Vaguely Unhappy

The Australian economy has now almost fully recovered from the two-year recession which had its roots in the runaway, speculative boom of 1960. The one thing lacking is that kind of expansionist gusto which makes the factory walls reverberate with noise and sets the economy moving forward at "full throttle".

More than a few businessmen give the impression of being vaguely unhappy. Yet the evidence strongly suggests that the economic sun is beginning to shine brightly. The main economic indicators are moving steadily upward. Jobs have been found for most of the new entrants into the labour market. In March there were 70,000 more people at work than 12 months previously and unemployment is falling month by month; industrial production is rising over a wide front and retail sales in April were up 5% on last year. In the three months to April last the number of new houses and flats approved was running 11% over the comparable levels of last year and about one-third above those of 1961. Federal Ministers are confident that the gross migrant intake will reach and possibly exceed 125,000 this financial year. The waiting list for British migrants is said to be at least 100,000.

To a large extent, the present under-currents of dissatisfaction are undoubtedly a reaction from the over-exuberance and rather unthinking optimism of two or three years ago. The high hopes of that time—although doomed to some disappoint-
ment in any case—were cut off in full flight, so to speak, by the hammer-blows of an over-severe set of policy measures. People have long memories and many still carry strong feelings of resentment over the savage mauling of the money market in November, 1960—which always demands a delicate touch and careful handling.

People love a boom, at least while it lasts. There is an excitement about quick returns, about money easy to come by; it is altogether human to enjoy the spectacle of one's assets gaining in value almost day by day. Stability, even stability at a high level of activity, cannot but seem, by comparison, to be dull and colourless. Moreover, when one's hopes have been severely dashed, confidence is not quickly or easily regained. There is a feeling of once bitten twice shy. Even those who have not been bitten take a lesson from those who have. Security, the safe keeping of what one already has, the avoidance of loss or of further loss, becomes a paramount consideration. Pockets are buttoned up. Consumers who two or three years ago were prepared to more or less recklessly mortgage their future, are not so ready to incur the debts involved in the purchase of expensive items for the home. Businessmen and investors proceed warily—the former less inclined to trust the future (which they feel has once betrayed them) and less ready to expand their operations in anticipation of it.

If the last few years have taught us nothing else, they should at least serve to remind us of one all-important lesson in economics which we are in danger of forgetting. It is that the real raw material, the essential subject matter of economics is man himself—"people, just people" as the American poet, Walt Whitman, used to say. All the answers to our economic problems cannot be gleaned from a study of the impersonal aggregates that make up the national income statistics. We have been inclined to think of economic policy too much in terms of mathematical abstractions, as a matter almost of simple addition and subtraction, so that all we have to do is to twist the tap of spending power one way or the other to suit the needs of the moment.
This is a starkly mechanistic and unreal view of the economic process. We are told that provided the appropriate valves are turned on or off at the right times we can have a kind of perpetual, "inflationless" full employment, growth at an annual rate of 5%, 6% or 7%, whichever we prefer, a migrant intake that never varies, along with continued strength and stability in the balance of payments—in other words, an economy always advancing rapidly at an unvarying speed. What these people have overlooked is that the one thing the controllers cannot control is the human mood.

* * * * *

It has been argued by some that the extra-rapid development of the 1950's was assisted by an exceptionally favourable set of conditions which may not be duplicated in the present decade. There were glaring shortages in many fields—housing for instance—brought about by the War. In several years, there was a bonanza in wool prices. There was the establishment of great new industries with widespread ancillary effects—for example the motor car industry, oil refining, new developments in steel and chemicals to mention a few. Also it was the decade of the home "gadgets" and television, a mass market for electrical goods which is now reaching a state of semi-saturation.

There may be some force in this view but on the other hand it would be wrong to give it too much weight. If industrial history proves nothing else, it shows how extraordinarily difficult it is to predict the future in technology and markets. Given the incentives, industry is immensely flexible and ingenious in providing for its own development. Admittedly, in the 1950's enterprise worked in the heady environment of continuous inflation where profits were easy to come by and assets gained in value almost month by month. Today, industry is more competitive and the governments of the major industrial countries of the world have set their faces sternly against inflation. By and large, then, the business climate for the current decade is likely to impose severer tests on the ingenuity of business men.

Nevertheless, taken overall, the present condition of the economy is highly encouraging. It should be able to support
a strong expansion of activities in the years ahead. There is a
time for caution and there is a time when a young, ambitious
economy must be prepared to take risks if it is to make the
most of itself. Prior to, and during the 1960 boom, the Aus-
tralian economy was tending to put too high a value on its
own future. Today it is in danger of under-valuing itself.

The most significant single fact about the economy at
the moment is the healthy condition of the balance of pay-
ments. Moreover, there are very good reasons for thinking
that this almost robust state will continue for another twelve
months and probably longer. Indeed, not since the early post-
war years has the external position offered such an encourag-
ing prospect. Despite the substantial pick-up in the economy
since June last year, and the inevitable rise in imports which
has accompanied it, our overseas international reserves by
March had risen by some £30 million. At the end of the cur-
rent financial year, they seem certain to be in excess of the
quite substantial figure of £600 million and at their highest
level for over a decade. More important, the outlook for ex-
ports is most promising. Wool values have risen by almost 20%
since the start of the current season and the overall world
supply-demand position for wool is better than it has been for
years. Sugar production in 1961/62 was 30% above the pre-
vious peak and world sugar prices have soared from £25 a ton
at the beginning of 1962 to over £100 a ton today. In the last
five or six years, sales of beef to the United States have risen
from £1 million to over £60 million and have become a major
source of export income. Metal prices have been strengthen-
ing with promise of further gains in the year ahead. 1962/63
will bring an all-time record wheat crop estimated at 307 mil-
lion bushels—over 30 million bushels above the previous top
figure of 273 million bushels in 1960/61.

It is only a year or two back that the outlook for exports
of primary products seemed to be grim. Prices had receded.
Wool seemed to be facing an almost terrifying threat from
competition from synthetics; wheat and sugar appeared to be
in world over-supply and prospects for metals were not bright.
This gloomy picture led many to believe that we would have
to look in the future to a rapid expansion in exports of manu-
factured goods in order to keep the fires of development burning. The position has undergone an almost miraculous transformation—for the time being at any rate. The export prospect for practically all primary products has strengthened. Wheat has been sold in substantial quantities to Communist China and a great new market for beef seems to have opened up in the United States. It is hard to believe that the volume (not value) of exports of primary products is 50% higher than 5 years ago and double 10 years ago—a fact worth pondering.

What of capital inflow? There is no reason to think that Australia will not continue to offer an attractive prospect for overseas investors. Indeed, the attraction should increase as the economy continues on the path of recovery. Recent discoveries in the mineral field, which have been of spectacular proportions, should further enhance our possibilities in the eyes of investors abroad.

In the last analysis, the rate of expansion is always limited by what the balance of payments can take; from time to time in the 1950's the brakes had to be applied in the light of rapidly diminishing overseas reserves. But for the next year or two at least, the balance of payments should provide a firm foundation to support an increasing tempo of business activity.

Another fact of some importance is that prices and costs have been virtually stable for 3 years. Moreover, this stability—which is something new in Australia's post-war economic history—has been achieved at a time when costs in most of the major industrial countries overseas have been rising, in some cases quite rapidly. Through most of the 1950's the Australian economy was more or less out on a limb so far as the level of costs was concerned. Wages had risen here very much faster than any of the more settled countries abroad. In recent years this disparity has been narrowed, although not bridged. So Australia is generally in a more favourable position in this regard than at any time in the last ten years.

Since 1959, average male earnings in Australia have increased by 14% compared with 18% in the United Kingdom, 25% in France, 32% in Western Germany, 28% in Italy, and 30% in Japan. Admittedly, the recent awards of the Commonwealth Conciliation and Arbitration Commission on margins
and 3 weeks annual leave may eventually result in increasing Australian wage costs by some 2%; but it seems unlikely that these determinations will have any dire inflationary effects.

Greater export earnings and higher government expenditures have meant increased liquidity and there is no shortage of money to inhibit business expansion. Deposits in savings and trading banks have increased by £300 million in the last 12 months. Government and first-class company fixed-interest securities have been attracting heavy over-subscriptions. It might almost be said that the Commonwealth Government has been suffering from an embarrassment of riches. Although all this is a sign that people have been playing for safety first, it augurs well for the future as confidence returns.

It is true that the economy has its darker spots. Already there is an impending scarcity of skilled labour, particularly in the metal and engineering trades where overtime is heavy. The pressure on the market for skilled labour could precipitate some rise in labour costs although there are hopes that it can be relieved by obtaining a higher proportion of skilled workers in migrant labour from the United Kingdom and other countries.

The strong surge of activity in the motor vehicle industry appears to be slackening and this is giving rise to feelings of unease. The share market is still strangely quiet. With the trend to fixed-interest securities and the slackening in the rate of new issues, the market for ordinary shares remains sluggish with values remaining at about the level of 12 months ago. This is indicative more of the economy's mood of caution than of any underlying economic weakness.

The sector of the economy that has been lagging most seriously is business investment in new plant and equipment. This can be partly ascribed to the expansion of productive capacity preceding and during the boom, which has left many industries with more than adequate capacity for the time being. But it also reflects a disinclination to invest in the future to an extent which the situation of the economy would now seem to warrant. Many businessmen complain that the estimated net return on new investments does not provide a yield which can be regarded as attractive compared with that obtainable
on fixed-interest securities. In 1961 company profits fell to an average of 7% on shareholders' funds. Preliminary estimates suggest the percentage return will be as low as 6 1/2% in 1962. This is the worst earning rate for any year since the War. In fact, the percentage return on shareholders' funds has fallen in each year since 1955 when it was 10 1/2%. A disturbing feature is the decline, particularly in the last two years, in the amounts set aside as undistributed profits which are a major source of finance for industrial expansion.

* * * * *

On a broad perspective there is little or nothing in the economic prospect to justify a continuation of an over-cautious attitude towards the future. People, after all, make their own prosperity. Nevertheless, some extra stimulus or incentive is needed to promote the kind of confidence necessary to enable the economy to achieve its full potential. In the next Budget, due in August, the Government should make some reduction in the rate of company tax. This could well have been done twelve months ago and, under the circumstances of the time, would have been preferable to the 20% investment allowance on new plant and equipment which has had little perceptible effect. The latter is valuable as a long-range measure but has limited force as a short-term stimulant when business confidence is flagging. Those who are weighing up in their minds the pros and cons of new business ventures are vitally influenced by the prospective rewards for the risks and effort of the undertaking. A young vigorous economy, striving for rapid development, should embrace imaginative fiscal policies, and if anything err on the side of low rather than high taxes.

There is an influential school of thought which argues that urgently needed community services such as education, roads, and hospitals should be financed out of increased taxes which the people should be prepared to pay in their own interests. Its unvarying cry is for more money for the public sector. Taken very far, this is a dangerously fallacious doctrine because it is based on a static conception of the economy. It would serve little purpose to increase taxes one year if this were to result in a smaller national output next year because
of the disincentive effects of the higher taxes. In the end the higher the national output the greater will be the resources available for the essential services of which the community stands in need. A rapidly growing national productivity is a necessary foundation for the expansion of these services and this can be achieved only where vigour and enterprise are adequately encouraged and rewarded.

Admittedly, the Commonwealth Government must proceed with some care. While everything at the moment points to the need for some stimulus, the Government is rightly concerned to avoid the precipitation of the economy into inflationary boom conditions. Speculative orgies always end in disaster, and in the enforced periods of economic convalescence which follow the excesses, growth is virtually at a stand-still. If, as a community, we are unable to heed the lessons of 1960, then we would deserve anything coming to us.

Nevertheless, some incentive for the private sector of the economy seems to be clearly needed at the present time. If the future is to be as good as we all want to make it, then a more robust, enterprising outlook within the business community must be restored.

The Government White Paper, “The Australian Economy, 1963,” states: “Looking at things broadly, it is hard to see any substantial grounds for lack of confidence in the period ahead . . . most of the reasons for doubt which prevailed a year or more ago have since cleared up and our underlying position is undoubtedly sound.”

The concluding paragraph of this document (which incidentally, maintains the excellent standard set in past years) is worth quoting: “. . . the possibilities of growth in Australia . . . are shaping up impressively. Great new resources have lately unfolded, all the main sectors of industry have been making production records, immigration is rising strongly, local savings are high, capital is flowing in, costs and prices are stable, our external reserves are currently strong, valuable trade opportunities have lately come our way. Much of this could change quickly in one direction or another. Yet, as it appears today, the further prospect has rarely been so encouraging.”
Man or Mathematics

"I hold that without the backing of experiment, mathematical deduction is nothing but a source of error, all the more dangerous because it is full of attraction. I have flirted with this seductive siren long enough to know what prodigious delights she can dispense to her worshippers."

(Eugene Freyssinet—one of the greatest engineers of modern times—pioneer of pre-stressed concrete).

WHAT is economics all about?

One might be forgiven for thinking these days that its main concern is with what has been called “social accounting” and, in its higher theoretical aspects, with a fairly advanced form of mathematics. The pages of the learned journals of the profession, both in Australia and abroad, are filled with strange signs and symbols and impossibly complicated equations. It must be assumed that all this work leads to useful practical results, or if not, at least, by devious paths, to some increase in our knowledge of the world in which we live. Otherwise, its value, except as an intellectual discipline or pastime for those who participate in it, must be open to question.

No one, of course, should attempt to prescribe for others how they should occupy their minds or what particular form of mental exercise they should indulge in. Moreover, the possibility must be conceded that some of these excursions in mathematical economics may help to open up unexplored terrain in the vast territory which economics encompasses. However, the predominance which the mathematical techniques have assumed in academic circles must give rise to doubts whether the real nature and purpose of economics is in danger of being forgotten.
Economics is, after all, a branch of the humanities. Its prime concern, indeed its sole concern, is with the study of man, but especially with man as he reveals himself in the business of earning a living and satisfying his physical wants. The nature of man, his desires, his emotions, the way he acts and thinks in pursuit of his material needs, the institutions which he erects to help him in the satisfaction of these needs—this is the true, the essential, stuff of economic inquiry. One is forced to wonder, therefore, whether this emphasis on abstract mathematical studies (often constructed on a foundation of assumptions which have little or no relation to the world as it is) is not misplaced. Would not better results accrue, would not better economists be produced, if some part of this intellectual effort, admirable though it may be in itself, were devoted to improved economic analysis of a practical kind, and to the economic aspects of history, psychology, politics and other studies which might be expected to advance our knowledge of man himself?

The tendency in modern economic analysis to rely almost exclusively on the national income estimates seems somehow to be associated with this absorption in so-called mathematical economics.

The national income, aggregate approach to economic policy, which has admittedly brought about great improvements in many directions, was, of course, a natural corollary of the Keynesian emphasis on total demand and its relationship to under-employment. Unfortunately it has, at times, led to serious errors. The reaction of the community—the human factor—to measures indicated by the cold arithmetic of the aggregates has too often been overlooked. There has been a tendency to accept the aggregates at their face value without regard to the differing nature of the items which comprise them. Broad categories such as "investment," "savings" or "consumption," often conceal as much as they reveal. The statistical basis for the conclusions reached thus tends often to be shallow and the statistical inquiries frequently ill-digested. Moreover, while the aggregates conveniently summarise for us what has happened, they do not tell us why or how it has happened.
It is assumed too readily by the national income addicts that the government is capable of adjusting its spending, taxing and other policies to compensate for excesses and deficiencies, which appear to be revealed by the aggregates, with the precision needed to assure full employment and a stable price level at all times. There is an abstract, ingenuous quality in all this which is to be deplored.

Keynes himself would almost certainly have been dismayed both by the over-reliance placed on the national income approach in the interpretation of changes in the economy and by the dominance of abstract mathematical thinking in present-day economic studies. There is a revelation of his own intellectual nature in his biographical essay on the great Cambridge economist, Alfred Marshall.*

Marshall, says Keynes, might be regarded as the founder of modern mathematical and diagrammatic exercises in economic theory. But any suggestion of emphasising or exalting such methods pointed right away from what Marshall regarded as the proper attitude to economic inquiry. Keynes writes:

"Unlike physics, for example, such parts of the bare bones of economic theory as are expressible in mathematical form are extremely easy compared with the economic interpretation of the complex and incompletely known facts of experience and lead one but a very little way towards establishing useful results."

There follows a brilliant passage which modern economists (and particularly those concerned with the training of economists) might do well to ponder.

"Marshall felt all this with a vehemence which not all his pupils have shared. The preliminary mathematics was for him child's play. He wanted to enter into the vast laboratory of the world, to hear its roar and distinguish the several notes, to speak with the tongues of businessmen and yet to observe all with the eyes of a highly intelligent angel. So he set himself to get into closer contact with practical business and with the life of the working classes."

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* Alfred Marshall was the greatest economist of his day. His monumental "Principles of Economics" was the standard work for students of economics up to around World War II."
"To enter into the vast laboratory of the world, to hear its roar and distinguish the several notes...": in these arresting phrases has Keynes given us a clue to what is needed in the production of economists of the front rank? How can men be expected to prescribe wisely for the economic ills of a world of which they have had little or no experience or which they have neglected to study? Here was Marshall, a uniquely gifted mathematician (he had been Second Wrangler) naturally more than ordinarily attracted by the fascination of mathematical methods, yet relegating them to a minor part in economic studies!

Keynes points to another related aspect of Marshall's approach to economics which is important. Marshall looked at economics, above all, as an instrument for the improvement of man's well-being, for achieving significant practical results. He was fearful of the fascination exercised by mere abstract or theoretical studies. Keynes reports that Marshall used to tell the following story about his early life:

"About the time that I first resolved to make as thorough a study as I could of Political Economy (the word Economics was not then invented) I saw in a shop window a small oil painting of a man's face, with a strikingly gaunt and wistful expression, as of one 'down and out,' and bought it for a few shillings. I set it up above the chimney-piece in my room in college and thenceforward called it my patron saint, and devoted myself to trying how to fit men like that for heaven. Meanwhile, I got a good deal interested in the semi-mathematical side of pure Economics, and was afraid of becoming a mere thinker. But a glance at my patron saint seemed to call me back to the right path."

This story may provide us with an inkling of the reason for the present-day retreat into the abstract world of mathematical and theoretical studies in University and other circles.

Marshall, and no doubt most of the economists of his day, were deeply distressed by the ills of society, the apparently incurable cancer of unemployment, the widespread poverty, the hard conditions of labour and by the brutal fact that great numbers of people did not have a sufficiency of material things for a life of decent refinement and self-respect. They
were inspired by a determination to do what they could to improve matters. This attitude to economics was still strong among economists thirty or even twenty years ago.

But times have changed and something of the crusading, idealistic spirit seems to have got out of economics since the great problems of unemployment, cyclical trade crises and grinding poverty have, in the advanced countries, been virtually solved.

Many University students of thirty or so years ago regarded their economic studies as something more than the pathway to a career. They nursed an inner ambition to be among those who would help to find the cures for the sickness of the highly industrialised economies.

One can recall the sense of anticipation and the excitement in the lecture halls when people such as Douglas Copland and L. F. Giblin were speaking on the causes of the Great Depression and propounding the possible lines of action for Australia. Copland and Giblin were not satisfied to remain entirely within the cloisters of the University, but frequently ventured out to listen to “the roar of the world”. Both of them, too, had qualities of the broad, rounded philosopher which were of inestimable advantage when they came to apply their minds to the practical issues of the day.

Then Keynes came on the scene, first with his “Treatise on Money” and later, the General Theory. This seemed to be the great break-through. He was regarded almost as a God and we worshipped at the feet of the Deity—although this would no doubt have appealed to the vanity in Keynes’ make-up, it would at the same time have aroused his contempt. We studied night and day to try to master his esoteric, intricate doctrines. Few, perhaps none of us, really succeeded. At least some may have succeeded in comprehending the mechanics, the theoretical argument; probably none fully understood the particular perspective of the Master, the emphasis, the philosophical and practical significance which he himself placed upon his own theories.
Economics in those days was, in a sense, a great adventure. Those who pursued it hoped to participate in the making of a better world. Today, economics seems to have become a coldly impersonal matter of juggling with the national income figures or in its theoretical aspects something remote from practical needs and the everyday, familiar world. There are still problems to be solved, of course, but in the highly industrialised economies, they are of a different magnitude and they lack the urgency of the great issues of 20 or 30 years ago. Youth can be stirred by manifest injustices, by human despair and hopelessness; it is hard to feel so deeply about loss of overtime pay as a consequence of some minor recession and the inability of the breadwinner to keep up his payments on the latest model car.

Economics is probably the most maligned of all the professions. But when one looks back over recent decades, it would be hard to find any advance in human affairs to parallel the achievements in the strictly economic sphere—the progress in the Western World from the under-employed, low-standard-of-living society to the fully employed, affluent society of today borders on the miraculous.

But for the economist himself all this may have elements of sadness. With Everest conquered, the peaks yet to be overcome cannot help but seem rather puny by comparison. To some, the source of inspiration may seem to be missing.

Yet there is much to do. The spectacular, earth-shaking advances may no longer be possible, yet the smooth, efficient working of the modern economic mechanism depends largely on highly skilled economists, on their powers of thought, their intuition (very important!), their capacity to analyse and to diagnose correctly and to prescribe truly. There are, too, the great and complex problems posed by "the population explosion" and the economic development of the poorer countries. But the aspiring economist must learn, above all, to understand the world with which he has to deal. Mere academic attainments, even the most outstanding, do not necessarily
qualify a man for coping with great practical economic issues, any more than the student of the law who has achieved the highest academic honours is ready to enter the Courts to participate in a great legal case. Q.C.’s take time to produce. So do great or even competent economists. Many things about life can be learnt only by living it. Terrible mistakes can be perpetrated by those who prescribe not for the world as it is, but for the world as they think it is.

Perhaps no subject reveals the dangers of a narrow specialism more than economics. Those economists who aspire to the high positions in the world of affairs as economic advisers to governments or to big enterprises and institutions, should have framed in their studies or offices the following words of Keynes and read them at least once a day:

"Good, or even competent, economists are the rarest of birds. An easy subject, at which very few excel! The paradox finds its explanation, perhaps, in that the master-economist must possess a rare combination of gifts. He must reach a high standard in several different directions and must combine talents not often found together. He must be mathematician, historian, statesman, philosopher—in some degree. He must understand symbols and speak in words. He must contemplate the particular in terms of the general, and touch abstract and concrete in the same flight of thought. He must study the present in the light of the past for the purposes of the future. No part of man's nature or his institutions must lie entirely outside his regard. He must be purposeful and disinterested in a simultaneous mood; as aloof and incorruptible as an artist, yet sometimes as near the earth as a politician."
Productivity—The Key to Better Living
Revised Edition

In 1956 the I.P.A. published a small illustrated booklet emphasising the vital importance of high productivity in Australian industry. The theme of the booklet is equally relevant to the man at the desk of top management and to the men and women who work in offices, factories, shops, farms, and in all other pursuits. Its message is that, in the end, greater productivity—increased output per man-hour—is the only source from which higher real incomes—salaries, wages, pensions, etc.—can be paid.

The demand for the booklet by companies, employer organisations and schools was remarkable. Three separate printings became necessary and in all 60,000 copies were distributed.

Most companies requested 50 to 100 copies, but we received a number of requests for bulk copies in excess of 500. A number of companies ordered over 1,000 copies each. The largest order was for 4,000 copies.

Favourable comments were received from all parts of Australia and overseas. The Editor of “The Director”, London, commented: “It strikes me as a very well-reasoned explanation of an intricate subject”; the Secretary of Jantzen (Aust.) Ltd., Sydney: “This publication deserves a wide circulation amongst all Australians”; and the Manager for South Australia, City Mutual Life Assurance Society Ltd.: “This is the best booklet of its kind I have yet seen”.

In response to many requests, the I.P.A. has now decided to issue a revised edition of the Productivity booklet. The material and presentation have been brought up-to-date and the wording has been reduced to a minimum.
The headings for each section are:

1. The Standard Of Living.
3. More Production Per Man Is The Key.
4. How Can Output Be Raised?
5. How Does Productivity (Output per Man) In Australia Compare With Other Countries?
6. Standards Of Living In Australia And Other Countries.
7. How Better Productivity Helps To Hold Or Reduce Costs And Prices And Increase Prosperity.

The I.P.A. would like to hear from companies and others interested in securing copies of the new edition of "Productivity" for distribution among their employees.

It has been decided to charge businesses 2/- a copy. This gives the following schedule of charges:

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We hope that the proceeds will be sufficient to cover production costs and provide for a free circulation to schools, educational organisations and libraries.
IN present-day politics, the unemployment percentage has an explosive significance. In Australia, a figure much above 3% would almost certainly be sufficient to blast a government out of office.

Indeed, in the full or near-full employment economy, the number out of work seems to bear a much closer relationship to the political fortunes of governments than in the "bad old days" of recurring mass unemployment and perpetual under-employment. This strange paradox is indicative of a portentous change in the attitude of mind of the voters.

Not much more than two decades ago, people seemed to be almost resigned to unemployment of 8 to 10 percent as if it were part of a natural economic order. It was only when unemployment rose to calamitous proportions that governments confronted the prospect of political defeat. But now politicians must face the hard fact that the voters expect full employment and resolutely refuse to accept anything less. No excuses—even legitimate ones—will be accepted. Even though the change may be of minor economic significance, unemployment has only to rise a point or two for the opposition to seize the opportunity of making valuable political capital by flaying the government. An electorate nurtured in the post-war, high-employment, high-standard-of-living economy regards it as a major disaster if either employment or living standards become even remotely threatened.

One reason is that a large proportion of people have mortgaged their future to an extent they would not have contemplated in the pre-war economic climate of recurrent crises and business depressions. The successful achievement of almost continuous full employment in recent years has
given the people a faith in the future they never had before. This encourages them to undertake heavy financial commitments in the confidence that their incomes will be adequate to meet their obligations as they fall due. But even a small deviation from full employment, while it may not mean the loss of his job, could cut into the overtime earnings of the main bread-winner of the household, and the earnings of other members of the family which are serving to finance the instalments on the motor car, the T.V. set or the automatic washer. The fear that exists today is thus not one of the recurrence of heavy unemployment but of something only slightly less than the ideal of full employment.

By the standards of most countries, Australia has had a remarkably good employment record over the last decade or so. On the other hand, the United States in particular has been troubled by what would be, on an Australian reckoning, a serious unemployment problem. Until recently it was widely believed that the comparatively high unemployment figures in the United States could be accounted for by the different methods used in the compilation of the statistics.

This belief persisted until a report was published last year by the United States Bureau of Labor Statistics. The Bureau produced a set of unemployment figures for a number of industrial countries using definitions similar to those applied in the compilation of the American figures. These are shown in the first column in the table below. The Americans define the “unemployed” as all civilian job-seekers aged 14 or over who do not work as much as one hour in the particular survey week. Persons with jobs, but temporarily laid off, are included; also those who have never had a job, so long as they are looking for work. The labour force is simply the total of the employed—(including employers and self-employed) and the unemployed. For comparative purposes, the unemployment percentages are estimated for 1962, assuming that the unadjusted unemployment figures published by various coun-
tries bear the same relationship to the adjusted figures as in 1960. These are shown in the second column. As the proportion of wage and salary earners in the labour force varies significantly between countries, it is also of some interest to relate the numbers unemployed to the number of wage and salary earners. These percentages are shown in the third column.

### Unemployment in Industrial Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>1960</th>
<th>1962 estimated</th>
<th>1962 estimated</th>
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<tbody>
<tr>
<td>United States</td>
<td>5.6</td>
<td>5.6</td>
<td>7.0</td>
</tr>
<tr>
<td>Canada</td>
<td>7.0</td>
<td>5.9</td>
<td>7.6</td>
</tr>
<tr>
<td>Italy</td>
<td>4.3</td>
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<td>Great Britain</td>
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<td>France</td>
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The investigations of the U.S. Bureau of Labor Statistics clearly confirm the much heavier incidence of unemployment in the North American countries as compared with most of the countries of Western Europe and with Australia and Japan.

It would be wrong, however, to deduce that this implies a lower level of competence in economic management in the United States and Canada than in the other countries. In its report the Bureau advanced a number of reasons for the comparative severity of unemployment in the United States; its conclusions throw some light on the factors which make it more difficult for some countries than for others to keep unemployment to a minimum.

One of these factors is the rate of growth. All the countries surveyed, except Great Britain, had a growth rate through the 1950 decade substantially greater than that of the United States. The Bureau said there was no occasion for surprise that the war-battered economies of countries such as Japan and Germany—where there was so much to be done—had little difficulty in absorbing the available labour supply. On the other hand, the high-standard-of-living American economy was faced with a mammoth task in providing 8 mil-
lion new jobs over the decade. This was a time, too, when some American industries were undergoing a virtual technological revolution—coal mining became highly mechanised and new techniques of automation were being introduced into the automobile plants of Detroit.

The character and the degree of sophistication of the industrial structure have an important bearing on the employment problem. Thus, economies in an advanced stage of development, such as Great Britain and United States, find it more difficult to provide jobs for the lowest grade of manual worker with virtually no skill than do countries where the industrial structure is less complex and the tastes of its people are much simpler. It is significant that cities such as Chicago and Detroit, where almost 30% of the population are negroes, and those areas of London where coloured migrants congregate, have a much higher level of unemployment than elsewhere. It is a statistical fact, too, that unemployment is usually much lower in rural than in other pursuits; part of the reason is that agriculture contains a much higher proportion of self-employed and family workers. In the United States only 8%, and in Britain only 5%, of the labour force work on the land, as against 92% and 95% respectively in other pursuits. At the other end of the scale, 37% of the labour force of Japan are engaged in agriculture, 26% in France, and 30% in Italy. In Australia and Canada 11% of the labour force are rural workers. It might be argued, therefore, that countries such as the United States, Britain and Australia, face a more difficult task than other countries in achieving full employment because of the high proportion of wage and salary earners engaged in urban occupations.

The composition of the labour force as between male and female workers, young and old, skilled and unskilled, also affects the employment problem. Unemployment is generally higher among female than male employees, and very much higher among young people under twenty than in other age
The Unemployment % (continued)

groups. In this latter regard Australia might be said to have the most difficult problem of all, as in 1962, 15% of the labour force was aged 20 or less, compared with 8% in the United States, 11% in Great Britain, 13% in Germany, 12% in Italy and 11% in Japan.

The U.S. Bureau of Labor Statistics observed, too, that social and legal customs play an important role in holding down unemployment in some industrial countries. This applies particularly in Europe and Japan where "job attachment" is, on the whole, much stronger than in North America and Australia. In some European countries, staff tend to be retained even in the face of a serious decline in sales and production. Many Japanese employers are notably paternalistic towards their "regular" employees who represent about 40% of all manufacturing workers. The survey found that in France the high proportion of the labour force engaged in Government-owned enterprises—about one-quarter—exerted a stabilising influence.

Another significant factor is the level of wages and unemployment benefits. In Europe and Japan, where wages and unemployment benefits are generally much lower than in the United States, those losing their jobs are virtually forced to take another job without delay, even if it means abandoning their particular trade and taking a cut in pay. On the other hand, in the United States, with its high standard of living, two-thirds of all employees receive unemployment benefits and, in addition, many have substantial savings, so that there is much less compulsion for them to seek immediate work if they lose their jobs.

In some cases the extent of seasonal activities intensifies the difficulties of maintaining a low average level of unemployment. This applies particularly in Canada. Through 1962 the unemployment percentage fluctuated between around 9% in the winter months down to 4% in the summer and autumn months. In Australia, Queensland, because of a higher proportion of workers in seasonal activities such as cane-cutting,
shearing and meat-works, has always presented a more difficult employment problem than the other States. Over the last 2 years the rate of unemployment in Queensland's off-season, from December to March, was about twice that during other months.

Even comparative standards of living in different countries have some bearing on the unemployment percentage. The fact that in Australia 2 out of every 3 wage and salary earners now own, or are purchasing, their own homes, reduces the willingness of people to move from their particular locality to take jobs elsewhere. (In 1947 less than 50% of wage and salary earners owned their own homes). Some workers are now prepared to put up with a period of unemployment in the hope that they will shortly be able to find another job close to their place of living.

One thing we have yet to learn to do is to use the unemployment ratio with discrimination. The tendency of most of our politicians, press, and even economists, is to assume that there is a direct relationship between the rate of unemployment and the extent of social distress. Thus, the current level of unemployment of 2% in a total labour force of 4.3 million, leads them to infer that the 85,000 people seeking work are in dire straits and in desperate need of employment. This is far from the truth.

In the first place, the numbers of married men in the 2% are comparatively small, probably around 20,000. 27,000 comprises juniors, girls as well as boys, who have recently left school and are in process of seeking a suitable occupation. 1,000 or so are elderly retired people who wish to occupy their minds and at the same time, supplement their pension, and almost 10,000 are married women desirous of adding to the family income. Of the remainder, most are seasonal workers, or single men, drifting from job to job, and others who, for one reason or another, are on the borderline of being employ-
able at all. The great bulk of the unemployed are unskilled and semi-skilled manual workers. And over and above all this it seems to be generally overlooked that it is virtually impossible to get unemployment below 1% without the certainty of rising prices and inflation. Even during the height of the boom in Australia in 1960, about 40,000 people were registered for work.

A zero level of unemployment is an economic impossibility. It can be taken as read that anything below 1%, and possibly 1.5%, means inflation.

Thus the bald percentage figure of unemployment can be highly misleading. But it still continues to be used without discrimination by many who ought to know better. Governments should clarify these matters and make clear the true nature of the employment problem from time to time. Otherwise the unemployment ratio will continue to convey a misleading impression of the real position to the general public, and will be used irresponsibly by that minority of people who love to foment industrial and political discord.
Public Planning and Private Enterprise

By

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On the face of it no two advanced countries seem to have less in common than Britain and Australia. But the more you look at them, the more their purely economic problems seem much the same. And as both are really two (and only two) party democracies convulsed by doctrinal disputes about State v. private enterprises, public v. private property, State planning v. private planning, and State v. private growth in economic welfare, we might do worse than share and analyse our economic problems together.

The first and all-important feature of both economic systems is their utter dependence on foreign trade: Australia on exporting mainly primary products, but increasingly semi- and wholly-manufactured goods; Britain on exporting virtually nothing else but manufactures of increasing complexity and increasingly for capital (i.e. productive) purposes. Both countries have been in a period of swift transition since the Great Depression of 1928-33: Australia learning, with periodic convulsions, how to transfer resources from agriculture to industry, in order to cope with violent swings up and down in her terms of trade; and Britain learning, in equally recurrent convulsions, how to balance her foreign payments, thrown out of gear every so often by similar swings in her terms of trade (affecting
This is the third occasion on which the eminent British econo-
mist, Graham Hutton, has written for “Review.” His first 
article, published in 1956, dealt with productivity and the second, 
in 1960, with inflation. In this article, Mr. Hutton discusses the 
latest problem facing Western economies—the degree to which 
recent developments in public planning in such countries as France 
and Britain are reconcilable with free enterprise in a democratic 
society.

her, naturally, in the opposite way to that 
affecting Australia) or in foreign demand 
for her manufactures (away from the 
simpler consumers’ goods towards capital 
goods).

Take the latest examples. Between 
1960 and the end of last year, three years, 
the fall in world prices of primary pro-
ducts (especially foods) would have 
knocked one-eighth off the 1960 value of 
Australia’s exports, but it increased Brit-
ain’s purchasing power (by the same 
token) to the extent of one-tenth of her 
exports (i.e. Britain could buy the same 
total of imports with nine-tenths the ex-
ports she would have had to make before 
the fall in commodities). On the other 
hand, Australia imports long-term capital 
at a pretty dangerously high rate, in view 
of her total foreign trade and balance of 
payments and of her national income, 
though that foreign capital is long-term 
and for industrialisation (including the 
extractive industries). But Britain balan-
ces her payments by imports of short-term 
capital against her exports at long-term 
(loans plus “plough-back” of U.K. indus-
tries’ profits made abroad into new for-

gien ventures), and that way of balancing 
accounts is certainly more perilous to the 
U.K. economy and sterling as a whole 

than Australia’s method. Moreover the 
magnitudes of the U.K.’s operations are 
far larger than those of Australia, and 
therefore affect world trade and finance 
much more. They also affect Australia 
more than Australia affects the U.K. 
economy.

I
t is odd that two countries so dissimilar 
in their economic systems should sim-
ultaneously run into the same problems 
about balancing payments, increasing ex-
ports, boosting growth and capital-for-
mation, “planning” by more State control 
over industry, etc. Yet both peoples seem 
fed up with what have been termed the 
“stop-go” policies of governments, im-
patient with other nations’ rates of 
growth, and enamoured of some kind of 
central planning body on the lines of the 
French Planning Commission or Britain’s 
new-born National Economic Develop-
ment Council (“Neddy”). Both coun-
tries, moreover, have for some time been 
running their systems well below their 
capacity; both have lagged in new invest-
ment; and both are saving much, with a
very high degree of liquidity. Both of their leading political parties offer (at least lip) service to the concept of State planning for swifter investment and growth. Both their present Governments have been forced to back-track into this notion of State planning. Indeed, in Britain Mr. Macmillan’s conversion to the new course seems to have been so sudden that he shot his own pilot on the bridge and wrenched the wheel around full circle last summer. After nearly two years of Mr. Selwyn Lloyd’s and the Treasury’s (and, presumably, Bank of England’s) “stop” course (including higher taxes on production and consumption, high Bank Rate, etc.), he abruptly altered to “go” and put Mr. Maudling on the spot. Mr. Maudling since September last has well-nigh bewildered Britain’s producers and consumers by cutting away swathes of indirect taxes on such consumers’ durable goods as motor-cars, domestic appliances, etc.; easing hire-purchase regulations and terms; reducing Bank Rate and other rates; and, above all, confining large cuts off Britain’s direct income-taxes to the modest incomes of the masses (and not giving industry, farming, or production, distribution and transport anything). Conversions to an opposing faith which occur at this pace carry about as much conviction as those on deathbeds. With a General Election looming ahead perhaps this year, and for sure in 1964, British observers have been almost unanimous in their cynicism.

Quite a few British economists, therefore, are watching the recent establishing by the Menzies Government of the Committee of Inquiry on the Australian Economy—especially the more recent extension of its terms of reference to embrace the balance of payments and “the availability of credit, trends in costs, prices and wages, trends in productivity” etc.—with more than normal interest. They are asking themselves almost the same questions about their own “Neddy” (NEDC) as, they presume, Australians are asking about that latest directive to their CIAE to report on the bearing of all their investigations upon the “achievement” of the Government’s economic aims and policies. Can an advisory, investigating, fact-finding body of experts, be expected not only to tell a democratic Government what to do, but also how to do it politically?

Our U.K. and Australian political systems suffer alike from the serious, persistent, built-in disadvantage that they are founded on two parties, Government and Opposition; that these two represent, broadly, employers and employed, capital and labour, private enterprisers and State-welfare receivers at the former’s expense, organised management and trade unions; and accordingly that nothing which any impartial advisers have recommended in the past has ever been able to be achieved outside the two-party political arena. The organised bodies of voters behind each main party represent economic interests. They conceive of these interests as being mutually exclusive: i.e. less for profits means more for wages, less for urban workers means more for farmers, less for wages means more for profits, and so on through the gamut of economic nonsense and political sophistry. Neither Britain nor Australia lacks sound economic advice and advisers. Neither has lacked them for decades. The two countries’ economic discontents have been due to their politics. To put anything which was economically wrong right, became well-nigh impossible politically. There is no difference now. And that is why so many British observers remain sceptical about “Neddy” and its ultimate achievements.
What can it—by itself—achieve when it is composed of representatives of the trade unions and employers in the main, with a slight admixture of economists, presided over by the Tory Chancellor, Mr. Maudling? No matter how brilliant may be its infra-structure of permanent staff—Britons have come to call them “the office,” led by Sir Robert Shone and Sir Donald MacDougall, and a good lot they lead—this “office” can only prepare and present to the full “Neddy” Council analyses and recommendations which that Council can then water down, suppress, re-phrase into unoffending nonsense, and otherwise stultify.

That is the first inherent difficulty, distinguishing the British experiment in so-called Democratic “planning” from the undemocratic French. Few observers have noted that the real economic growth of France has been very recent: in fact since the Fourth Republic was overthrown, and since M. Jacques Rueff and M. Baumgartner (then at the Banque de France) were permitted to carry out their financial, fiscal and currency reforms without any pretence of approval by a democratic Parliament. General de Gaulle was in power when the franc was last devalued, and when the French recovery began; though not even the Gaulist semi-democratic, semi-monarchic system has proved able to withstand social pressures for higher real rewards (if the serious coalminers’ strike this Spring and de Gaulle’s submission before it), nor has M. Gisard d’Estaing, that gay and preux chevalier of French finance, been able to hold back the inflation produced by whacking surpluses in the balance of payments (taken out in gold, etc.) now menacing France and the franc once again.

We British look on this from our side of the Channel, and then look at our own discontents; and pretty discouraging they are, mainly for political—not economic—reasons. We had the Anglo-American Productivity Council composed equally of employers and trade union leaders while Labour was in power, from 1947 onwards. It became the British Productivity Council towards the end of “Marshall Aid,” producing over 60 reports on American technical processes and work-methods in five years as a result of visits to America for weeks at a time by equal groups of trade unionists and managers for each industry, service, or occupation (including farming, accounting, transport, etc.). The reports were all unanimous, helpful, forward-looking. I wrote a book on their implications which was published under the title “We Too Can Prosper” over 10 years ago, and it was sponsored by the U.K. Trade Union Congress and the Federation of British Industries and British Employers Confederation. Yet today the economic problems of the U.K. remain as there set out, the solutions are as valid today as then, and we have had ten years of intervening advisory committees—like the “three wise men” on the Council on Prices, Productivity and Incomes of 1957 who reported admirably and exhaustively what was wrong and what would put it right in 1958. Now they are succeeded by “Nddy” (NEDC) and “Nicky” (NIC=National Incomes Commission); and their reports, too, excel in rightly diagnosing our economic ills. But these ills can only be put right by party-political leaders with imagination, guts, and much nervous and physical energy. Such parties, such leaders, have we lacked as badly as we lacked such leaders of managements and trade unions; men with the vision for new horizons and the experience of old errors, men eager to challenge their followers to take new pathways, men recipient of change and ripe for new enterprise. All our leaders feared to lead.
Take what has happened within “Neddy’s” stable. The Guardian, with commendable initiative, procured a copy of the “Neddy” staff’s first draft report to its Council on what could, or might, (not “should”) be done by the Macmillan Government, in concert with employers’ associations and trade unions and, of course, the Treasury, other State Departments (e.g. Education, Labour, Board of Trade, Housing and Works, Health and Pensions, etc.) and the Bank of England and the financial-commercial system in general. Yet when the Council finally published the document as “authorised” (not “agreed”) by them in April, serious waterings-down of the draft were obvious. Gone was the wording which implied that devaluation of the pound—or some differential exchange system on the late Dr. Schacht’s lines—could, or might have to, be attempted to boost exports. Again, perhaps in view of the intervening give-away Budget in April, the wording about taxation and restraint on rising incomes to hold down the rise of costs was revamped. “Nicky”—an equal-status body charged with reporting on rates of advance in all incomes—was not even once mentioned: an ominous, significant omission, coming pat on the heels of the Chancellor’s and Premier’s sudden announcements that the average advance in the nation’s real level of consumption in 1963-64 could be 3¼ % instead of the 2½ % hitherto urged on British trade unions, State boards, civil servants, and all employers (and, indeed, on the NEDC itself by the Government’s able economic adviser, Professor Alec Cairncross) by Ministers and other Government spokesmen. Poor “Nicky” could hardly have been more embarrassed, if not hamstrung, than by this eventual version of “Neddy’s” Conditions Favourable to Faster Growth.

Embarrassment is not likely to stop there. Some of it will spill over on to Government, Opposition, and to the “NED” Council itself. Take for instance the chief economic problems the NEDC was set up last year to help solve: Britain’s prices for manufactures which outstrip those of her competitors (hers from 100 in 1953 to 115 in 1962, theirs only to 106 in both 1961 and 1962); her share in world exports of manufactures declining uninterruptedly from 21% of the total in 1953 to only just over 15% last year; her huge total of liquid savings of all kinds, but lagging investment in new industrial equipment whether State-owned or for private enterprises, most of the new investment going on houses and other consumer durables, or fuel and power State-owned (coal and electricity and railways and highways), or amenities in general; the inability of her managements to get trade unions to work such new equipment to its capacity by shift-working; the consequent unprofitability and low productivity of new investment in Britain; a tax system which penalises profits and high earned personal incomes; and a general anachronistic, backward-looking, out-of-dateness in both management training and in the training and appointment of trade union officials and leaders.

The Council was charged to report on conditions for faster growth. It took 4% p.a. growth in Gross National Product between 1961 and 1966 as its yardstick. This meant double the average post-war rate. But—and here Australians should take note, making their own warnings for their own particular problems mutatis mutandis—if you delay two years (from 1961 to 1963 in the U.K.’s case) before setting about getting more rapid growth, the rate you must then start getting goes up fast, if you are ever to reach the 1966 tar-
In the U.K.'s case it has already gone up from 4% p.a. to 6%; that is, treble the average rate p.a. since the war; and since the U.K. virtually only exports manufactures, this means a rate of growth in industrial productivity about treble what it has been; and a rate of growth in exports (to pay for the increase in necessary imports) of about 6%, too. Thus the "plan" is already faced with either an extension or slowing down in time, or a mighty big boost to all its component rates of progress for each sector (various export industries, other industries serving them, State industries and services—especially electricity and other fuels—communications, distribution, farming, etc.) in order to get to the target on time.

Here, politics again enter. The General Election approaches and the Tories seem in a bad way. Labour's hopes run high. But the NEDC has succeeded—a very important success in post-war Britain—in gripping the public mind with its ideas of growth, progress and prosperity. Unfortunately at the same moment it has failed—it could not do otherwise than fail in the peculiar British two-party democracy, divided head-on between managements and trade unions and their political parties—to grip public opinion with the utter necessity of restraints on the rates of rise in all money incomes meanwhile. It has got the idea of gains across, but not that of their costs; the old, old prior investment in abstention from consumption before the extra yield gushes forth; the old, old lesson that a nation—unlike certain individuals or groups in it—cannot get something for nothing, unless another nation extends a loan or charity to it; and for even a loan posterity will have to pay. Any party in power will therefore have to control the post-war rate of rise in money incomes, or return to inflation and the "stop" policies for safeguarding sterling via the balance of payments. If they choose the latter, all "planning" is out.

British observers have fastened on this source of embarrassment according to their political affinities. But a few things are plain no matter what one's politics may be. First, the much-vaunted NEDC has told everyone, Government and Opposition, managements and trade unions, savers and spenders, what to do; but not how to do it. They have left the political pathways ahead as open as ever before, to be boldly trodden forward or more easily left for meandering down primrose paths. They have not said how exports are to go up by 5% and imports by 4% in 1961-66, which rates have already become over 6% and 5% if the 1966 target is to be reached. Nor have they said how productivity per employee is to rise by 3.2% p.a. on average from 1961 to 1966, which has now become nearer 4% despite an increasing working population, for the same reasons. Nor have they said how real consumption per head p.a. is to be held down to 2.8% for 1961-66, which means that it ought now to go back to the Government's advisers' original 2½% if the 1966 target is to be hit. Far the best summary was that in "The Statist" of April 19 by Colin Jones:

"The danger in all this is that the nation could start spending its 4% before it had properly set about attaining it. The new 'guiding light' set by the Chancellor himself in his Budget speech this month, holding out the promise of a 3½% average rise in incomes before anyone can be sure that output will grow by that much, has made that danger palpably real. But the rot—if it becomes that—may have been started by NEDC itself in deciding to split the report of its full-time staff into two
parts: with the four per cent case 1961-66 and the seventeen industry survey preceding the Conditions Favourable to Faster Growth. The cart has thus appeared before the horse."

It is the horse of productivity, management and trade unions pulling forward together in harness, which alone can tug the British standards of productive performance, investment, consumption and growth onward and upward at the desired rate. In no other way can any U.K. Government safeguard the international value of sterling, balance Britain’s foreign payments, fulfil international military and civil obligations (defense plus economic development of less-industrialised lands), and yet secure that desired rate of economic growth at home. But all reputable economists have known that, and most of them have said it, for over a decade. What has lacked has been the will of political leaders to accept the social and political consequences for their followers; the will of industrial and managerial leaders to do likewise for their followers; and the will of trade union officials to do likewise for theirs; and the will of all of them to say so, loud and clear. All the NEDC and its “office boys” have done—and it is by no means little—is to say what has often been said, but a bit more emphatically and from a somewhat higher place.

What has to be done remains to be done: by either political party as a Government, by both management and the trade union movement. To expect even the highest advisers to do more than advise would be to expect the British two-party brand of democracy—never a very efficient, but always a very dependable and endurable, brand—to abdicate in favour of a bureaucratic oligarchy. But even that oligarchy, as France and the Six of the EEC show, still have to cope with wage-push inflation, balance of payments, taxation, employers’ associations and trade unions. Britain can start the NEDC’s 4% or 6% rate of growth going on the basis of its staff’s advice. She can afford to import more and run a balance-of-payments deficit for a time on her ample reserves of all kinds plus calls on the IMF, other central banks, etc. But the viability of such a programme, the durability of growth, the steadiness of advance minus “stop-and-go” convulsions, all these depend, as they always did, on wills and mentalities, on awareness of what progress and productivity imply for everyone; i.e. radical changes in management and its training, in trade unions and their powers and practices; in political party procedures and the willingness of the voter-consumers to change; and in a whole nation’s outlooks, attitudes and habits.

Adaptability instead of cosy complacency behind tariffs, competitive enterprise instead of cushioning subsidies from taxpayers; setting more affluent voter-consumer households on their feet (and purses) for more of their own insurances and welfare instead of providing it at huge costs in taxation by the State’s agencies; the acceptance of more redundancy as necessary by the trade unions (instead of a tighter clamping-down of restrictions on entry or performance) but also the acceptance by all managements and the State simultaneously of their responsibility to re-train redundant workpeople and maintain them decently in their unmerited difficult transition to new jobs, or into retirement; here lies the way to more soundly based prosperity, by way of a more rapidly rising productivity of both capital and labour. It can hardly be achieved quickly in an advanced nation by bits-and-pieces improvements in separate farms or firms or State agencies. It is a national task and must so be projected to the nation in all its organisations,
all its vested interests, all parties, all occupations. Which, in the upshot, means that it is the task of Government and Opposition alike, if democracy is not to go overboard, as it already has gone in France, "plan" or no plan. And planning minus Democracy is simple, as ruling by force always is.

Our British NEDC—and probably Australia’s CIAE—can perform most usefully in calling these things to the attention of all of us, whether we are organised as responsible persons in Parliaments, managements, trade unions, farming associations, or just as voters in parties. They cannot do more. But it is important that they should say fearlessly, loud and clear, what can be done, what rates of growth mean in terms of changing our various ways, and how we can make those changes by various means at varying costs. Whether we will make them or not, and what we shall do, is not for them to say. But it certainly is for the rest of us to say, in all our organisations. And the politicians should welcome any loud and clear sound which tells every voter—without any party-political bias or responsibility—what growth, prosperity and security in the economic sphere demand as prior conditions in the social and political one. That is as far as "planning" can be taken in a democracy without undoing it.

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