Can We Be Confident?

The year 1964 has opened with the Australian economy in robust health. Not since the war have the foundations of prosperity looked more secure. Internally, employment is full and prices are steady; externally, exports are achieving record figures and overseas reserves, at the end of February, were at the highest level ever recorded.

Only one cloud appears to mar the sunny prospect; this is the fear of history repeating itself. Is the present prosperity a prelude to another boom-squeeze-recession cycle? Will prosperity lead to a sudden surge in spending, to over-rapid business expansion, hysterical stock exchange and land speculation, over-full employment and rising prices, a deteriorating balance of payments, all this to be succeeded by the inevitable deflationary restraints to bring down the economic blood-pressure and restore sanity and balance? Many people, and especially businessmen, are asking these questions.

It may help to compare the present situation with other years which preceded the onset of a boom—namely 1950, 1954 and 1959.

The first post-war boom, which ended in 1951, was precipitated in the main by a huge increase in export income when, following the outbreak of the Korean War in June, 1950,
prices for wool and metals soared to fantastic heights. In one year, 1950/1, the volume of money expanded by nearly £400 million. (The volume of money consists of notes, coins and bank deposits of all kinds held by the public.) Of the £400 million, almost half was accounted for by a rise in overseas reserves, and the remainder largely by an increase in bank credit. Despite a vigorous demand from some quarters for an appreciation of the Australian £, no action was taken to contain the rise in export income at its source. Woolgrowers also refused to accept a stabilisation scheme which would have frozen portion of their wind-fall incomes. The export bonanza led the Commonwealth Arbitration Court to increase the basic wage by £1 in December, 1950. This was followed by a succession of quarterly cost-of-living adjustments which added another £3/9/0 to the basic wage in the short space of two years. In two and a half years, prices rose by 50%, the steepest bout of inflation in Australia’s peace-time history.

With the surge of spending, imports flooded into the country and when export prices retreated to more normal levels, the record overseas reserves of 1950/1 evaporated almost overnight. In one year they ran down by the unprecedented figure of £431 million. The “Horror Budget” of August, 1951, was introduced to curb spending, and bank credit, already overstrained to finance imports, was severely curtailed. It was not enough and in February, 1952, import licensing was introduced to stem the rising flood of imports. The boom collapsed, men were put out of work, and the year 1952/3 was the most stringent for the Australian economy since the Great Depression.

The 1955/6 boom was largely of Australia’s own making. After a year of stability in 1953/4, the pressures generated by the national policy of economic expansion started another round of “excess” demand in the economy—imports began to rise again and overseas reserves to run down. “Remedial” measures were taken in March, 1956, to curb what was wrongly diagnosed in official quarters as a “consumption boom”. In truth, the boom arose from the attempt to push ahead too rapidly with development and migration. Taxes were raised to dampen down private spending and interest rates were in-
creased to restrain lending and to strengthen the weakened bond market.

With the end of the 1955/6 boom, unemployment rose and business conditions remained mildly subdued for several years. They commenced to recover in 1959 under the stimulus of easier bank credit and a sizeable Government deficit. A further stimulus was given by the substantial margins increases granted by the Arbitration Commission in November, 1959, on top of a 15/- rise in the basic wage in June of the same year. By early 1960, the inflationary spiral was again in full flight. This time, the Government boldly decided to abandon import licensing in order to boost internal supplies and thus counteract the inflationary increase in the supply of money. But the removal of import licensing deluded the community into believing that all was well; the boom intensified, with rampant speculation in shares and land, and the “mushrooming” of enterprises based on dubious financial foundations. Bank credit was tightened, but not severely at first. There was a big rise in lending by the fringe financial institutions, particularly for speculative business ventures, land development and heavy time-payment sales of electrical goods and motor vehicles. A resurgence of imports led to fears of another calamitous run-down in London funds; the “credit squeeze” was imposed in August, and this was followed by the much-discussed November measures directed particularly against the secondary financial institutions and the motor vehicle industry.

It is now three years since the last boom and the financial and economic commentators are seeking out the signs which might portend another boom in 1964. As in late 1959, production is approaching capacity levels and the labour position is becoming tight. Wages appear to be on the way up again with the recent margins increase. (There is some trepidation, too, over the basic wage inquiry now in process.) The last two Commonwealth Budgets have been expansionary and Government expenditures, in response to undertakings given in the November, 1963, elections, are increasing. Many observers are placing great stress on the rapid expansion of the money supply, coming largely from record export receipts and the build-up in overseas reserves.
Exports are expected to reach £1,300 million this financial year, which far over-tops the previous record figure for export receipts. Compare the export figures for each of the past 5 years:

<table>
<thead>
<tr>
<th>Year ended June</th>
<th>£m.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>932</td>
</tr>
<tr>
<td>1961</td>
<td>925</td>
</tr>
<tr>
<td>1962</td>
<td>1067</td>
</tr>
<tr>
<td>1963</td>
<td>1067</td>
</tr>
<tr>
<td>1964</td>
<td>1300</td>
</tr>
</tbody>
</table>

The money supply has already increased by £360 million from July to December compared with £258 million for the whole of 1959/60.

While the present position contains some similarities to previous post-war cycles, there are important differences.

For one thing, there is now a much firmer determination to resist inflation. The community is not so "inflation-minded" and is more impressed with the virtues of a stable currency. The main wage-fixing authority, The Commonwealth Arbitration Commission, in recent judgments has shown increasing concern with the effects of its decisions on national economic policy. Moreover, responsible financial and business opinion now displays little faith in inflation as a means of promoting sound economic growth. Inflation has become politically unpopular and people generally view with distaste the prospect of constantly rising living costs. All in all, the grip of "the money illusion" on the public mind has materially weakened.

Another difference is the transformation in the position of the primary industries. A few years ago there was widespread apprehension about the future of the primary industries and their ability to provide export income on a scale needed to finance continued rapid economic growth. Many commodities such as sugar, wheat and metals appeared to be in world over-supply. The prevailing view was that Australia would have to look to its manufacturing industries to help make up the leeway in exports and to replace imports which it could not pay for.
With the threat of mounting competition from synthetic fibres, prospects for wool seemed gloomy. It is only a year or two ago when we were told that because of synthetics we were unlikely to see wool prices again at much in excess of 60 pence a pound. However, prices at recent auctions have been averaging over 70 pence a pound. The researches into new uses for wool fibres and intensified sales promotion seem to be producing good results. Overseas textile manufacturers, who had been waiting on the side-lines to see what was going to happen, have now apparently made up their minds to back wool. Despite increased clips, the pressure of demand has been so great that world wool stocks are now at a low level.

In addition to better prices, there has been a remarkable expansion in Australia's output of rural products. Since 1953/4 the volume of farm output has expanded by over 40% and the volume of rural exports by 65%.

The table below shows the increases which have taken place in the volume of output of our main primary products since 1953/4.

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Unit</th>
<th>1953/4</th>
<th>1963/4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wool</td>
<td>Mill. lbs.</td>
<td>1245</td>
<td>1751</td>
</tr>
<tr>
<td>Wheat</td>
<td>Mill. bus.</td>
<td>198</td>
<td>324</td>
</tr>
<tr>
<td>Sugar</td>
<td>'000 tons</td>
<td>1254</td>
<td>1754</td>
</tr>
<tr>
<td>Beef &amp; Veal</td>
<td>'000 tons</td>
<td>704</td>
<td>950</td>
</tr>
<tr>
<td>Mutton</td>
<td>'000 tons</td>
<td>365</td>
<td>595</td>
</tr>
</tbody>
</table>

Apart from wheat sales to mainland China and increasing purchases of Australian foodstuffs by Japan, great new markets have opened up in the United States for sugar and meat. Following the allocation of portion of the former Cuban sugar quota to Australia, exports of sugar to United States have soared from nothing in 1958/9 to 223,000 tons in 1962/3. The United States' market for Australian beef and veal has also grown from negligible proportions ten years ago, to £80 million in 1963.

Metal prices are at their highest since the Suez Crisis in April, 1957. Production of metals has also increased substan-
tially over the past decade and the physical volume of exports has more than doubled.

The dramatic improvement in the prospects of the primary industries is undoubtedly the most important thing that has happened to the Australian economy. Nothing of this sort was anticipated two or three years ago. While rural industry must always be exposed to the year-to-year hazards of the seasons and sharply fluctuating world prices, the whole outlook is much more soundly based. The future can be faced with greater confidence than for many years.

The strong export position is being supplemented by a heavy inflow of capital from abroad. Overseas reserves have now topped the £800 million mark; in addition we have borrowing rights with the I.M.F. of up to £200 million. In previous booms, drastic action to curb internal spending was primarily brought on by an ominous drain on overseas reserves.

With over three years of price stability, internal cost levels are also more competitive with overseas. Japan and some European countries have had a revival of inflation during this time and costs and prices have been rising rapidly.

Some people are viewing with concern the heavy build-up of bank deposits and realisable assets which can be quickly turned into cash. There is also a large store of spending power in unused overdraft limits. All this (in technical jargon "the liquidity" of the economy) is seen as a potential inflationary threat. The table on the next page showing movements in the supply or volume of money since 1950 may help to put this matter in better perspective.

The percentage rise in the volume of money in 1963/4 seems likely to be the largest since 1950/1. As a proportion of G.N.P. it is likely to be higher in 1963/4 than in preceding years, but appreciably below levels for the first half of the 1950 decade. In 1959/60, 70% of the increase in the money supply came from bank credit and 30% from a government deficit (on both revenue and loan account). But for the first
VOLUME OF MONEY 1950-1964

<table>
<thead>
<tr>
<th>Year</th>
<th>Vol. of Money £M</th>
<th>% Incr. on Prev. Yr.</th>
<th>As % of G.N.P.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>2048</td>
<td>11.4</td>
<td>80</td>
</tr>
<tr>
<td>1951</td>
<td>2435</td>
<td>18.9</td>
<td>72</td>
</tr>
<tr>
<td>1952</td>
<td>2410</td>
<td>-1.0</td>
<td>66</td>
</tr>
<tr>
<td>1953</td>
<td>2628</td>
<td>9.0</td>
<td>63</td>
</tr>
<tr>
<td>1954</td>
<td>2800</td>
<td>6.5</td>
<td>62</td>
</tr>
<tr>
<td>1955</td>
<td>2883</td>
<td>3.0</td>
<td>60</td>
</tr>
<tr>
<td>1956</td>
<td>2908</td>
<td>0.9</td>
<td>56</td>
</tr>
<tr>
<td>1957</td>
<td>3104</td>
<td>6.7</td>
<td>55</td>
</tr>
<tr>
<td>1958</td>
<td>3177</td>
<td>2.4</td>
<td>55</td>
</tr>
<tr>
<td>1959</td>
<td>3338</td>
<td>5.1</td>
<td>54</td>
</tr>
<tr>
<td>1960</td>
<td>3596</td>
<td>7.7</td>
<td>53</td>
</tr>
<tr>
<td>1961</td>
<td>3651</td>
<td>1.5</td>
<td>50</td>
</tr>
<tr>
<td>1962</td>
<td>3923</td>
<td>7.5</td>
<td>54</td>
</tr>
<tr>
<td>1963</td>
<td>4259</td>
<td>8.6</td>
<td>54</td>
</tr>
<tr>
<td>1964 (estimated)</td>
<td>4730</td>
<td>11.0</td>
<td>55</td>
</tr>
</tbody>
</table>

(The volume of money consisting of notes, coins and bank deposits held by the public is, of course, not a complete measure of "liquidity")

half of 1963/4 nearly 50% of the increase came from overseas reserves compared with a negligible contribution in 1959/60. The increase in the money supply from bank credit should not be nearly as substantial this year as in 1959/60. In particular, there has also been a dramatic slackening in the demand for funds by companies for expansion. This is shown in the table below:

INCREASE IN COMPANY BORROWING AND SHARE ISSUES 1960-1963

<table>
<thead>
<tr>
<th>Year ended 30th June</th>
<th>New Share Issues</th>
<th>Fixed Int. Borrowing £M</th>
<th>Overdrafts</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>83</td>
<td>212</td>
<td>83</td>
<td>378</td>
</tr>
<tr>
<td>1961</td>
<td>131</td>
<td>130</td>
<td>46</td>
<td>307</td>
</tr>
<tr>
<td>1962</td>
<td>104</td>
<td>106</td>
<td>-23</td>
<td>187</td>
</tr>
<tr>
<td>1963</td>
<td>77</td>
<td>117</td>
<td>7</td>
<td>201</td>
</tr>
</tbody>
</table>
Because of a much slower velocity of circulation (the rate at which notes and bank deposits change hands), the big increase in the money supply in 1963/4 should not prove to be nearly as inflationary as in 1959/60, when heavy lending by the banks and the fringe financial institutions to businesses and consumers brought about a rapid turnover of money. Now there is a reluctance to borrow for any but the most sound and worthwhile purpose.

*     *     *     *

In all times of exceptional prosperity, inflationary elements begin to appear here and there in the economy. It would be silly to pretend that these elements are not present at the moment. Indeed, in the coming months we are certain to see additional measures at the official level, both in the monetary and fiscal areas, to strengthen the economic defences against the welling-up of inflationary forces. The important thing is that the community should regard well-considered action of this kind as a necessary step towards ensuring the continuance of prosperity and not as something that will undermine it.

Even with the wisest and most ably conceived of government policy measures, the future of the economy can, of course, never be absolutely guaranteed. It is also too much to expect that economic growth and prosperity will always proceed smoothly without fluctuation from year to year. But we are learning all the time. This greater experience in economic management, both by officials and businessmen, combined with the underlying strength of the economy at the moment, gives every hope that sound prosperity can be maintained for some time ahead.

If ever it were possible to look to the economic prospect with confidence, then it should certainly be possible now.

*     *     *
A Changing Society

Now and again it is a useful exercise for a nation to take stock of itself, to assess the more notable trends in its way of life, to try to estimate their significance. In a period of great and rapid change—and change now takes place with bewildering speed—the results of such an exercise can be striking. In the brief space of ten years, in the time-span between the early 1950's and the present, the Australian environment and Australian way of life and thought have undergone almost incredible changes. Indeed to speak of these changes in terms of "trends" is in a way misleading. A "trend" is a logical projection, more or less steady and gradual, of the state of affairs in the past. But in the last decade what has occurred seems to be rather more akin to a kind of "explosion" by which we have been rocketed into a new dimension, physical and social, whose links with the past are, at best, tenuous.

In the early 1950's Australia stood on the verge of a "breakthrough" into "the affluent society". Today, a mere ten years later, the "breakthrough" has been virtually accomplished.

The changes that most impress people are usually those that can readily be seen, the physical changes in their environment, the "facts" of affluence rather than its "effects":—

the democratisation of the motor car with its side-effects of road congestion, numerous, immaculate petrol stations and modern-architected motels;

the mushrooming of glass and concrete sky-scrapers in the big cities and, outside the cities, new suburbs spreading endlessly;
the multiplication of modern, attractively designed factories in new industrial centres on the outskirts of the cities;

the supermarkets and shopping centres with their dazzling array of packaged goods;

the homes comprehensively equipped with the labour-saving and entertainment-giving "gadgets";

the tight trousers and jackets, the short skirts and bizarre clothes and other hallmarks of the teenage cult.

More vaguely in the background, the rockets, the satellites, the space-annihilating aircraft, the computers! And, symbolic of a maturing nationhood, the blossoming of Canberra so that the great "Utopian" design, conceived a half-century ago, is at last moving close to realisation.

Much of this physical transformation can be recorded in comparative, sometimes incredible, statistics of production gains, of standards of living, of cars and washing machines per head.

But the most significant changes are those that cannot be measured in figures, changes that have taken place not in physical environment and functional amenities, but in the people themselves—changes in habits and customs, in their way of life, and above all in their way of looking at life—in other words, the results of "affluence" rather than the facts of "affluence". Let us look at a few of these changes.

Perhaps the most important arise from the television invasion. It is hard to realise that only ten years ago there was no television in Australia. Today it is as integral a part of our daily existence as toast and marmalade for breakfast. The home without a T.V. set is now a rarity, almost a curiosity. When T.V. was first introduced there were not a few who predicted that it would be a national tragedy, that it would invade the quiet and peace of the home, destroy social intercourse and good conversation, enervate the mind, and that its effects on the young would be wholly bad.
Many large mechanical innovations—for instance, the steam engine—have been regarded, at first, as inventions of the Devil. But most of those who held grave misgivings about T.V. have by now been converted. A balancing of good and bad effects gives a verdict strongly in its favour. What we first thought of as primarily an entertainment medium has become an educational force of tremendous potency. Australia today is a far better-informed, more intellectually alive community than it was ten years ago and much of this must be attributed to the influence of television. As a people we take a much keener interest not only in what is going on in our own community but in the world at large. The life of countries, which, ten years ago, were to many of us little more than names on a map, has become well known to us and the V.I.P.'s of the world as familiar almost as the next-door neighbours. That is one of the reasons why the death of President Kennedy had such a profound impact on Australia. Through T.V., we had got to know him far better, in an intimate and personal sense, than any previous American President. His death brought a sense of shock and personal grief that could hardly have been greater in his own country. For a time we were unable to visualise a world without one whom (through T.V.) we had come to know so well that his sudden, tragic passing seemed to leave an emptiness in our everyday lives.

Perhaps this increasing awareness and knowledge of world affairs is the greatest benefit which T.V. has conferred on Australia. Returning to their own country after a period abroad, many Australians used to be depressed and disturbed by its "remoteness"—not so much geographical as mental—from the rest of the world. The unreality and narrow insularity induced by our isolation have been, indeed, two of the greatest handicaps that have delayed Australia in its journey toward national maturity.

T.V., although not entirely overcoming this "remoteness", has gone some way toward bridging it. Australians certainly have far more knowledge of the world, and, with greater knowledge, more of a world sense, than they had before its advent.
To discuss the manifold facets of the impact of T.V. on the Australian way of life—not all of them good—would take a book. In this context the fact can be little more than recorded. But there is no doubt that T.V. has played a part, and a large part in making the Australian community not only a much more knowledgeable community than ten years ago, but also a community more eager for the acquisition of knowledge, more curious about many things, and more conscious of its place in the world picture.

The vast influx of migrants has also contributed to the breaking-down of insular tendencies. It has given Australian life a more cosmopolitan flavour and added much to its richness, in the cultural as well as physical sense. It is largely due to the migrant, for instance, that Australia is beginning to compare with the high-standard-of-living countries overseas in numbers of high-quality restaurants offering a variety of sophisticated cooking and first-class service. In architecture, in commercial design, in industrial "know-how" and in many other things the influence of the "new Australians" is being strongly felt.

There have been other influences which have contributed to this intellectual and cultural awakening. One is the new cult of the "paper-backs" which has wrought a revolution in the book trade. Ten years ago it was only in its incipient stages. Today there is not a bookshop without extensive shelves of "paper-backs". In 1962, sales of "paper-backs" reached 2½ million and the total value of imports of all books was double that of ten years previously. Admittedly these comprise a more than fair proportion of lurid, sex-ridden novels, but there are also large numbers of contemporary novels of high distinction, as well as editions of the traditional classics. But if one examines the shelves of the "paper-backs", the most interesting and significant fact that emerges is the quite considerable proportion of educational works on every conceivable subject—science and popular science, medicine and psychology, politics and political philosophy, economics and sociology, history and biography, travel, art and the history of art. It is a fair assumption that serious works of this kind are becoming increasingly
demanded and increasingly read as a result of the "paper-backs".

The L.P. record is another development, in its infancy ten years ago, today little less widespread than T.V. Last year the sales of 12" long-playing records exceeded 4 million. Like the "paper-backs" there is much that is insignificant and a fair proportion of sheer trash; but it is safe to say that the musical knowledge and appreciation of the Australian people, aided by the L.P. record and the stereogram, is considerably greater than ten years ago. The works of the great composers, their interpretation by outstanding musicians and singers of the past and present, are listened to eagerly by growing numbers of people, if not in the concert halls, certainly in the comfort of their sitting-room arm-chairs.

The democratisation of the motor-car has had other effects than the proliferation of petrol stations and motels and an endless national debate on road expenditures. Combined with increasing affluence and leisure, it is making it possible for the great majority to see, to explore and to know their own country to an extent beyond the powers and purses of previous generations. The modern Australia is a nation on wheels, mobile, questing, adventurous in its urge to see distant places. This year it is Alice Springs and the limitless expanses of the interior; next year, the tropical Queensland coast; the year after, little-known parts of western and southern Tasmania. For increasing numbers, the motor car has brought into view not merely new vistas of scenic wonder, but new vistas of knowledge, additional raw material for the mind to work on.

It is too soon yet to say that in the last decade in Australia there has been anything approaching an intellectual renaissance. Many, perhaps rightly, would regard such a claim as far-fetched. Yet it is indicative that probably the No. 1 topic of discussion today, both in official quarters which have to meet a growing, insistent public demand, and among the public itself, is education. There is a regular ferment of ideas, proposals and plans.
Only rarely does one turn the pages of the daily newspapers without coming across some comment on what has come to be regarded as the major national problem. It is a problem of many facets of which the provision of buildings and facilities to cope with the rapidly expanding numbers of young people seeking higher secondary or tertiary education is only one aspect, and perhaps not the most important. The growing proportion of the youth of the community who are now not prepared to settle for anything less than a University education continues to stagger those of older generations accustomed to think of the Universities as the preserve of a tiny minority of "very clever" people. At the secondary and tertiary levels of education the number of students has doubled in the last ten years.

This, of course, is a product, and one of the better products, of affluence. It is no longer so necessary for young people to start supporting themselves and contributing to the family income when they are only half-way through their "teens". Consequently, great numbers have become "University conscious" and this consciousness is encouraged by proud parents, ambitious for the best in life for their progeny.

Ten years ago, before the "break-through" into affluence, many families were torn, to a much greater extent than today, between, on the one hand, their desire to buy a motor car and equip their homes with all the new attractive, comfort-giving and labour-saving "gadgets", and, on the other, their wish to give their children the advantages of higher education. Now the "gadgets" have been acquired and it is possible to consider devoting a larger part of the family income to other purposes.

The widening of the scholarship system which is helping to make all this possible, is itself made possible by increasing affluence.

It is a fact of the highest social significance that, whereas ten years ago, the Australian community was largely absorbed with its economic problems—with continued full employment, with progressively better living standards, migration and
economic expansion—today it has come to take those things more for granted and to turn its attention to other matters.

Perhaps most important of all, increasing affluence is obliterating old-time “class” divisions and economic and social distinctions. In dress, it is becoming impossible to distinguish many factory workers from white-collar office workers. A high proportion of manual workers now possess a motor car which is frequently used to go to and from the daily task; their homes are equipped with the accoutrements which, not long ago, were regarded as the symbols of a middle-class standard of life. All this is being reflected in a revolutionary change in the political and industrial attitudes of increasing numbers of workers, a change that has yet to be absorbed into the philosophy and thought of the labor movement itself.

Australia, along with other advanced countries, is in the throes of a tremendous scientific and technological revolution in which the pattern of everyday living and thinking is being, in many ways, transformed. Until the dust begins to settle, it is difficult to comprehend all the implications of the great changes occurring, and to visualise where they are leading. But it is clear that some of our great national institutions, the product of different conditions, are beginning to have a slightly archaic look. Parliament and the wage-fixing mechanism are just two examples of institutions which, sooner or later, may be unable to escape the need for modernisation, more or less drastic.

The inability of some important national organisations—the great political parties, organised employer bodies and trade unions—to keep pace with events, although understandable, is none the less disturbing. Are our political parties, for instance, thinking and talking too much in terms of a political idiom that is out of date and ill-related to the facts of the modern world?

Perhaps the most important thing to grasp may be this: the whole of human life, even in economically advanced countries, has hitherto been based on the necessity of toil, even
struggle for the means of existence. To this basic, ever-present struggle our minds have become conditioned by long familiarity. But, looking at the world at large, we are now at the beginning of an era when, if there is no cataclysmic atomic war, life for many will no longer consist in the main of an unending round of toil, but of substantial leisure. This is perhaps the most important, single consequence of affluence. We stand not so far from the brink of the Age of Leisure—perhaps it is even closer than we realise—and we are beginning to wonder what we will make of it when it is here. Will we use it to good purpose, or will we abuse it? Will it be just plain boring? Or will it be the gateway to a new world of interesting, fruitful pursuits and of gracious, enjoyable living?

The advent of the Age of Leisure will present the human race with its greatest opportunity and also with its greatest peril. At least one might say: "So far, on the whole so good".
"Big Businessmen"

Outside a small circle not a great deal is known of men who, by their work in business, have made outstanding contributions to the life and development of Australia. This is a gap in our knowledge which needs to be filled.

Biographical studies of men who have achieved great prominence are comparatively rare in this country. Moreover, they have usually been concerned with leading political figures.

The phrase “big businessman” conveys something fairly definite to the popular mind; it suggests an image of one who sits in well upholstered boardrooms associated with the direction of large-scale enterprises whose assets run into many millions of pounds. The “big businessman” is assumed to have acquired considerable personal wealth, to have a love of power and to be interested primarily in profits and the making of money for its own sake. This popular conception is not entirely flattering; nor is it, in general, accurate. It neglects to bring in to the reckoning the positive achievements of the people concerned, their real qualities of character, and the extent to which they are driven by motives often far removed from the acquisition of money and power.

The Director of the Institute, Mr. C. D. Kemp, has, in recent months, made a study of the lives and characters of four men who, during their life-time, achieved great prominence in the business life of Australia. These men—Sir Herbert Gepp, Sir Walter Massy-Greene, Sir Leslie McConnan and Mr. G. H. Grimwade—although of a very different type, were, each in
his own way, concerned with the direction and building of
great enterprises and with events that have had a determining
influence on present-day Australia.

Mr. Kemp has written four essays which will be published
—in a private edition—as a book, "Big Businessmen", later this
year. The book should be of particular interest to Australians
associated with business in its many forms but also to a wider
public.

As the book is to be published by the Institute, it is desired
to gain some estimate of the approximate demand so that the
number of copies to be printed can, within reason, be planned
in advance. We would be pleased, therefore, if readers of
"Review" would indicate, by letter or telephone, their require-
ments. The price of the book will be set at a figure designed to
reimburse the Institute for costs incurred in its production. It
will be close to 25/- a copy.

To give prospective purchasers some indication of the
character of the work, we republish here the "Introduction" to it.

* * * * *

The subjects of these four biographical studies are business-
men with whom I had a close association.

For seven years I was a personal assistant to Sir Herbert
Gepp when he was Managing Director of Australian Paper
Manufacturers. My connection with him continued after I
left the Company in 1944 until he died in 1954.

Sir Walter Massy-Greene, Sir Leslie McConnan and Mr.
G. H. Grimwade all played a prominent part in the formation
and early years of the Institute of Public Affairs. It was in this
respect that I had much to do with them over a period of
roughly ten years.

The essays are mainly an attempt at character analysis,
but Gepp and Massy-Greene had careers of such extraordinary
accomplishment and diversity that I have felt compelled, in
their case, to enter fairly extensively into the realm of biography. The stature of these men can be properly assessed only if viewed against the impressively large and colourful tapestry of their achievements.

Although he had many interests, Sir Leslie McConnan's entire career was spent in the National Bank of Australasia. When Chief Manager of the bank, he became a protagonist in the most crucial drama in Australian political history of recent times—the attempt by the Chifley Labor Government to nationalise the private trading banks. Here lies his main interest for the general reader.

Mr. Geoffrey Grimwade was not, perhaps, a prominent or well-known national figure in the sense of Gepp, Massy-Greene or McConnan. But his contribution to the organisation by which I have been employed for the past twenty years was so indispensable, and he was a man of such unusual quality, that I have long wanted to write something about him.

I have just suggested that Gepp and Massy-Greene were well-known public figures. This is true only of past generations. Although they have been dead a mere ten or so years, probably the great majority of present-day Australians have barely heard of them. Yet it is fair to claim they are among the greatest Australians because they belong among that small number of select men who laid the foundations on which the modern, industrialised, affluent, rapidly developing Australia has been built—an Australia that every day bears less resemblance to the one in which Gepp and Massy-Greene lived.

Gepp and Massy-Greene belonged to a species of business leaders which, always rare, is now almost extinct. They were the products of an earlier, pioneering stage in industrial development. The scale of industry was generally smaller. Decision-making was complicated by the hazards of the business cycle and the periodic alternations of prosperity and depression. The risks were greater. We had not yet entered the era of Keynesian policies, of full employment and almost automatic yearly growth.
The sophisticated organisation of the "executive suite", with data processing and almost formalised decision-making, had not yet appeared. There were no specialist schools of business management and the modern "managerial tools" were only in an embryo stage. It was the "pre-computer" age. Development depended less on organisational methods and more on the dynamic drive, vision and all-round ability of gifted individuals. Without the detailed planning and analyses made possible by the computer and the such-like and a multitude of highly-trained experts, big decisions were based more on the personal predilections and intuitions of the captains of industry.

The "character" of the business and its methods of working were coloured, even largely determined, by the nature and personality of the man at the helm. To-day, the individual tends to be overshadowed by the "organisation" as such, which has assumed almost a life and continuity of its own.

Men like Gepp foresaw all this and indeed laid the foundations for it. But it is doubtful whether they themselves would have fitted comfortably into the more rigid procedures and tighter rules of the modern, large-scale organisation. They would not, I think, have been entirely at their ease among the indoor plant life and silent carpets of the "executive suite". While they were seeking better methods of organisation and a more "scientific", analytical basis for arriving at decisions, when moved to do so they did not hesitate to throw the organisation manual out the window.

Massy-Greene and Gepp were men of a massive, all-round comprehension. They knew a great deal about an awful lot. They were colourful, individualistic, and, in a sense, non-conformist. They were enormously observant, full of ideas, original, creative, daring in conception and bold in execution. Without advanced university training or specialist professional qualifications, they had achieved the ultimate aim of higher education; both had, in Alfred North Whitehead's phrase, "an habitual vision of greatness".
If one surveys the first fifty years of the present century, Gepp would seem to have as strong a claim as anybody else to be regarded as the leading figure in the “development” of the still youthful Australia. For the first half of those fifty years, he was associated with the small group of energetic, far-sighted men behind the Broken Hill mining and metallurgical developments. These developments were largely responsible for “triggering-off” the process which established our great heavy industries and which eventually transformed Australia into an industrial nation of consequence. Here were the birth-pangs of the Australian industrial revolution.

Gepp was right at the heart of these momentous events, a trusted and respected associate of the legendary W. L. Ballieu. Then, from the middle 1920’s to the middle 1930’s he was the senior adviser to the Commonwealth and State Governments on the problems of the development of the Continent, including the vast area about which we are again hearing a great deal, Northern Australia. In the final period of his working life he returned to private industry and he made a major contribution to a project which had long been close to his heart—the manufacture of paper from native hardwood eucalypts. His work here helped to transform the paper industry into one of the half-dozen or so basic manufacturing enterprises of Australia.

But his contributions to Australian life were manifold. He was not only a man of great practical achievement; he was a “thinker” in the true sense of the word and was impelled by a desire to inform, educate and guide the young Australian democracy. More than any other industrialist, he pioneered the introduction of the trained scientist into industry, both in basic research and in the chemical and technical control of production processes. And what was rather rare among the businessmen of his time, he had a strong belief in the value to business of the university-trained mind. Moreover, he knew how to make the very best of what the university man had to offer. He was in the avant-garde with those businessmen who believed in liberal industrial relations’ policies and practices. He was the main public advocate of the national and social responsibilities of industrial leaders and of big enterprise. He was intimately
connected with the formation of many institutions which have now become an established part of Australian life; The Royal Australian Chemical Institute, The Commonwealth Scientific and Industrial Research Organization, The Australian Institute of Management, The Institute of Public Affairs, are among them.

Massy-Greene parallels Gepp in the magnitude and ambit of his achievement. He reached the summit in two distinct spheres of life. He rose to the peak of Australian politics, holding a number of the senior Ministerial posts in the Commonwealth Government and missing the supreme honour of the Prime Ministership by a hair’s breadth. Comparatively late in life he transferred his attentions to business. He became recognised as perhaps the leading company director of his day, holding about forty directorships, many of them in some of the largest and most important enterprises in Australia. I doubt whether such a dual achievement, in politics and business, has been equalled in Australian history.

Although Massy-Greene was not a technical man as was Gepp—the former was essentially a financial leader—there is in some ways a remarkable link between the business careers of the two. Both were associated for many years, although in different capacities, with the Collins House interests. In 1946, Massy-Greene became the Chairman of the Electrolytic Zinc Company of Australasia, the enterprise of which Gepp was the prime creator. He was also either Chairman or a member of the boards of other Collins House companies, many of which relied for their original capital on the profits of the rich Broken Hill mining enterprises. One of these was the Associated Pulp and Paper Mills. In the establishment and development of his company, concerned with the large-scale manufacture of fine writing and printing papers using pulp made from indigenous hardwood timbers, Massy-Greene's achievement bears a striking similarity to Gepp's contribution in Australian Paper Manufacturers.

Of McConnan and Grimwade, I have written mainly in a personal sense, and have not attempted to explore their careers in any detail.
I have called this book of essays, "Big Businessmen". That is how each of these men, because of the positions they held, would no doubt be regarded by the general public. But I have used the adjective "big" rather to convey the idea that each of these men were "big" men, big in themselves.

It is fair to say that the Australian public knows comparatively little about its leading businessmen. A study of the characters and personalities of the four included here will, I hope, have some small interest, particularly for the younger generation of Australians who should be concerned not merely with what Australia is today, or with what it will become tomorrow, but with the men who, by their work in the past, helped to determine both to-day and tomorrow.
The American Scene

By

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Professor Cowen who has lived in the United States for extended periods, is uniquely qualified to write on this great country. He was Visiting Professor at the Harvard Law School in 1953/54 and is the current incumbent for 1963/64. Professor Cowen's observations on the dramatic events following the death of President Kennedy, the U.S. Presidential succession and the forthcoming election, will be of compelling interest to Australian readers.

It has been an historic time to be in the United States. In memory, one day still dominates all others; the day of November 22, 1963 when President Kennedy was assassinated in Dallas. Even now, months after, and despite the marvellously smooth transition of power—a striking tribute to the style and immense political skills of President Johnson—it still seems incredible. I recall a cartoon of Herblock, outstanding among contemporary American political cartoonists, published during that terrible weekend when the whole country sat absorbed before its television sets and watched the unfolding of events. The cartoon depicts an American family by its television set, and the caption reads: "I still can't believe it".

There is something quite appalling in the murder of a Head of State, and there was something particularly shattering in
this crazed and senseless murder of this extraordinarily gifted young President. He had been a controversial figure; in areas of the South he was under bitter, even violent attack because of his declared policies on civil rights; there was criticism, and not only from his enemies, because of the role of the “family” in politics; a criticism sharpened by the election of his brother Edward as Senator for Massachusetts. President Kennedy’s legislative programme and notably the civil rights and tax reform bills, had been stalled in Congress and there were even charges of timidity and want of skill in his handling of relations with Congress.

Political life has a rawness, a violence in the United States which we as Australians find it not easy to understand. For example: early last December, in Baton Rouge, Louisiana, I saw large roadside billboards proclaiming “Impeach Earl Warren”—the Chief Justice of the United States. He has been under constant attack by the right wing for his participation in decisions of the Supreme Court touching civil liberties and states’ rights, and the hatred is bitter and almost maniacal. Not long before the assassination of the President, Adlai Stevenson had been physically abused and humiliated when he made a United Nations day speech in Dallas. He had counselled the President against going to Dallas. In a short and moving speech at the Rotunda of the Capitol in Washington where the President’s body lay in state, Chief Justice Earl Warren spoke of themes of violence in American life?

“What moved some misguided wretch to do this horrible deed may never be known to us, but we do know that such acts are commonly stimulated by forces of hatred and malevolence, such as today are eating their way into the bloodstream of American life ... Is it too much to hope that the martyrdom of our beloved President might even soften the hearts of those who would themselves recoil from assassination, but who do not shrink from spreading the venom which kindles thoughts of it in others?”

The assassination provoked some searching thought and inquiry on themes of violence in American politics. It brought a sudden and growing realization of what had been lost. No one can know what the measure of achievement of John Kennedy would have been, had the assassin’s bullet not cut him down; yet it became very clear that something very special and important had gone out of American life. A number of commentators have attempted an estimate of Kennedy’s achievements and qualities, among them such distinguished writers as J. K. Galbraith, Marya Mannes and Richard Rovere, and Rovere’s brilliant essay in the New Yorker Magazine should be read as one of the most moving, perceptive and insightful pieces of writing on contemporary American political life. What came out of the Kennedy presidency was not great practical and political achievement, measured in terms of legislation accomplished, but rather a new style, an intellectualism in American political life. The President was a strong and life loving man; he was an intellectual and greatly gifted man, and he gathered round him a group of immensely capable, highly educated, gifted and sophisticated men who came fresh to American political life to participate in the absorbing and exciting processes of government. These men, as Galbraith tells us, acknowledged Kennedy as their master not only because of the great office he held, but also because of his personal gifts of mind, judgment and personality. And through their constant encouragement of the arts and learning, the President and his wife brought into American public life new
“The American Scene” (continued)

and high values. One recalls the President’s felicitous words at the White House dinner to the American Nobel Prize Winners. “I think this is the most extraordinary collection of talent, of human knowledge, that has ever been gathered together at the White House—with the possible exception of when Thomas Jefferson dined alone.” It was all these qualities that we became so urgently aware of at the moment of the President’s death. Some of them were poetically phrased by Senator Mike Mansfield in his tribute at the Rotunda,

“A piece of each of us died at that moment. Yet in death he gave of himself to us. He gave us a good heart from which the laughter comes. He gave us a profound wit, from which a great leadership emerged. He gave us of a kindness and a strength fused into human courage to seek peace without fear”.

The death of the President changed the American political scene in many ways. In the first place, it brought Lyndon Johnson to the Presidency. Mr. Johnson had sought the Democratic nomination in 1960, and had lost that contest to Mr. Kennedy. Rather surprisingly it seemed, he had accepted the Vice-Presidency with its virtual anonymity, its restricted power and influence, in place of the powerful office of Majority leader in the Senate which he had occupied with conspicuous ability and success. His reasons for accepting the Vice-Presidency were speculative, though for Mr. Kennedy the choice of Mr. Johnson as a running mate was readily understandable. Mr. Johnson brought Southern support to the Democratic ticket, which surely needed all the support it could muster. As Vice-President, Mr. Johnson was active, but he was inevitably over-shadowed by a President whose style and outlook was very different. The Vice-Presidency of the United States is a strange office for it is of comparatively little importance while the President lives and remains capable of discharging the duties of his great office; but on the President’s death or incapacity, the presidential office passes to the Vice-President. Mr. Johnson’s political skills were immediately demonstrated on his succession to the Presidency. He made it clear that he was committed to the Kennedy programme both in foreign and domestic policies, and particularly to the civil rights and tax bills which were bogged down in Congress at the President’s death. In federal budgeting he stressed the importance of economy and frugality; and at the same time (his enemies say by legerdemain) he emphasized the importance of dealing comprehensively with the problems of American domestic poverty. The Johnson style has been very different; the stylish and intellectual qualities of the Kennedy administration and speeches have been replaced by something quite different. President Johnson has great abilities, but his cast of mind and his view of politics are very much his own. He has brought to the office a prodigious energy and capacity for work—so much so that General Eisenhower and others have warned him of the physical risks he runs, particularly in view of an earlier heart attack from which Mr. Johnson made a remarkable recovery. His well-known skills in dealing with the legislative branch of government have been apparent in his negotiations and constant personal contacts with Congressional leaders. He has had a successful meeting with Chancellor Erhard of West Germany. The President’s emphasis on the continuity of policy and his skill in conducting and directing that policy have given the country a much needed reassurance and a sense and experience of normality. They have won him political acclaim, the certainty of the
Democratic nomination for the Presidency this year, and a fine prospect of success in that election.

What is yet quite unsettled is the selection of a Vice-Presidential running mate for Mr. Johnson. This becomes important in light of Mr. Johnson's medical history and the certainty that he will commit all his massive physical resources to the office of the Presidency. Various names have been suggested: among them Senator Hubert Humphrey of Minnesota who also sought the Democratic nomination for the Presidency in 1960, a man of high intelligence who has a "liberal" image, which, it is thought, will balance the more "conservative" image of Mr. Johnson. Of particular interest has been the discussion of Kennedy names; of Robert Kennedy, the Attorney General, who was so close to his brother and for whom a glittering or at least the prospect of a glittering political career was forecast, had his brother lived. Mr. Johnson has recently employed Robert Kennedy in a capacity in which President Kennedy used him, as a foreign trouble shooter, by sending him on a mission to induce President Sukarno to modify his position on Malaysia. The other Kennedy name mentioned in the Vice-Presidential context is that of Sargent Shriver, the late President's brother-in-law. He is the organizer of the Peace Corps and a man of high ability. Mr. Johnson recently spoke in praise of Mr. Shriver, and sent him on a foreign mission. The final decision for the choice of a Vice-Presidential running mate lies with Mr. Johnson, and so far he has kept his counsel. Indeed, Mr. Johnson has, so far, done little about his own candidacy, for he has been absorbed by the problems of the office of the Presidency and, we may guess that commitment to this task is the most effective form of political campaigning at this time.

For the Republicans, the assassination of President Kennedy raised great and quite unexpected problems. The Republican front-runner before Mr. Kennedy's death was Senator Barry Goldwater of Arizona. Goldwater is a conservative Republican; his views on the role of government in domestic affairs and on foreign policy and on the United Nations had made him the darling of the American right. President Kennedy's commitment to civil rights legislation had cost him some bitter opposition in the South, and it seemed likely that Goldwater was most likely among Republican candidates to win these Southern votes. Goldwater's position on civil rights, as declared, was that he was opposed to discrimination, but that he believed in states' rights. On a rational analysis, this was doubletalk but it attached to him Southerners antagonized by events in Mississippi, Alabama and elsewhere, and enraged by the provisions of the civil rights bill. Before the President's death, it seemed that he would have been hard to beat for the Republican nomination, but, in the absence of some catastrophic event, it also seemed that Mr. Kennedy would win comfortably over him at the election.

President Kennedy's death profoundly changed the situation. At that moment it was far from sure that Mr. Johnson would have a comparable national appeal. The Republicans suddenly and unexpectedly saw a new prospect of taking over the White House. In the aftermath of the assassination, there was an immediate cessation of open party political activity during the month of national mourning. Also there was an abrupt shift of Republican tactics away from attacks on the "Kennedys". And the themes of violence and extremism which were much discussed immediately after the assassination suggested the wisdom of a Republican shift away from a candidate tarred with an extremist brush. All of this affected
Goldwater's position, and the search for a "winner" became and still remains the major exercise of Republican party politics. So far there are four announced candidates; Governor Nelson Rockefeller of New York, who has been long committed to a candidature, Senator Goldwater, Senator Margaret Chase Smith of Maine and Harold Stassen. These names were entered in the New Hampshire Republican Primary won by Ambassador Henry Cabot Lodge on a write-in vote. There has been a significant change in Goldwater's campaigning: he is reverting to extreme (and sometimes obscure) positions on domestic and foreign issues, and he is also, contrary to an earlier statement, keeping his name in the Arizona Senate contest. It is a fair guess that Goldwater judges that he will not win the nomination, and that he is in the race pro forma, to keep faith with his supporters. Indeed it has never been absolutely clear that he wanted the nomination, though at one stage it appeared that an irresistible force was driving him to it.

Governor Rockefeller certainly wants the nomination. Had he defeated Mr. Nixon for the Republican nomination in 1960, the chances are very great—with the hindsight of history—that he would have won the election over Mr. Kennedy. But his image—how the word recurs!—has been tarnished by his divorce and remarriage; and in the aftermath of these events so many questions have been raised about his general position and capacities that his present prospects of winning the nomination do not look to be very good.

My own judgement, at the time of Mr. Kennedy's death, was that Richard Nixon's prospects of winning the nomin-
tioned for some years; but his performance as Governor of Michigan has not been too successful and though he has announced his readiness to accept a draft, it is not believed too likely that it will come. Attention is increasingly focused on Governor Scranton. He is a wealthy man, of aristocratic background; he is a moderate and is well regarded by many; and though he professes disinclination, he would surely accept the nomination. At present he is not nationally well known, but that is curable and the national magazines are already at the job of making him known to the American people.

Whether any Republican candidate is capable of defeating Mr. Johnson is doubtful. But political circumstances change, and may change between now and November. It remains a question whether the Republicans can come up with a real competitor. At the present time, anyway, the Republican problem is considerably more agonizing than any that the Democrats have—at least so far as candidates for the Presidency are concerned.

The Eighty-eighth Congress, the “do nothing” Congress, has in its custody much unfinished business and particularly the civil rights bill. The background to the civil rights bill is very interesting. Civil rights, in present context, mean negro rights, and in recent times the problem has assumed vast and complex proportions. The American negro has battled his way through the Courts, asserting the bill of rights as his entitlement to equality before the law. He has won some splendid victories in the Supreme Court of the United States, the most notable of which was the Brown decision in which the Court held unanimously that segregation in the public (state) schools was unconstitutional. Over all and in many parts of the country, his conditions have greatly improved since the end of the war in 1945. But both in the South and the North, the negro labours under many difficulties and disabilities. The pace of implementation of the school desegregation decision in many places has been slow; and either at the school or State University level it has had to be imposed by force and at great costs in resources and goodwill in Arkansas and Mississippi, and by a show of force in Alabama. The negroes find the processes of the courts slow and costly, and they look about and see so much evidence in the South and North of de facto segregation which results from the existence of vast and poor negro ghettos. Housing continues to be a critical problem for masses of negroes; there is discrimination in housing and employment, and the incidence of unemployment is far higher among negroes than it is among whites. All this is felt to be intolerable, for the revolution of rising expectations is occurring among American negroes, as it is elsewhere in the world. This means that the American negro is becoming more pressing and urgent in his demands; he is not content to wage his battles only through the Courts. Through organizations like the Freedom Riders, and the Committee on Racial Equality he is actively demanding that wrongs be put right. He has eloquent spokesmen, of whom the writer, James Baldwin, is a brilliant example. There is an extreme fringe group, the Black Muslims, who want to partition the United States and make for themselves a black and independent state within America. This is a new version of apartheid. For the moderate negro leadership, exemplified by Dr. Martin Luther King, all these pressures pose great problems: attempts to exercise too much restraint would transfer the leadership to others, less moderate. The phenomenon is not unfamiliar in the history of politics. The negro demands go a long way: they now include a demand in effect for reverse
discrimination: for special privileges and entitlements to Negroes to compensate for their earlier mistreatment. Whereas a generation ago, the Negro leadership would have asserted with the first Justice Harlan that the constitution was colour blind, the present leadership asserts the contrary: that to correct discrimination it is necessary to look at the facts. If, for example, a residential district is wholly coloured, so that the local public school would be wholly coloured steps must be taken to counteract this. This could mean in some cases, the transportation of children across administrative school lines to produce a colour mixture. Some of the proposals are not very happy, but there is a growing insistence on equality and desegregation in fact. There is a growing insistence that discrimination in restaurants, hotels, shops and places of public accommodations be outlawed and Negroes and their white supporters have staged "sit ins" in segregated shops, sometimes with violent consequences.

During the last year there have been violent explosions in various places and ugly clashes in various parts of the country between Negroes and police; Birmingham, Alabama has been a conspicuous scene of unhappy and ugly events. Mr. Kennedy's administration at first viewed with some dismay, and one may suspect with some irritation, the outbreak of violence in such places as Birmingham. They did not want a confrontation on civil rights questions which inevitably called upon the administration to take a position. The reason was that this would inevitably antagonize Southern Congressmen in key places in the House and Senate, whose support was urgently needed for other Administration measures. But the problem simply would not go away; and the protest and demands reached their most eloquent and dramatic expression in the March on Washington at the end of August 1963—a few days after I arrived in the United States. The March was televised for all America to see; it was peaceful and immensely dramatic in the symbolism of its protest.

By this time, the Administration had seen that it could not avoid nor put aside the problem. Mr. Kennedy eloquently formulated the doctrine of racial equality and the obligation of the law and the society to make it real. The Administration announced sweeping civil rights legislative proposals: these included provisions to secure Negro voting rights, the more effective desegregation of the public schools, more equal job opportunities, and, most controversial of all, it included a "public accommodation" provision to ensure so far as federal law could do it, the right of Negroes to be accepted and served in shops, hotels and other places of public accommodation. This raises some far reaching questions, and is by many bitterly opposed. There are white moderates in the South who accept school desegregation and Negro voting rights, but who protest the public accommodation provisions which impose legal obligations on owners of private establishments; above all these men protest the character and implications of the reverse discrimination movement.

When Mr. Kennedy died, little progress had been made with the civil rights bill. It had earned the President the bitter hatred of substantial areas of the South, and it had cost him dear with conservative Southern Democrats in important places in the Congress. It had also earned him the strong support of the Negro population of the country. Mr. Johnson, soon after the assassination called for speedy passage of the civil rights bill, but at this time its progress remains very slow. It has been with the rules committee of the House of Representatives which is presided over by an old conservative Virginian Democrat who is out of sympathy with it. It is now out of the Rules Committee and
on the floor of the House, but it still has distance to go. It has to face a Senate where a determined Southern filibuster will almost certainly be employed to delay it.

Mr. Kennedy was also active in proposing tax cut and tax reform legislation. The argument in brief was that the tax cut would give the economy a desired shot in the arm, and that the correction of fiscal injustices and anomalies would put the tax system into better shape. This too ran into difficulties; Senator Byrd in control of the Senate Finance Committee and an arch-priest of fiscal frugality remained opposed until there was a showing of budgetary restraint sufficient to justify the loss of revenue which would follow the tax cut and he is still not convinced though not apparently implacably opposed. Mr. Johnson, an astute politician, and also a believer in budgetary restraint, read the portents. He persevered with the tax legislation, but he has submitted to Congress a "frugal" budget—below $100 billion. Elsewhere he has stressed—in contexts small and large—the importance of frugality (his own word) in government spending. This, too, has won him friends, and undercuts Republican attacks, leaving his opponents with the not very effective charge that the President's words and deeds cannot easily be reconciled.

The new note in the Johnson programme is the theme of poverty. To outsiders, with a picture of the Affluent Society of the United States, the existence of poverty comes as something of a surprise, and yet there is no doubt that it exists and is widespread. In 1963 in a notable article in the New Yorker entitled Our Invisible Poor (which was in form a review of a group of books), Dwight Macdonald asserted that some 40 million Americans were living in poverty. The impact of poverty is uneven; it hits negroes and Puerto Ricans particularly hard; older people also suffer badly and live their lives virtually cut off from the main stream of American life. There is also a very dismal prospect for millions of young people who, in an age when unskilled jobs are increasingly hard to come by, are the victims of "inherited poverty". The conclusion was that "this new minority mass poverty, so much more isolated and hopeless than the old majority poverty, shows signs of becoming chronic". The argument which followed from this was the need for massive corrective federal action. In recent months, concern with this problem of poverty has been growing: reports from Appalachia, and notably from depressed areas of West Virginia, parts of Pennsylvania, Kentucky and elsewhere have been given extensive publicity in the press and other media of mass communication. Mr. Kennedy understood the problem very well, and spoke of the need for area redevelopment, urban renewal, vocational rehabilitation, an assault on unemployment and the need for economic growth. But Mr. Johnson has taken up the generalized theme of poverty and has hammered it in speeches and in his 1964 budget message. He has called for a special effort to be launched in the chronically distressed areas of Appalachia, for slum clearance, for better housing for the elderly and indeed for everybody; for putting "jobless armless youngsters to work"; for the distribution of more food to the needy, for the creation of a National Service Corps to help the economically handicapped, for improvement in the quality of teaching, training and counselling in the hardest-put areas, for the modernization of unemployment insurance and for the establishment of a high level commission on automation. The publicity given to American poverty is important; it is one side of the coin, which on the other side depicts the affluent society. Both are real and, while the impact of affluence is most obvious to the
casual visitor, poverty is there, grim, real, sometimes in little seen pockets, but not hard to find in the great cities of the United States.

I have dealt exclusively with the domestic American scene; and space will not permit an examination of the great issues of foreign policy. Mr. Kennedy took great satisfaction, and rightly, from his achievement in the Cuban Crisis of 1962 and from the successful negotiation of the test ban treaty of 1963. He had a deep and abiding interest in foreign issues, though at his death all the problems were there: problems in Europe with de Gaulle and NATO and the Communists; problems in Asia over China and the unhappy war in Vietnam; problems with Latin America and the Alliance for Progress. All of these, his successor has inherited and they come in various forms. On America's doorstep is the problem of the Panama Canal which has just boiled up. A rational solution of that problem does not appear to be too difficult, but whether a rational solution is politically feasible is another question. This is an election year not only in Panama but also in the United States.

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