primary commodities. There is also the further possibility that, as industrialisation proceeds in Western Europe, labour shortages alone will bring about a change in attitude towards the wasteful use of manpower in some European primary industries. In West Germany, for example, 23% of the labour force is employed in farming but produce only 7% of the national output of all foods. By way of contrast, in Britain the 7% employed in farming pursuits produce 5% of the national output; in Australia 12% of the total work force, employed on the land, produce 20% of the total national output.

A significant reduction in farm protection in Western Europe would encourage a transfer of labour from the farms to the rapidly expanding secondary industries. Australia and other producers of temperate foodstuffs in the British Commonwealth would stand to gain a great deal if these developments occur.

A LTOGETHER, despite the difficulties, the spectacular expansion of world trade and the movement toward liberal trade policies would seem to offer bright prospects for the future.

As far as Australia and other countries are concerned, the key undoubtedly lies in a solution to the problems presented by the present world surpluses of many basic commodities. In view of the compelling political and economic urgency of assisting the under-developed countries to raise their living standards, it is reasonable to think that some way out will be found.

By and large, under the driving force provided in the main by the United States, the free world appears to be moving toward a more liberal and mutually beneficial system of international trade than has existed in modern times. We seem to be in process of learning the lessons which we failed so tragically to assimilate in the years between the two world wars.

Nations become more prosperous themselves by helping others to achieve prosperity.
### Table I — WORLD EXPORTS 1960

<table>
<thead>
<tr>
<th></th>
<th>North America</th>
<th>Western Europe</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Thousand Million Dollars</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food, Drink, Tobacco</td>
<td>4.2</td>
<td>6.0</td>
<td>12.1</td>
<td>22.3</td>
</tr>
<tr>
<td>Raw Materials</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fuels</td>
<td>1.0</td>
<td>2.3</td>
<td>9.4</td>
<td>12.7</td>
</tr>
<tr>
<td>Fibres</td>
<td>1.1</td>
<td>0.9</td>
<td>3.6</td>
<td>5.6</td>
</tr>
<tr>
<td>Metal Ores</td>
<td>1.1</td>
<td>0.7</td>
<td>2.0</td>
<td>3.8</td>
</tr>
<tr>
<td>All Other</td>
<td>2.7</td>
<td>2.8</td>
<td>6.3</td>
<td>11.8</td>
</tr>
<tr>
<td></td>
<td>5.9</td>
<td>6.7</td>
<td>21.3</td>
<td>33.9</td>
</tr>
<tr>
<td>Manufactures</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machinery, Vehicles</td>
<td>7.4</td>
<td>15.4</td>
<td>5.0</td>
<td>27.8</td>
</tr>
<tr>
<td>Other Metal Mfs.</td>
<td>2.6</td>
<td>7.5</td>
<td>3.5</td>
<td>13.6</td>
</tr>
<tr>
<td>Chemicals</td>
<td>1.9</td>
<td>4.3</td>
<td>1.2</td>
<td>7.4</td>
</tr>
<tr>
<td>Textile Yarns</td>
<td>0.6</td>
<td>3.2</td>
<td>2.3</td>
<td>6.1</td>
</tr>
<tr>
<td>All Other</td>
<td>3.3</td>
<td>8.1</td>
<td>4.8</td>
<td>16.2</td>
</tr>
<tr>
<td></td>
<td>15.8</td>
<td>38.5</td>
<td>16.8</td>
<td>71.1</td>
</tr>
<tr>
<td></td>
<td>25.9</td>
<td>51.2</td>
<td>50.2</td>
<td>127.3</td>
</tr>
</tbody>
</table>


### Table II — WORLD IMPORTS

<table>
<thead>
<tr>
<th></th>
<th>% World Pop.</th>
<th>Food</th>
<th>Raw Materials incl. Fuels</th>
<th>Manufactures</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Thousand Million Dollars</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td>7</td>
<td>4.0</td>
<td>5.5</td>
<td>10.4</td>
<td>19.9</td>
</tr>
<tr>
<td>Western Europe</td>
<td>10</td>
<td>10.7</td>
<td>16.0</td>
<td>26.4</td>
<td>53.1</td>
</tr>
<tr>
<td>U.S.S.R. and satellites</td>
<td>10</td>
<td>2.1</td>
<td>3.5</td>
<td>7.3</td>
<td>12.9</td>
</tr>
<tr>
<td>Asia</td>
<td>53</td>
<td>2.5</td>
<td>4.7</td>
<td>7.9</td>
<td>15.1</td>
</tr>
<tr>
<td>Africa</td>
<td>8</td>
<td>1.2</td>
<td>1.0</td>
<td>5.6</td>
<td>7.8</td>
</tr>
<tr>
<td>Latin America</td>
<td>7</td>
<td>0.9</td>
<td>1.1</td>
<td>5.9</td>
<td>7.9</td>
</tr>
<tr>
<td>All Other</td>
<td>5</td>
<td>0.9</td>
<td>2.1</td>
<td>7.6</td>
<td>10.6</td>
</tr>
<tr>
<td></td>
<td>100</td>
<td>22.3</td>
<td>33.9</td>
<td>71.1</td>
<td>127.3</td>
</tr>
</tbody>
</table>

Changes in World Trade (continued)

Table III — MAJOR COMMODITIES ENTERING WORLD TRADE

<table>
<thead>
<tr>
<th></th>
<th>1938</th>
<th>1953</th>
<th>1959</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Thousand Million Dollars</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crude Petroleum</td>
<td>0.45</td>
<td>2.79</td>
<td>4.68</td>
</tr>
<tr>
<td>Petroleum Products</td>
<td>0.69</td>
<td>3.40</td>
<td>4.38</td>
</tr>
<tr>
<td>Coffee</td>
<td>0.26</td>
<td>2.36</td>
<td>1.92</td>
</tr>
<tr>
<td>Wheat</td>
<td>0.44</td>
<td>1.96</td>
<td>1.85</td>
</tr>
<tr>
<td>Meat</td>
<td>0.44</td>
<td>1.11</td>
<td>1.85</td>
</tr>
<tr>
<td>Wool</td>
<td>0.33</td>
<td>0.90</td>
<td>1.71</td>
</tr>
<tr>
<td>Rubber</td>
<td>0.29</td>
<td>0.76</td>
<td>1.64</td>
</tr>
<tr>
<td>Raw Cotton</td>
<td>0.60</td>
<td>1.84</td>
<td>1.60</td>
</tr>
<tr>
<td>Fresh Fruit</td>
<td>N.A.</td>
<td>1.59</td>
<td>1.26</td>
</tr>
<tr>
<td>Dairy Produce</td>
<td>N.A.</td>
<td>1.13</td>
<td>1.40</td>
</tr>
<tr>
<td>Sugar</td>
<td>0.34</td>
<td>1.42</td>
<td>1.38</td>
</tr>
<tr>
<td>Coal</td>
<td>0.53</td>
<td>1.27</td>
<td>1.16</td>
</tr>
<tr>
<td>Wood Pulp</td>
<td>N.A.</td>
<td>0.74</td>
<td>1.06</td>
</tr>
</tbody>
</table>


Table IV — WORLD TRADE BY REGIONS (Volume of Exports)

1958 = 100

<table>
<thead>
<tr>
<th></th>
<th>1950</th>
<th>1961</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Exports</td>
<td>Imports</td>
</tr>
<tr>
<td>Developed Areas</td>
<td>62</td>
<td>65</td>
</tr>
<tr>
<td>Under-Developed Areas</td>
<td>80</td>
<td>69</td>
</tr>
<tr>
<td>Sterling Area</td>
<td>82</td>
<td>78</td>
</tr>
<tr>
<td>Africa</td>
<td>74</td>
<td>66</td>
</tr>
<tr>
<td>North America</td>
<td>70</td>
<td>74</td>
</tr>
<tr>
<td>Latin America</td>
<td>79</td>
<td>75</td>
</tr>
<tr>
<td>Common Market</td>
<td>48</td>
<td>53</td>
</tr>
<tr>
<td>Free Trade Area</td>
<td>78</td>
<td>73</td>
</tr>
<tr>
<td>U.K.</td>
<td>87</td>
<td>77</td>
</tr>
<tr>
<td>Asia</td>
<td>75</td>
<td>59</td>
</tr>
<tr>
<td>World</td>
<td>67</td>
<td>66</td>
</tr>
</tbody>
</table>

*1960 figures

### Table V — EXPORTS OF MANUFACTURES

% of the world total (excl. Communist Countries)

<table>
<thead>
<tr>
<th></th>
<th>1950</th>
<th>1955</th>
<th>1959</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.A.</td>
<td>27.3</td>
<td>24.5</td>
<td>21.3</td>
</tr>
<tr>
<td>U.K.</td>
<td>25.7</td>
<td>19.7</td>
<td>17.3</td>
</tr>
<tr>
<td>Germany</td>
<td>8.3</td>
<td>15.4</td>
<td>19.1</td>
</tr>
<tr>
<td>Other Europe</td>
<td>29.9</td>
<td>29.3</td>
<td>29.4</td>
</tr>
<tr>
<td>Japan</td>
<td>3.5</td>
<td>5.1</td>
<td>6.7</td>
</tr>
<tr>
<td>All Other</td>
<td>5.3</td>
<td>6.0</td>
<td>6.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source—U.N. Statistical Office.

Britain's declining share of manufactures is due to the following:

1. Australia and other sterling area countries diverting their purchases to other markets.
2. Failure of Britain to keep pace with Japan and Germany in developing new markets, particularly in Asia and South America.
In recent years, the I.P.A. has published four booklets:

- "Production the Key to Better Living" — 60,000 copies
- "Profits & Progress" — 50,000 copies
- "Free Enterprise" — 40,000 copies
- "Inflation" — 42,000 copies

A fifth booklet in this series will be published shortly, under the title "How Prosperous Are We?". As with the previous publications it is liberally illustrated. It deals in a simple and popular way with Australia's prosperity and our standard of living.

The booklet has been designed for widespread distribution among factory and office employees and in the schools.

The booklet discusses:

- How prosperous we are today compared with 20-30 years ago in terms of real wages, employment, goods consumed per head, property ownership, education and social services.
- How well-off we are compared with other countries.
- Why it is vitally important to increase our efficiency and productivity.
- How we can produce more.
- How individual freedom and a free enterprise economy promote a prosperous community.
- Why we cannot enjoy full prosperity without reasonable stability of costs and prices.

Bulk copies of the booklet are being sold to companies and business firms for 1/6d. per copy. This charge is expected to cover the cost of production and provide also for a large free distribution to schools and teachers in all States of Australia.

The success of an educational campaign of this nature depends upon the active interest and support of the business community. We have been gratified by the orders received to date. Some of the larger Australian companies have ordered upwards of 1,000 copies each for distribution among their employees.
The U.S. Under Fire

"Gratitude is the hardest burden of all to bear."
(Old Turkish Proverb)

THE United States, the richest and most influential power in the world and the protector of the free nations, has been receiving much more than her fair share of criticism, even from those who depend upon her. Indeed, anti-Americanism is in danger of becoming a fashionable, world-wide cult.

In recent months there have been disturbing signs of the existence of some anti-American feeling in Australia. Although for the most part manifestly stupid, the criticisms occur too frequently to be safely ignored. There have always, of course, been people who have harboured prejudices against America, often because of some kind of mistaken idea that this confirms and strengthens their British loyalties. These prejudices have recently been brought to the surface by a combination of things.

The antagonisms which have been aroused in some quarters by Britain's prospective entry into the Common Market seem to have been partly directed at the United States. The notion, which seems to have gained some acceptance, that America is pushing Britain into the Common Market in order to obtain trade advantages for herself at the expense of Australia is too miserable to warrant attention. In fact, America's desire for a United Europe extends infinitely beyond petty considerations of this kind. The post-war influx of American capital into this country also has given birth to a coterie of critics. American-owned enterprises are assailed on the grounds that they expect too high a return on their investment, and that they are reluctant to provide, directly, for a sharing of ownership with Australian capital. The Americans have also been accused of monopolising the recently intensified search for oil. All this seems to have given rise to a vague fear that somehow or other the control of Australian resources and industry could slip out of Australian hands. Canada is held up as an example of what could happen here.
There is a good answer to this sort of criticism. It is that a young country which is pursuing a great programme of development must accept, indeed solicit, the assistance of other countries in the form of capital, know-how and experience—either that, or it must settle for something much less ambitious. Until the last year or so, the Canadian rate of development was among the highest in the world and standards of living were advancing rapidly. But, as Canadians themselves readily concede, this would not have been possible without American money and American ideas. One can sympathise thoroughly with Canadian misgivings about the extent of American ownership of their industries, at the same time as recognising that this development has not come about through any malign or underhand intention on the part of America. However, there seems little likelihood of this dilemma arising in Australia. Australia, unlike Canada, does not depend on the United States for the bulk of its foreign trade. Moreover, British capital plays relatively a much bigger part in this country than it does in Canada.

In recent years, anti-American feeling has been especially pronounced in Latin America and Asia; it has also been noticeable in Europe. The violence of this antagonism has sometimes shocked and bewildered the Americans, who naturally find it hard to understand why peoples who have benefited so greatly from American aid and generosity should turn and bite the hand that has fed them. As far as Europe is concerned, America might well ask: "Has the Marshall Plan been so soon forgotten?" In this situation, the least her traditional friends can do is to exercise care before adding their voices to the hostile clamour.

Australia has a special reason for doing so. While the protection of the entire Free World rests, in the final analysis, on America’s military might and her superiority in nuclear weapons, the Australian defence position in the Pacific has become uniquely dependent on the United States. In World War II, the American forces played a decisive role in helping to save Australia from the horrors of physical invasion. That is not long ago, but it seems all too easy to forget. The American responsibility for the defence of the Free World is placing a tremendous burden on the economy of the United States. The
defence budget represents 12% of the national income and nearly 50% of the total budget of the U.S. Federal Government. By contrast, Australia’s annual outlay on defence of around £200 million, comprises 3% of the national income and about 15% of the Commonwealth Budget. The comparatively small expenditure of this country has been justified on the grounds that Australia could not divert a large proportion of her resources into defence channels and at the same time sustain a great programme of development and migration.

* * * * *

America may derive some small comfort from the thought that criticism, even enmity, is the inevitable lot of the powerful and great. The big tree acts like a magnet on the throwers of stones. Whatever the big nation with vast responsibilities does, invites attention. Actions which may please some countries, displease others. Much of the criticism is the child of envy — the envy of the poor for the rich, of the small for the big, of the weak for the strong. Britain, in the days of her pre-eminence as a world power, was also a favourite target for criticism.

A leading English novelist, Angus Wilson, has called anti-Americanism in Western Europe the most distressing, foolish envy of our time. "There are grievances against America which deserve consideration from everyone. But anti-Americanism is quite another thing; it is an impotent Envy which does nothing but disgrace the speaker."

Moreover, envy is contagious. Criticism becomes a habit that spreads, almost a game in which increasing numbers of people like to participate. It affords them an opportunity of working off some of their own frustrations. Every error, minor as well as major, every indication of some flaw in the make-up of the object of criticism, is seized upon and usually invested with a significance that it does not possess. Motives are invariably given a sinister connotation. The virtues, the achievements, the wise acts are neglected or minimised in the insane desire to pull down and to denigrate. All this tends in the end to build up a dangerously distorted and false picture of the person or nation under attack. To some extent this has happened with the United States.
Often the fiercest critics of America are people who have never been there. They draw their deductions about the United States from Hollywood pictures or TV programmes, or from sensationalist news-stories about racial conflict and teen-age brutalities committed in New York or Chicago. They have never bothered to probe deep into American life; they know little or nothing of its background and history, or of what America really stands for in the world.

Even among the many who visit the United States, few, probably, come to grips with the life of the people. They stay for a short time in the big hotels of the great cities—New York, Chicago and the like—and then pass on. Seldom rested or at ease, they take away an impression of hurry and bustle, of restlessness, of a tremendous vitality. They feel overwhelmed by the mammoth buildings and bridges and free-ways and luxury cars innumerable. They are struck by the contrast of palatial pent-houses cheek by jowl with the "skid-rows". Some find a disturbing impersonality in everyday human relationships. Few travellers to the United States give themselves the opportunity to really know America. They see only the surface of things. Only a minute proportion penetrate to the real inner core, to the heart of American life.

What disturbs the visitor to America often disturbs the Americans themselves — but with a difference. The true American knows another America with which the visitor often fails to make contact.

But the foreigner who has lived in the United States, say for 12 months or more, invariably leaves with regret and with a great admiration for Americans and their country. He finds the American environment stimulating and exciting; he feels that it has brought out the best in himself. He admires its vitality, its enterprise and adventurousness. He appreciates the essential kindliness and extraordinary hospitality of the people, their good intentions and, above all, the powerful strain of idealism which is so distinctive a part of the national make-up. He comprehends that their reverence for the American way of life, their belief that it is best, implies no disparagement of other peoples. The American may feel that the United States is "God's own country"—there is a tremendous sense of national pride—but he does not regard the Americans in any way as
a divinely chosen people. The "master race" concept has no part in the national philosophy. Even though the American may sometimes be an over-zealous missionary for the American way of life, there is no hint of any feeling that he is superior to others. But his pride in America does not blind him to the blemishes in his own country. Indeed, Americans are their own sternest critics.

* * * * *

It would be idle to deny that the United States is passing through a period of great uncertainty. This is giving rise to much self-questioning and even self-doubt. This uncertainty can probably be traced to two main causes.

First, the United States has only recently mounted the throne of world leadership. Moreover, it has come to this great responsibility at a time in history when much more is demanded of a world leader than ever before. The responsibilities are enormous and are such that a mis-step might have fateful consequences not merely for the Americans themselves, but for all the nations depending upon them. The American people feel these responsibilities keenly. There is no doubt that the United States is finding the role of leadership complicated and arduous. To the problems which confront her, there is often no clear-cut answer. All this is having its effects on the people. There are many furrowed brows in America today. Being a young nation, they seek after the perfect answer and they cannot always comfortably accommodate themselves to the harsh realities of a world where final solutions are often unattainable.

Paradoxically, the second cause of the uncertainty which one senses in the United States today is her own vast wealth. The United States is "the affluent society" par excellence. In material things she has reached a position in which most countries would like to find themselves, but to which they can still only aspire. But wealth bring problems and doubts. In some cases, it enlarges and ennobles; in others it gives rise to a yawning spiritual vacuum. We see this clearly in the case of individuals; but the United States is the first really wealthy nation in history. Although the United States has become the great world philanthropist, this does not fully satisfy the conscience
of its people. They exhibit a strong concern about the inner content of their own lives.

What, then, is she to do with her affluence? Will it be used to enrich and to expand the vistas of American life? Or will it lead, as it has done in so many instances, to the fleshpots, the enfeeblement of the mind as well as the body, to apathy and disillusion?

Fortunately, there is little sign of that in American life today. It retains its exuberant vitality, its determination to seek worthwhile goals, its idealism, its thirst for experiment and adventure. These are not the qualities of degeneracy.

All the world should know that the United States is pursuing unswervingly the tremendous vision of a great free Atlantic partnership—a partnership between the new union now emerging in Europe and the old American union founded a century and three quarters ago.

Those who are so ready to criticise the United States would do well to bear these things in mind. The problems of world leadership—terrifying in today's context—are problems which they themselves do not have to face. A great Englishman, John Buchan (Lord Tweedsmuir) wrote some 20 years ago, when he was Governor General of Canada: "... to her hands is chiefly entrusted the shaping of the future. If democracy in the broadest and truest sense is to survive, it will be mainly because of her guardianship. For, with all her imperfections, she has a clearer view than any other people of the democratic fundamentals." With extraordinary prescience he penned the following words: "If the world is ever to have prosperity and peace, there must be some kind of federation of States which accept the reign of Law. In such a task the United States seems to me to be the predestined leader."

★ ★ ★
Australian Prospects Good

A Viewpoint of Two Business Leaders—

Mr. C. R. Darvall, the General Manager of the Australia and New Zealand Bank Ltd. — a leader in Australian financial and banking circles.

THE question is asked "Where is Australia going and what are the general business and economic prospects before her?"

It must be admitted that, as of now, we start out from a singularly fortunate home basis in that our overseas balances are healthy, our country is crying out for further development, has great natural resources of which we know and many yet to be uncovered. Our people have proved themselves capable and resilient with a history of steady upward economic growth, even in the face of quite severe set-backs from time to time.

From our earliest times the produce of the land has been a basic influence, and mineral wealth has also greatly contributed. Industry too has steadily increased its contribution. As we stand at the moment, all these are capable of great further expansion.

However, due to our own relatively small population, it is to export we look, and it is our own industry and skill in holding costs and finding markets which will provide a vital contribution to the well-being of Australia over the next few years in particular.

All this past history has meant that we have been able to maintain a steadily
improving standard of living and over the years to export primary and secondary products to such an extent as to enable us to become one of the world’s great trading nations. Over the years too there has been a steady inflow of capital to speed and facilitate our development. In this context it is of note that high moral standards of Government and business have been significant in encouraging this movement.

With this heritage behind us, it would be a hardy soul who could honestly prophesy that Australia would not continue to march forward over the next decade, and this whether the United Kingdom joins the Common Market or not.

If this is true, then surely the future can be approached with greater confidence than is presently evident in the community. Undoubtedly there has been an air of questioning and uncertainty following the results of the drastic Government measures of November, 1960, designed to dampen down the boom which had been mounting to dangerous proportions and which it was abundantly clear had to be checked.

The main causes of this uncertainty appear to be—

(a) The present overseas outlook, particularly in the U.S.A. and the U.K., linked in with the question of the United Kingdom joining the European Common Market.

(b) Our internal problem of the level of employment, coupled with the high emergence of school-leavers into the work force which was particularly high last year and will be high again at the end of 1962.

(c) The problem of holding of costs with which Australia has been struggling over say the past ten years, and the fear that, as has occurred three times in the past twelve years, an uncontrolled surge of imports will adversely affect our financial outlook.

Dealing briefly with these in turn:

The Overseas Outlook and the Common Market

We cannot escape some impact on our economy from the state of affairs in other areas such as the United States, U.K., Japan, etc., but funds continue to flow into Australia from overseas because our moral standards of Government and business are high and our country offers such a broad base for rewards from development.

The Common Market is a most difficult question for both the United Kingdom and Australia, and it need hardly be stated that those in both countries who are doing their best to protect the interests of the Commonwealth countries command our respect and gratitude. The die is not yet cast concerning Britain’s entry into the Common Market, and the responsibility for either joining or refraining is an extremely heavy one, affecting as it does Great Britain’s own population of 50 million and also the interests of the Commonwealth countries.

However, for us in Australia, in determining the conduct of our own affairs meantime, it is important to remember that Britain’s entry would not be all loss to us. There is the interim period for adjustment up to the end of 1970, and in any case only a percentage of our products will be immediately affected. In the longer term it could have advantageous effects, particularly if we robustly set about adjusting our own affairs during the interim period.

The Level of Employment

The figures which we see from time to time in this regard are somewhat distorted by the movements of seasonal
workers, who between seasons register as unemployed. Additionally there was at the end of 1961, and will be again this year, the problem of an unusually large emergence of school-leavers into the employment field. This, tied in with the inflow of migrants, presents a considerable problem, and the absorption of these numbers, which would be difficult enough in normal times, has certainly proved formidable in the recent slowing down of the economy.

Latterly the movement has been steadily in the right direction, and the measures recently produced in the Budget should accelerate this process. It is, of course, cold comfort to recognise that our unemployment percentage figure is so much lower than the present experience, say in U.S.A., where the percentage stands as high as 5.5%.

Control of Costs

This aspect is vital to us in the present state of our own and world affairs. For at least ten years now, Australia has gone through a period of a steadily rising standard of living, and therefore a steadily rising cost structure, until our standard of living throughout the community is as high as anywhere else in the world. Under present conditions we cannot afford to go further, and there are vital rewards to be gained from holding.

Events in Europe, partly resulting from the activities of the Common Market, have led to a marked increase in costs there, with the result that the levels at which they can afford to sell their exported goods is rising. With us, if we can now hold our costs we will have considerable opportunities of gaining markets, particularly in the areas to the north which could be regarded as within our sphere and also throughout the Pacific.

The realisation that costs must be held is evident right throughout those sectors of the community which produce products for exports whether they be of a primary or manufactured nature.

The Import Situation

This aspect seems presently to be reasonably under control, but there are evidences of a mounting in the volume of inflow. It is of note that for many years now Australia has not succeeded in matching the cost of its imports plus the cost of invisible items such as freight, etc. (which cost approximately £200m. per annum) with her export receipts. Thus we have had to rely on part of the funds comprising the net inflow of capital to balance out in this sector.

The tendency towards imbalance between value of imports and exports leaves the economy vulnerable and calls for continued sensitivity and vigilance on the part of those responsible for the planning towards our continued economic stability.

To sum up—

There is every reason why we should all now make a further and substantial effort within the bounds of prudence to stimulate those activities with which we are associated and, in particular, as far as possible to put our weight behind the search for new markets for our products or services and the drive to produce more for export.

Inevitably, if private enterprise does not play its full part then it allows the situation to go by default, thus forcing the Government to pay increasing attention to measures in its own sector in the effort to consummate recovery and particularly towards remedying the unemployment position.

Confidence is a contagious commodity, and lack of it in the community sense can be very damaging.

There would be very few Australians who would express a lack of confidence in our long-term prospects, and this also should encourage a forward march now.
Mr. M. A. Mawby, C.B.E., Chairman of Conzinc Riotinto of Australia Ltd. — eminent industrialist and mining authority.

Our knowledge of Australian mineral resources has undergone startling changes since the war. New mineral discoveries in recent years make an impressive list which is certain in the next five years to bring benefit to the whole country.

Between the mineral discoveries of the 19th century and the recent post-war success of copper at Mount Isa and uranium at Rum Jungle and Mary Kathleen, the impression was prevalent that Australia lacked great mineral resources. It had its Broken Hill lode and the gold areas but it seemed to have none of the variety and extent of minerals which are characteristic of North America and the mining areas of central Africa.

Three outstanding developments in the past seven years have radically changed this assessment:

Bauxite in immense reserves has been found in north Queensland, Arnhem Land, N.T., and south-western Australia.

Iron ore in the same billions of tons category has been recognised in north-western Australia and to a lesser extent in Queensland and Tasmania.

Few people would now doubt the existence of an oil province in Queensland. Our growing knowledge of the other vast sedimentary basins in Australia makes it highly likely that there will be further success in discovering oil.

These entirely new mineral resources have a far-ranging capacity to give a lift to the Australian economy in the years to come. It is worth taking a quick look at the facts that are emerging.

The immense resources of bauxite at Weipa, in the far north of Queensland, already have stimulated aluminium development in which all the major North American producers are joining in one way or another. As a result, domestic aluminium production (which was entirely lacking until 1955) is being...
extended more than seven-fold from 11,500 tons in 1960 to a likely 88,000 tons in 1964.

Success in the Moonie oil field of south-central Queensland has at last provided the incentive needed for the scale of activity that must lead to the discovery of commercial oil in quantities adequate for our needs. The calibre of technical activity and the amount of money now being applied to the oil search in Australia must result in further discoveries of oil and natural gas.

The new iron ore position that is now emerging is in many ways just as remarkable as the bauxite one. From a position of reasonable self-sufficiency, based on the resources of the Middleback Ranges in South Australia and the island deposits of Yampi Sound in north-western Australia, we now have the knowledge of numerous new deposits in the Pilbara and other areas in Western Australia. To these are added new resources in north-west Queensland on which a great deal of work has already been done.

New mineral potential of this order has important implications for the economic future of this country. The most obvious effect is on expenditure on imports. It is quite possible that new oil discoveries will largely replace imports. And in the case of aluminium and its associated raw materials, this will mean replacing the imports needed not only for present consumption but also for a rapidly rising future consumption of this metal.

Allied with this import-replacement effect, is the prospect of substantial assistance to export earnings. Export prospects ahead in the aluminium industry in fact go far beyond mere import-replacement and cover primary aluminium, alumina and bauxite. Just as promising are the export potentials ahead of iron ore. After beneficiation at the site, to up-grade the percentage of iron in the ore, a field like the Hamersley Ranges area could become a source of steady export to the great steel centres of the northern hemisphere. This area is one of the big iron ore deposits of the world.

The effect of this in monetary terms will be considerable. Import-replacement of oil, aluminium ingot, bauxite and other raw materials consumed by the aluminium industry, even at present consumption rates, could mean as much as £150 million a year. And this segment of import costs is destined to rise sharply with growth in population and living standards.

Australia seems to have a chronic instability in its balance-of-payments position. In the ten years to 1960 the nett balance on current account moved erratically from a maximum deficit of £550 million in 1951/52 to a surplus in 1952/53 of £202 million. With further fluctuations we were back to a deficit of £369 million in 1960/61. These are admittedly balances on current account only and they have in recent years been sharply offset by the effect of overseas capital coming into Australia. But it is in this area of current external payments and receipts that the effect of these new mineral developments as import-replacements, or new export earnings, will be great.

From an export aspect, much will depend on our success in marketing much greater quantities of minerals and metals in Asia and other areas of the Pacific. Australia has for a long time been a top world exporter of lead and zinc and has recently begun to add copper to this. Now comes the prospect of world stature in bauxite, alumina and aluminium, as well as iron ore.

The extent of the capital that new resources of this size demand for development means that full exploitation is inevitably taking time. And in the case of bauxite and iron ore we have resources that, being far in excess of our domestic requirements, have to be fitted into the
pattern of world developments of these minerals. This cannot occur overnight.

Regardless of Common Market developments in Europe, it is inconceivable that Australian resources of this stature will not be developed over the next few years. Their individual size and significance mean that they must command full development within the world pattern of minerals and metals. One of their most significant features in this regard is their location in a country which is politically and economically stable. This stability is not always so evident with some other new world sources of these same commodities, particularly bauxite which occurs mostly in the tropical zones of the world.

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