Legislation on Restrictive Practices

The Commonwealth Government may shortly introduce the controversial legislation aimed at the prevention of restrictive practices in industry. The form of the legislation, except perhaps in a few not unimportant particulars, is expected to follow largely the pattern laid down in the original "Barwick" proposals. This article is not concerned with the technical merits or demerits of the proposed legislation. It is concerned with the bigger question of whether legislation of this type is in Australia's best interests.

Even at this late hour it may be wise for the Government to hesitate and to rethink its position on what would be the most far-reaching legislation affecting Australian industry in modern times.

It is still far from perfectly clear what persuaded the Commonwealth Government to embark on the stormy, uncertain seas of direct control of monopolistic and restrictive trade practices. Major pieces of legislation are usually introduced in order to meet either a great and glaring national need, or a widespread, irresistible public demand. In this case there has been neither. Australia has achieved a level of shared prosperity and a rate of development among the best in the world. And the prospects of further improvements in living standards and of all-round economic progress are little short of magnificent. Nor, before the first statement of the Government's intentions, was there any general public consciousness of, let alone
public outcry against, industrial abuses of the kind with which the legislation purports to deal.

The most probable explanation of the Government's decision is that practically every advanced industrial country has administrative machinery, of one form or another, for the control and prevention of restrictive trade practices. It was therefore no doubt reasoned that as Australia was odd man out, it should be brought into line with other countries. This feeling was probably reinforced by a severely doctrinaire conception of the place of competition in a modern free enterprise system by certain strong supporters of the legislation. But has anybody stopped to ask whether what might be good for one country in a given set of circumstances, and at a certain time in its history, could conceivably be inappropriate, even harmful, for another at an entirely different stage of its economic and industrial development? Moreover, has there been any adequate assessment of the overall effects of this kind of legislation in countries that have adopted it?

It is important to get this whole matter of restrictive practices legislation into some kind of historical perspective.

Undoubtedly the inspiration, if not the model, for all such legislation is to be found in the famous anti-trust laws of the United States. It was certainly the existence of these laws that led Britain in the years after World War II to introduce its own restrictive practices and anti-monopoly legislation. In turn, the existence of this legislation in Britain is being held to justify its introduction in Australia.

The particular economic and political situation in which the British legislation was introduced, however, seems to have escaped the attention of the more ardent advocates of similar legislation here.

In the years immediately after World War II, the British economy was in a desperate, even critical state. With most of her overseas investments gone, many informed people held grave doubts whether Britain would prove to be economically viable and able to pay her way in the modern world. The discovery that British standards of life and productivity were barely half those of the great democracy across the Atlantic
was an added source of humiliation and, naturally enough, led leaders of British opinion to cast earnestly around for reasons for the sorry situation in which the economy found itself. The theory was advanced that one of the main reasons for the disparity in British and American standards of productivity was that British businessmen, in the period between the two world wars, had opted for a quiet life and easy profits by participating in various arrangements and agreements to eliminate or restrict competition. By contrast, the United States was held to be the very model of a healthy, vigorous, competitive economy. The existence of the anti-trust laws since 1890 and their rigorous enforcement had, it was argued, compelled businessmen to compete where, left to their own devices, they might have chosen the easier road that had been followed in Britain. The American anti-trust laws were held to have been instrumental in producing a bracing, competitive climate in American industry that afforded a marked contrast with the enervating environment of restriction prevailing over a large part of British business.

This line of argument, pursued with great earnestness and persistence by many leading journals and newspapers, took a strong grip on British opinion in years around the end of World War II. The influential London journal, "The Economist", for instance, ran many articles at this time attacking the extent of restriction in Britain and holding up America as an example to be followed. It pleaded for strong action to clear the clogged arteries of British business in order to get the economic life-blood flowing freely once more. A climate of opinion was thus created in which the introduction of anti-monopoly legislation was merely a matter of time.

The whole argument, however, was, however, based on a premise that was, at best, only partly valid. The truth was that the anti-trust legislation in the United States had been far from outstandingly successful in its intended aim of enforcing competition through the agency of the courts and administrative bodies such as the Federal Trade Commission and the anti-trust division of the Department of Justice. Indeed, for many years there had, in fact, been little vigorous enforcement of the anti-trust laws, so much so that in 1938 the Roosevelt
Administration, as the result of findings of the Temporary National Economic Committee, was led to make an all-out assault on the extent of the concentration of monopoly power and the lack of competition over a large area of American industry. 1938 to 1943 saw the most rigorous application of the anti-trust laws in American history under the leadership of an outstandingly able Assistant Attorney-General, Thurman Arnold. The vigorous enforcement of the doctrine of competition in those years possibly gave rise to the idea in Britain that such had always been the case.

The United States anti-trust laws, beginning with the Sherman Anti-trust Act, have been in operation for over 70 years, yet doubts are widely held among the experts about their effectiveness. A few years ago a symposium of opinion was arranged by the Director of the Department of Economics of the McGraw Hill Publishing Company, Mr. Dexter Merriam Keizer. Mr. Keizer approached a number of the most distinguished American economists, and people connected with the operation of the laws, to express a viewpoint on his own impression that these laws “have done relatively little since 1890 to protect and preserve a broadly competitive system”.

Of those who contributed to the symposium, nine economists, a professor of law, and two former anti-trust officials took the stand that the anti-trust laws had accomplished “relatively little since 1890”. Against this only one economist and three lawyers felt that the laws were working well.

Thurman Arnold who, as Assistant Attorney-General of the United States, was in charge of anti-trust enforcement from 1938 to 1943, stated: “The anti-trust laws have not been effective in the real world”. He went on to say that effective anti-trust law enforcement depended on a strong public demand that it should be enforced. “There was such a demand when I was in office. Today, with prosperity, there is little demand”.

Arthur Burns, a former Chairman of the President’s Council of Economic Advisers and one of the top two or three names in American economics, said: “Although federal anti-trust legislation has been on the books since 1890, there is very
little doubt that we have failed to achieve a competitive system at all closely resembling that which was in the minds of economists of the last century and which provided the background for the legislation”. Burns said that the reasons for this failure were to be found partly in the technological pressures toward bigger and bigger units of production and partly in the difficulties of achieving competition by law. “If businessmen choose price leadership as a means of avoiding price competition, no legal device has yet been discovered by which leadership can be prevented”.

Theodore J. Kreps of Stanford University wrote: “The anti-trust laws have had more of prophylactic than a remedial effect. The onward sweep of technological agglomeration has not been prevented. Clearly the anti-trust laws have not preserved competition. In fact it is doubtful whether during most of the period since 1890 Congress has actively so desired. While its oratory has been ‘agin monopoly’, its acts have steadily exempted one industry after another from compliance—farm marketing associations, labour unions, shipping, banking, etc. . . . In an organic sense there is little genuine support for enforcement of the anti-trust laws. It is not enough that a person want the anti-trust laws enforced against other people. Does he support enforcement against himself and others in his industry?”

George W. Stocking of Vanderbilt University stated: “I believe the chief reason the anti-trust laws have not been more successful is that no politically powerful economic group wants them to be generally enforced”.

While many authorities in the United States are dubious of the effectiveness of the anti-trust laws and are acutely aware of their disadvantages, few, if any, would wish them repealed. For one thing, the repeal of the laws would be quite outside the range of the politically practicable. Anti-trust has become a part of American economic folklore. Its roots lie deep in the fear of the economic and political power of giant combines and of public exploitation arising out of the industrial abuses of the last part of the 19th century. To attack the principle of anti-trust legislation in the United States would be regarded as tantamount to an attack on the American way of life.
In Britain, the legislation against monopoly and restriction was not introduced until after World War II. It has since been altered from time to time and the machinery of enforcement strengthened. But here again it is difficult to find any large body of opinion confidently prepared to assert that the laws have conferred substantial benefits on the British economy. One expert, by no means a hostile opponent of the British legislation, expresses the opinion that: The effect of the Restrictive Practices Act on the degree of competition in British industry has probably been slight. The desire for a stable market and a quiet life—which is not necessarily a wrong one—still persists even when the actual restrictive agreement has been terminated, and unless there is some force to disturb the previous pattern of trading, it is unlikely that the termination of the agreement will make much practical difference. The only statistical survey made of the effects of the legislation suggests that prices are a little lower and competition a little fiercer than they would otherwise be, though not very substantially so”.

Any one who has studied the anti-monopoly and restrictive practices legislation in the United States and Britain can be left in no doubt that the operation of the law in this field is, in general, painfully slow. Only a minute area of the whole economy can be dealt with at any one time and meanwhile so-called abuses can continue in great numbers of industries to which the administrators of the law have not had the time to turn their attention. For a time the British legislation seemed to be very effective in eradicating large numbers of price-fixing agreements. Over some years, about 2,000 agreements were abandoned as the result of rulings of the Restrictive Practices Court in a number of cases which were taken as test cases. But the elimination of written agreements has been succeeded by a crop of informal or verbal understandings by which groups of producers or traders virtually continue the practices without “putting anything on paper”. These informal arrangements are giving much concern to the authorities concerned with the administration of the legislation.

There is no comparability at all between the economic and political situation and the climate of opinion that led Britain to legislate against restrictive trade practices after the war and
the situation that prevails in Australia today. In Britain the
economic position was critical. Standards of living were low:
industrial productivity was in general, highly suspect; the
balance of payments seemed to be afflicted with a chronic
weakness; and doubts were even held whether the British
economy would be able to pay its way. Desperate experimental
measures were called for.

All this is far removed and remote from the present-day
situation in Australia. Standards of living are among the
highest in the world and rising fast; the balance of payments
has never been so healthy; national productivity is advancing
steadily; the rate of economic development is paralleled by few
countries in the world; prospects seem unlimited. In addition
business competition, on the whole, is today probably more
vigorou...
This sort of legislation could, for some considerable period, be regarded as no more than experimental. It cannot be asserted definitely now that it would be beneficial; nor will it be possible to assess its overall effects for quite a long time after its introduction, at least for a decade. The legislation would certainly eliminate some abuses—and its supporters would point to this as evidence of its success. But it would also unavoidably impose costs on the economy and business—some clear-cut and others imponderable (but not for that reason less important)—the total disability of which it would be impossible to measure. They might well, however, outweigh and possibly far outweigh any advantages gained.

The measurable costs would be those of a new and extensive government machine to administer the legislation and the costs to industry of coping with the legislation and endeavouring to minimise its impact. The intangible costs would be those of a further expansion of the field of government intervention in the private area of the economy, the further enlargement of an already large bureaucratic machine, and the diversion of the energies and attention of business leaders from the bread-and-butter tasks of development, production and distribution. Perhaps most important of all, the legislation could create a psychological climate of uncertainty in business circles and could weaken confidence at a time when confidence is needed above all else to grasp the opportunities of development and technological progress in the decades immediately ahead.

It would be absurd of course, to suggest that there are no abuses, no unfair and unethical practices in industry. There are in every field of human life. But the legislation goes far further than the prevention of real abuses. In essence, it is an attempt to alter radically a whole pattern of practices and arrangements that have evolved with the years and to impose on business a doctrine of competition out of harmony with present-day realities.

In this respect both the experience of other countries and commonsense suggest that it must largely fail in its purpose. Apart from the great practical difficulties of administration, no system of law can ultimately succeed which attempts to
compel people to do what they are not prepared to do because they feel it to be opposed to their interests. That is really why no country has legislated to abolish restrictive practices in the trade unions, for which there is no more and no less justification than restrictive practices among businessmen.

An attempt by the Government to provide added protection for individuals, businesses or the community against blatant exploitation, practices that are clearly unethical, or serious abuses, no matter of what kind, would of course have the support of all right-thinking people. That is one thing. But it is quite another to attempt to endeavour to transform a whole complex of trading arrangements that has evolved with the years by imposing on business a system of laissez-faire competition, particularly in the price field, in the belief that this will contribute substantially to lower prices, greater efficiency, and a faster rate of economic progress. Such an aim would seem certain to fail: first, because it marches in conflict with the economic and technical conditions of present-day industry; and second, because of the impracticability of trying to compel people to act in ways they feel to be opposed to their reasonable interests.
New Members of I.P.A. Council

The President of the I.P.A., Mr. F. E. Lampe, M.B.E., announced in May that the following gentlemen had joined the Council of the Institute of Public Affairs.

Mr. W. A. BEATTIE  
M.A. (Cantab.), B.A., LL.B., M.A.I.A.S.

Well-known pastoral and agricultural consultant, and author of books and papers on primary industries. Members of F.A.O. and International Bank Mission to South America.

Mr. J. CHESTER GUEST  
B.A., B.C.L. (Oxon)

Deputy-Chairman of North Broken Hill and a director of the Commercial Bank of Australia, Massey-Ferguson and other companies.

Mr. J. ARNOLD HANCOCK  
F.C.A., B.Com.

Director of Silverton Transport and General Industries and Bruck Mills, Vice-Chairman of Commonwealth Serum Laboratories Commission and partner in Hancock and Woodward (Chartered Accountants).

Mr. Hancock will also serve on the Editorial Committee of the Institute.
International Comparisons of the Tax Burden

For some years a number of economists have leant strongly in favour of increasing taxes in Australia. They have been accustomed to support this view by drawing comparisons between the levels of taxation in Australia and other countries. The method of comparison used is a simple one showing total tax collections as a percentage of gross national product. As this percentage is relatively low in Australia, the advocates of higher taxes conclude that there is substantial scope for raising taxes without exceeding the tax burden in other western democracies.

A recent investigation of taxation conducted by four university economists, under the chairmanship of Professor R. I. Downing*, repeats the frequently expressed view that Australia is the "most lightly taxed of all western industrialised countries". The report of the economists, which has some admirable features and which is the outcome of much painstaking research, includes a table comparing total taxes as a percentage of GNP. for 20 countries. The Australian proportion of 22% is among the lowest. Only in Japan, Greece, Portugal and Spain is the proportion lower. But is this bald relationship of total taxes to GNP. a valid basis for comparing the burden of taxes in different countries? Or does it greatly over-simplify what is, in fact, an intricate and difficult exercise?

There are a number of considerations that have an important bearing on comparisons of the tax burden:

First the extent to which taxes are used simply to transfer income from one section of the community to another, i.e. to finance social service cash benefits and subsidies.

Second, the extent to which health, education and similar social services are provided by governments rather than through private channels.

Third, differences in the “capacity to pay” in the various countries. A rich country, like a rich individual, can obviously pay a greater proportion of its income in tax than a poor country without necessarily carrying a heavier burden.

Fourth, the impact of taxation on various sections of the community. The proportions of revenue raised in direct and indirect taxation, the rate of progression of the income tax scale are all relevant in this connection.

Fifth, the directions in which tax revenues are spent. Taxes to finance educational and health services are a lighter burden on the community than taxes spent on capital projects which often take years to come to fruition and from which the community gets no immediate benefit.

We will take each of these considerations in turn. Taxes raised to finance cash benefits, such as pensions, that subtract from the incomes of one section to add to those of another can hardly be regarded as a burden on the community taken as a whole. They are merely a means of re-distributing the total income of the community.

The scale of cash benefits of this kind varies very widely between different countries. In Australia most social service benefits are subject to a means test, whereas other western countries usually make these benefits available to the community as a whole. In most parts of Western Europe, state provision for social security has gone further than in North America and Australia where we have preferred to leave the individual with a wider degree of personal discretion in the management of his own affairs.

For example, all workers in Western Germany are guaranteed 75% of their most recent earnings on retirement and 90% of their current earnings in the event of illness. Benefits of this
magnitude naturally require a high level of taxation, so we should not be surprised by the fact that the economists' report referred to above shows that in Western Germany taxes represent 34% of GNP. These social security taxes, which are paid mainly in the form of contributions by employers and employees, amount to 10% of GNP. In addition to the high level of cash benefits, the German Government also pays heavy subsidies (financed out of taxation) to keep down the prices of home-protected farm products to the consumer. If the cost of these subsidies is added to the social security payments and the total deducted from total tax collections, the tax burden falls from 34% to 20% of GNP. In France, a similar situation prevails to that in Western Germany. After deducting social security payments and subsidies the tax burden is reduced from 32% to 19% of GNP. If the same principle is applied to the Australian position, the “tax burden” falls from 22% to about 16% of GNP.

The fact that the Australian scale of benefits is so much less than in Germany and France, places a much heavier responsibility on the taxpayer to make voluntary provision, in one form or another, for social security. In Australia, total contributions to private employee pension schemes amount to about 2% of GNP; in addition, practically all Australian families contribute to voluntary health insurance schemes. It is highly indicative that the total value of life insurance policies is equivalent to over 80% of national income compared with only about 30% in Germany and France. A large part of the premiums paid on life insurance policies in Australia must be regarded as in the nature of personal provision for retirement and against the contingency of disability due to illness or accident.

Then there is the second consideration listed above. In Britain, the health services are nationalised, and in most Western European countries both health and education are largely nationalised. On the other hand, in Australia and North America, private enterprise still largely prevails in the health field and private religious schools play a large part in education. This, of course, reduces the burden on the State for the provision of these services and also reduces the level of taxation necessary.
In an endeavour to buttress the case for increased expenditure on education in Australia (and thus for increased taxation) an American study comparing the level of education expenditure in various countries is frequently cited. The figures (for or near the year 1958) are as follows—

<table>
<thead>
<tr>
<th>Country</th>
<th>Education Expenditure as a percentage of GNP.</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>4.5</td>
</tr>
<tr>
<td>Canada</td>
<td>3.7</td>
</tr>
<tr>
<td>Sweden</td>
<td>4.1</td>
</tr>
<tr>
<td>Italy</td>
<td>3.4</td>
</tr>
<tr>
<td>Soviet Union</td>
<td>3.7</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>3.7</td>
</tr>
<tr>
<td>France</td>
<td>3.5</td>
</tr>
<tr>
<td>Australia</td>
<td>2.9</td>
</tr>
</tbody>
</table>

However, by 1962/3 the proportion for Australia had already risen to over 3½%. With the exception of the United States, this figure compares not unfavourably with other countries. The high figure for Sweden is principally to be explained by the fact that all education is State-provided. The Australian figure includes a bare ½% of GNP. (or 1/7 of total educational expenditure) for non-government schools when in actual fact these schools provide for almost 1/3 of all primary and secondary students. It seems fairly obvious that this figure does not take account of the sizeable voluntary contributions to the capital costs of the private schools made by parents, former students and others; nor of the services provided by members of religious orders.

Dissatisfaction with existing standards of education is not exclusive to Australia. It is a world-wide phenomenon that arises largely from the tremendous post-war birth-rate and the increased demands generally for more advanced education. In Australia's case an additional complication is the rapid increase in population caused by large-scale immigration. Last November the National Union of French Students held a week-long strike against over-crowding and inadequate facili-

*Although fully comparable data is not available, the evidence suggests a greater relative increase in education expenditure in Australia since 1958/9 than for most other countries.
ties at the University of Paris. The laboratories at the Sorbonne are over-crowded and under-equipped and the library offers 500 seats for 33,000 students. Widespread student protests have also been held in Italy.

In Britain the “11 plus” competitive test for the limited number of places available in secondary schools is a constant worry to parents and the report of the Robbins Committee (the counterpart of Australia’s Murray report) is not exactly a panegyric for the state of British universities.

It is clear that in Western European countries, governments finance many services for the citizen which in Australia (and in the United States and Canada) the citizen finances for himself. The wide disparities in taxes as a proportion of GNP. between the former and latter groups of countries are largely a reflection of a difference in viewpoint about the appropriate spheres of private and public responsibility. Even, therefore, if the figures did provide an approximate comparative measurement of the burden of taxation in the different countries (which they do not) they could not necessarily be taken as affording support for the view that, in Australia, scope exists for increasing taxes.

On principles of equity it is generally accepted that the tax scale should be graduated so that a person on a higher income pays away a greater proportion of his income in tax than a person on a lower income. A realistic comparison of the weight of taxation between countries ought, therefore, to take full account of relative per capita incomes. Latest United Nations’ figures show that per capita income in United States is around £A1,100, in Canada £A800 and in Australia £A600. Thus even though the rate of taxation in proportion to GNP. may be slightly higher in U.S.A. and Canada, after paying tax the average American or Canadian is left with a substantially greater real income than the Australian. To suggest that the tax burden is lighter in Australia and that there is therefore scope for raising taxes to American levels is equivalent to saying that a man on say, £2,000 a year now paying 18% (i.e. £360) in tax is in a better position to stand an increase than a man on £4,000 a year paying 28% (i.e. £1,120) in tax.
A simple aggregative comparison relating total tax collections to gross national product also fails to take into account the differing incidence of the various taxes which go to make up the whole tax structure of a country. Indirect taxes tend to impose a heavier relative burden on lower and middle income earners than personal income taxes.

The table below which dissects taxation into its components gives a much better comparison than one merely derived from total tax collections.

<table>
<thead>
<tr>
<th>Country</th>
<th>Social Security</th>
<th>Pers. Inc. Taxes</th>
<th>Company Tax</th>
<th>Indirect Taxes</th>
<th>All Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>1*</td>
<td>6</td>
<td>4</td>
<td>11</td>
<td>22</td>
</tr>
<tr>
<td>Sweden</td>
<td>3</td>
<td>14</td>
<td>4</td>
<td>10</td>
<td>31</td>
</tr>
<tr>
<td>New Zealand</td>
<td>4</td>
<td>12</td>
<td>4</td>
<td>8</td>
<td>28</td>
</tr>
<tr>
<td>United States</td>
<td>4</td>
<td>9</td>
<td>4</td>
<td>9</td>
<td>26</td>
</tr>
<tr>
<td>Netherlands</td>
<td>7</td>
<td>9</td>
<td>3</td>
<td>9</td>
<td>28</td>
</tr>
<tr>
<td>West Germany</td>
<td>10</td>
<td>6</td>
<td>4</td>
<td>14</td>
<td>34</td>
</tr>
<tr>
<td>France</td>
<td>9</td>
<td>4</td>
<td>2</td>
<td>17</td>
<td>32</td>
</tr>
<tr>
<td>Canada</td>
<td>2</td>
<td>5</td>
<td>4</td>
<td>12</td>
<td>23</td>
</tr>
<tr>
<td>U.K.</td>
<td>4</td>
<td>8</td>
<td>4</td>
<td>13</td>
<td>29</td>
</tr>
<tr>
<td>Belgium</td>
<td>6</td>
<td>5</td>
<td>2</td>
<td>10</td>
<td>23</td>
</tr>
</tbody>
</table>

*Payroll tax

NOTE: Strictly speaking, personal income tax should be related to personal income, company tax to company income, and indirect taxes to the national turnover of goods and services. However, as the results are not greatly different, GNP. is used uniformly for ease of tabulation.

It is clear from this table that the level of personal income tax in Australia is about average—excluding New Zealand and Sweden—and certainly not the lowest among Western countries. It is this tax which the four economists are most keen to see increased in Australia. They claim that Australia is relying unduly heavily on indirect taxes and favour "a substantial move over the next decade in the direction of increasing the relative importance of personal income tax in total tax collections". If social security contributions—usually on a flat rate—are disregarded the table above seems to lend little weight to their argument.

Finally, in comparing tax burdens it is most important to look at the composition of government expenditure. In Australia around 90% of the cost of public works expenditure
over the post-war years has been borne by the taxpayer because of the inadequacy of loan raisings. In 1962/3, government capital expenditure represented 9% of GNP, compared with only 2% to 4% in most Western European countries and North America. The fact that the benefits of much of the expenditure currently undertaken will only be experienced in the fairly distant future, means that the burden on the present taxpayers is all the greater. When considering the burden of taxation, taxes used to finance social security and other transfer expenditures or medical and educational services are of a very different order from taxes spent on promoting the development of the continent, for instance, on such projects as the Snowy River Scheme from which nobody gets any immediate direct financial benefit.

*   *   *   *   *

Some years ago the well-known economist and statistician, Colin Clark, argued that around 25% of national income (not GNP) was the outside limit to which taxes should be raised. (This is about the present level in Australia.) Clark contended that when taxation exceeds 25% of national income people start to “set store on leisure” and restrict enterprise and output. In a letter to Clark, Lord Keynes gave support to this view saying that, “In Great Britain after the war, I would guess that your figure of 25% as the maximum tolerable proportion of taxation may be exceedingly near the truth”. Perhaps this is about the safe upper limit to which we should be prepared to go with taxation.
Basic Wage Judgment

No one will be surprised that the Commonwealth Conciliation and Arbitration Commission awarded an increase in the basic wage in its determination of June 9. The super-buoyant state of the economy made an increase inevitable and right. But many will be surprised at the magnitude of the increase granted and not a few will have misgivings.

A significant and disturbing feature of the Judgment was the wide division of opinion among the members of the Bench—two members favouring a £1 increase and two members 10/-.

On the other major matter before the Commission, namely the employers’ application that the basic wage concept should be abandoned in favour of a single total wage (including margins), the Commission failed to grasp what might have proved to be a particularly unpleasant nettle. The Judgment explores the advantages and disadvantages of the total wage but leaves the impression that such a major change in the method of wage fixation is a matter for Parliament rather than the Commission. “It is quite significant that the Parliament did create a special kind of Bench to deal with a very wide field of subject matters, including alterations to the basic wage. We consider that at the very least the question of the abolition of the basic wage must be seen against a background of Parliamentary recognition and perhaps even approval of its continued existence.” At the same time the Commission seemed to concede that the total wage concept has a certain basis in
logic and tidiness. "In our view its advocates have failed to demonstrate that the total wage approach is preferable to the present approach although, as we have said, it might be different, if our task were to bring into operation a national wage code for the first time."

The Judgment also seemed to hint that the abolition of the basic wage in face of the strong opposition of the unions, would be impracticable because it would conflict with the duty of the Commission to prevent and settle industrial disputes. As it is highly unlikely that, in the foreseeable future, the unions will see fit to modify or to change their attitude, and also that Parliament would be prepared to buy into an issue with such explosive political over-tones, the total wage concept, while logically irrefutable, must be regarded as a "dead duck" for the present.

For some years economists have been seeking a scientific, or what might be described as a "mathematical", basis for determining the amounts of wage increases (or decreases) which the economy can afford.

The Judgment of the Commission deals a heavy blow to these hopes for greater exactitude in wage determinations, at least for the time being. That the four members of the Commission differed so widely—a difference measured by the substantial amount of 10/- a week—on what the economy can pay under present circumstances seems to indicate how difficult it is to fix a level of wages which is precisely right from the standpoint of economic science and how much in these matters must depend on personal judgment. Moreover, even if it were possible to construct an equation made up of all the economic indicators which would show the exact increase (or decrease) in wages which should be awarded (and of course it is not) this would not entirely resolve the problems of the Commission. In arriving at a determination in a major basic wage or margins case, the Commission is on the horns of a very prickly dilemma. On the one side it must consider the best interests of the economy as a whole and on the other, it must, if it is to fulfil the function laid upon it by the legislature, settle the "dispute". The judgment of the Commission must
therefore not only take into account the state of economy but also have regard to the prevailing climate of industrial relations and the extent of the feeling through the community that a wage adjustment is merited.

In giving judgment on the employers’ application for a single total wage, Chief Justice Kirby, Mr. Justice Moore and Commissioner Winter, drew attention to these considerations. The judgment emphasises that the Commission is not an economic planning body but “a body required to deal with practical situations in a practical way . . . The Commission is required to deal with such industrial disputes as are brought before it and is neither required nor allowed to do anything more although it does not operate in a vacuum or ignore the economic consequences of its decisions.”

In recent times there is no doubt that the economic aspects of wage decisions have come to occupy a bigger and bigger place in the minds of the judges. In the present case, Justices Gallagher and Nimmo who determined in favour of a 10/- increase (as against a £1 increase awarded by Chief Justice Kirby and Mr. Justice Moore) placed great stress on the broad economic and social consequences of the Commission’s decisions. Mr. Justice Gallagher and Mr. Justice Nimmo both refer to some remarks of Chief Justice Dixon in 1953 which are worth repeating. “While an arbitral tribunal deriving its authority under an exercise of the legislative power given must confine itself to conciliation and arbitration for the settlement of industrial disputes and cannot have in its hand the general control or direction of industrial, social or economic policies, it would be absurd to suppose that it was to proceed blindly in its work of industrial arbitration and ignore the industrial, social and economic consequences of what it was invited to do or of what, subject to the power of variation, it had actually done.”

Mr. Justice Nimmo evinces his concern about the possible inflationary consequences of an increase in wages. “With these inflationary elements present it is my view that a substantial increase in the basic wage would aggravate the position and could easily trigger off a wage-price spiral which would
produce undesirable consequences..." This leads him to his opinion that an increase in the basic wage of 10/- per week is the most that can be justified at the present time.

With this opinion the Institute would agree. The £1 increase that has been granted must, in our view, unavoidably lead to increases in costs and selling prices and put an end to the period of price stability which we have enjoyed (and which has been of great benefit to the economy and the Australian people) for the past three years. Price stability is a goal immensely difficult to achieve and when achieved just as difficult to maintain. We know from experience that once an upward movement in costs and prices is set in motion it develops a kind of self-perpetuating momentum. No one of course can measure precisely the extent of the rise in prices which may eventually result from the basic wage increase. A general and material upward adjustment of the wage level of this kind leads to "sympathetic" rises in salaries and other incomes not directly affected by the Commission's awards. The wage increase will unfortunately introduce an additional pressure into the economy at a time when it is already at full stretch.

The £1 increase must seriously embarrass many businesses in strongly competitive fields and also services, such as public transport, where there is little prospect of counter-balancing gains in productivity. The difficulties of industries competing with imports will be intensified, but the most regrettable consequences will be experienced in the export field. In the last year or two, manufacturing exports have been making some headway by vigorous selling and by cutting profits to the barest margins. The wage increase will make it difficult to maintain these important advances on the export front.

It must be remembered that the £1 increase comes on top of the 10% increase in margins and the three weeks annual leave awarded last year, and also the decision of the Commission to grant 13 weeks long service leave after 15 years service in the Metal Trades and Graphic Arts awards this year. Also, in periods of rising prosperity, the gains in productivity
are reflected in higher wages awarded by the market in the form of increased overtime and bigger over-award payments. From the March quarter, 1962, to the March quarter, 1964, average male earnings rose from £22.13.0 to £24.4.0 an increase of £1.11.0—7%. Of this increase only 10/- represented higher award payments. The fact that actual earnings rise substantially in times of increasing prosperity introduces a complication into the task of the Commission which it has not yet satisfactorily resolved.

The fair-minded critic must have every sympathy with the extraordinarily difficult character of the Commission's task. After the tumult and the shouting dies and the masses of evidence have been presented and weighed, it is clear that the amount of the wage increase that the Commission may determine becomes finally a question of personal, intuitive judgment. Since all the statistics and mathematics of the problem provide them with no precise guide, the members of the Commission must finally fall back on their own informed commonsense.

The members of the Commission not only disagree on the amount to be granted, they also show a divergence of view on the frequency with which determinations of the real basic wage should be made. In the 1961 basic wage case, the Judgment suggested that the real basic wage should be considered at intervals of about three to four years and that adjustments of the basic wage in accordance with price movements should be investigated every twelve months. Chief Justice Kirby and Mr. Justice Moore adhere to this view although they would not debar the parties from applying at shorter intervals for real changes in the basic wage, if warranted by circumstances.

On the other hand Justices Gallagher and Nimmo express a clear and unequivocal preference for annual reviews of the real basic wage. Mr. Justice Nimmo argues the case for a return to annual reviews at considerable length and indeed appears to make this a proviso of his opinion that the basic wage should be increased by 10/-.
In view of the rejection of an annual review of the real basic wage only three years ago in the 1961 Judgment, the shift by some members of the Commission back to this concept is, to say the least, surprising. The main reason why the Commission rejected annual reviews in favour of three or four yearly reviews in 1961 was because it felt that it could not make a satisfactory assessment of the state of the economy and more particularly the trend in productivity every twelve months. These reasons of course still hold good. Indeed, the validity of this approach is brought out clearly, although quite contrary to his intention, in an article by Professor J. E. Isaac of the University of Melbourne, widely regarded as an authority on industrial arbitration. Professor Isaac who, along with other University economists, has for some time past strongly urged the desirability of an annual adjustment of the real basic wage, endeavours to support this view in an article of comment on the case just concluded*

The article says: "On a retrospective view the £1 is the least the Commission could have awarded. This award . . . is made under circumstances of unparalleled prosperity and soundness of the economy, with bulging international reserves, stable prices and full employment . . . If the £1 had been spread out over the last three years in equal instalments, it would probably have been absorbed without undue difficulty."

This surely must be a classic example of being wise after the event. Who could have foreseen in the years of recession and halting recovery from the recession that 1964 would be a year of record export receipts (some £300 million above anything previously achieved in Australian history) and to use Professor Isaac's own words, "of unparalleled prosperity and soundness of the economy"? Moreover, what wage tribunal, in face of the 1961/2 recession and the slow economic improvement of 1962/3, would have felt disposed to increase wages by 6/8 in each of these two periods? This latter question has only to be asked to be answered.

There are other reasons for favouring the retention of the system of three or four year reviews of the basic wage as against an annual review. An annual review would give rise to constant uncertainty in business about the level of costs and would complicate the difficulties of accurate budgeting. Also there is the practical question of its effect on industrial relations. An annual review would create a situation in which there was, so to speak, a perpetual dispute between employers and unions over the level of wages—a situation which is directly contrary to the basic purpose of the Commission "to settle disputes" and presumably to contribute to harmony in industry. Even if strictly economic arguments favoured an annual as against a three yearly review (in our opinion they do not) the unhappy impact on industrial relations of such a step would in our view be decisive.
Renewal in Societies and Men

By

JOHN W. GARDNER

The author is a distinguished American, who writes with deep insight into the conditions which make for a vital, free society. Naturally, he places great emphasis on education and he says, "We think of the mind as a store-house to be filled rather than an instrument to be used . . . we are giving young people cut flowers when we should be teaching them to grow their own plants."

He is President of the Carnegie Corporation of New York, a philanthropic foundation created by Andrew Carnegie in 1911 for the advancement of knowledge and understanding. Its assets exceed $230 million and approximately 7% of its income may be used in certain areas of the British Commonwealth, including Australia. The Corporation is primarily interested in education and in certain aspects of public and international affairs. Grants are made to colleges, universities, professional and other educational organisations for specific programmes.

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EDUCATION looks to the future, and is inevitably an attempt to shape the future. Today the road ahead is clouded by the danger of nuclear war, and the enormity of the threat blocks our vision. We have the difficult task of facing the threat and at the same time looking beyond it. If we fail to look beyond it, if the long-term future loses all reality for us, then educational strategies degenerate into spasmodic responses to the alarms of the moment—as they have today.

If we free ourselves for a moment from preoccupation with the nuclear problem, we encounter another specter that haunts the modern mind. A generation of critics has dismantled the idea of Progress, and every few years the...
archaeologists unearth another ancient civilization that flourished for a time and then died. The modern mind, acutely conscious of the sweep of history and chronically apprehensive, is quick to ask, “Is it our turn now?”

Rather than debate that overworked topic, I am going to ask another kind of question: Suppose one tried to imagine a society that would be relatively immune to decay — an ever-renewing society. What would it be like? What would be the ingredients that provided the immunity?

The skeptic may ask whether any society should last forever, even ours. It is not a crucial question. If longevity were the only virtue of the continuously renewing society, the whole exercise might turn out to be numbingly dull. But a society that has learned the secret of continuous renewal will be a more interesting and a more vital society—not in some distant future but in the present. Since continuous renewal depends on conditions that permit the growth and fulfilment of individuals, it will also be a society fit for free men.

To accomplish renewal, we need to understand what prevents it.

When we talk about revitalizing a society, we tend to put exclusive emphasis on finding new ideas. But there is usually no shortage of new ideas; the problem is to get a hearing for them. And that means breaking through the crusty rigidity and stubborn complacency of the status quo. The aging society develops elaborate defenses against new ideas—“mind-forged manacles,” in William Blake’s vivid phrase.

The development of resistance to new ideas is a familiar process in the individual. The infant is a model of openness to new experience—receptive, curious, eager, unafraid, willing to try anything. As the years pass these priceless qualities fade. He becomes more cautious, less eager, and accumulates deeply rooted habits and fixed attitudes.

The same process may be observed in organizations. The young organization is willing to experiment with a variety of ways to solve its problems. It is not bowed by the weight of tradition. It rushes in where angels fear to tread. As it matures it develops settled policies and habitual modes of solving problems. In doing so it becomes more efficient, but also less flexible, less willing to look freshly at each day’s experience. Its increasingly fixed routines and practices are congealed in an elaborate body of written rules. In the final stage of organizational senility there is a rule or precedent for everything. Someone has said that the last act of a dying organization is to get out a new and enlarged edition of the rule book.

And written rules are the least of the problem. In mature societies and organizations there grows a choking underbrush of customs and precedents. There comes to be an accepted way to do everything. Eccentric experimentation and radical departures from past practice are ruled out. The more pervasive this conventionality, the less likely is the innovator to flourish. The inventor of the Bessemer process for steel making, Sir Henry Bessemer, wrote:

“I had an immense advantage over many others dealing with the problem inasmuch as I had no fixed ideas derived from long-established practice to control and bias my mind, and did not suffer from the general belief that whatever is, is right.”

As a society becomes more concerned with precedent and custom, it comes to care more about how things are done
and less about whether they are done. The man who wins acclaim is not the one who "gets things done" but the one who has an ingrained knowledge of the rules and accepted practices. Whether he accomplishes anything is less important than whether he conducts himself in an "appropriate" manner. Thus do men become the prisoners of their procedures.

The body of custom, convention, and "reputable" standards exercises such an oppressive effect on creative minds that new developments in a field often originate outside the area of respectable practice. The break with traditional art was not fostered within the Academy. Jazz did not spring from the bosom of the respectable music world. The land-grant colleges, possibly the most impressive innovation in the history of American higher education, did not spring from the inner circle of higher education as it then existed. Motels, the most significant development of this generation in innkeeping, were at first regarded with scorn by reputable hotel people.

Vested interests constitute another problem for the aging society. The phrase "vested interests" has been associated with individuals or organizations of wealth and power, but the vested interests of workers may be as strong as those of the top executives. In any society many established ways of doing things are held in place, not by logic nor even by habit, but by the enormous restraining force of vested interests. In an organization certain things remain unchanged for the simple reason that changing them would jeopardize the rights, privileges, and advantages of specific individuals—perhaps the president, perhaps the maintenance men.

The more democratic an organization—or a society—the more clearly it will reflect the interests of its members. So a democratic group may be particularly susceptible to the rigidifying force of vested interest.

Still another reason for the loss of vitality and momentum in a society is a lowered level of motivation. It is not always easy to say why motivation deteriorates. Perhaps people stop believing in the things they once believed in—the things that gave meaning to their efforts. Perhaps they grow soft from easy living. Perhaps they fall into the decadent habit of imagining that intense effort is somehow unsophisticated, that dedication is naive, that ambition is a bit crude. Or perhaps a rule-ridden society has bottled up their energy, or channelled it into all the tiny rivulets of conformity.

One may argue, as Toynbee does, that a society needs challenge. It is true. But societies differ notably in their capacity to see the challenge that exists. No society has ever so mastered the environment and itself that no challenge remained; but a good many have gone to sleep because they failed to understand the challenge that was undeniably there.

Whatever the reason for loss of motivation, the consequences are apt to be devastating. Nothing—neither wealth nor technology, neither talent nor wisdom—will save a society in which motivation continues to deteriorate.

So much for the factors that contribute to loss of vitality in a society. What can be done about them?

Many of the qualities crucial to a society's continued vitality are qualities of youth: vigor, flexibility, enthusiasm, readiness to learn. This could lead us to imagine that the critical question is how to stay young. But youth implies im-
maturity. And though everyone wants to be young, no one wants to be immature.

Every society must mature, but much depends on how this process takes place. A society whose maturing consists simply of acquiring more firmly established ways of doing things is headed for the graveyard—even if it learns to do those things with greater and greater skill. In the ever-renewing society what matures is a system or framework within which continuous innovation, renewal, and rebirth can occur.

Concern with decay and renewal in societies must give due emphasis to both continuity and change. Peter Drucker has wisely said that in a world buffeted by change the only way to conserve is by innovating. We can turn the saying around and assert that innovation would be impossible without certain kinds of conserving. The scientist in his laboratory may seem to be the personification of innovation and change, yet he functions effectively because of certain deeply established continuities in his life. As a scientist he is living out a tradition several centuries old in its modern incarnation, thousands of years old in its deeper roots. Every move that he makes reflects skills, attitudes, and habits of mind that were years in the making. He is part of an enduring tradition and a firmly established intellectual system; but it is a tradition and a system designed to accomplish its own continuous renewal.

The free society is not the only kind that can accomplish change. Far from it. A totalitarian regime coming to power on the heels of a revolution may be well fitted to accomplish one great burst of change. But in the long run its spurt of energy is not only in danger of dying out but of being replaced by deadly rigidity. Compared to the free society, it is not well fitted for continuous renewal, generation after generation.

One crucial respect in which the ever-renewing society parts company with all totalitarianism is that it is pluralistic. There is a willingness to entertain diverse views. There are many sources of initiative rather than one. Power is widely dispersed rather than tightly held. There are multiple channels through which the individual may gain information and express his views.

It would be hard to overemphasize the importance of pluralism in helping a society to escape the cycle of growth and decay. The ever-renewing society is not convinced that it enjoys eternal youth. It knows that it is forever growing old and must do something about it. It knows that it is always producing deadwood and must, for that reason, look to its seed beds. If a society is dominated by one official point of view, the tentative beginnings of a new point of view may be a matter of devastating strain and conflict. In a pluralistic society, where there are already various points of view, the emergence of another is hardly noticed. In an open society, freedom of communication ensures that the new ideas will be brought into confrontation with the old.

Perhaps the most important characteristic of an ever-renewing system is that it has built-in provisions for vigorous criticism. It protects the dissenter and the nonconformist. It knows that from the ranks of the critics come not only cranks and troublemakers but saviors and innovators. And since the spirit that welcomes nonconformity is a fragile thing, the ever-renewing society does not depend on that spirit alone. It devises explicit legal and constitutional arrangements to protect the critic.
And that brings us to another requirement for the continuously renewing society. It must have some capacity to resolve conflicts, both internal and external. Without such capacity, it either will be destroyed or will dissipate its energies in the maintenance of fiercely entrenched feuds. The peace that it seeks is not a state of passivity and uneventfulness. It knows that without the ebb and flow of conflict and tension progress will not be made in eradicating old evils or opening new frontiers; but it is committed to the orderly "management of tensions". Thus in its internal affairs it deliberately makes possible certain kinds of conflict, e.g., by protecting dissenters and assuring them a hearing; but it creates a framework of rules which will assure that the conflict is resolved in an orderly fashion. It devises institutional arrangements that provide a harmless outlet for minor tensions and resolve some of the worst tensions before they reach the point of explosion.

In the last analysis, no society will be capable of continuous renewal unless it produces the kind of men who can further that process. It will need innovative men and men with the capacity for self-renewal.

Faced as we are with problems that put a constant strain on our adaptive powers, it is hardly surprising that the word creativity has achieved a dizzying popularity. It is more than a word today, it is an incantation. It is a kind of psychic wonder drug, powerful and presumably painless; and everyone wants a prescription. But the fact that the word has become a slogan should not make us antagonistic to the thing itself. What is implied in the word creativity, rightly conceived, is something that the continuously renewing society needs very much.

Only a handful of men and women in any population will achieve the highest levels of creativity and innovation. But a good many can be moderately creative, and even more can show some spark of creativity at some time in their lives. The number of men and women who exhibit some measure of creativity, and the extent to which they exhibit it, may depend very much on the climate in which they find themselves.

From all that we know of the creative individual — and we now know a good deal — he thrives on freedom. Recent research shows that he is not the capricious and disorderly spirit some romantics have imagined him to be. He may be quite conventional with respect to all the trivial customs and niceties of life. But in the area of his creative work he must be free to believe or doubt, agree or disagree. He must be free to ask the unsettling questions, and free to come up with disturbing answers.

When Alexander the Great visited Diogenes and asked whether he could do anything for the famed teacher, Diogenes replied, "Only stand out of my light". Perhaps some day we shall know how to heighten creativity. Until then, one of the best things we can do for creative men and women is to stand out of their light.

No one knows why some individuals seem capable of self-renewal while others do not. The people interested in adult education have struggled heroically to increase the opportunities for self-development, and they have succeeded remarkably. Now they had better turn to the thing that is really blocking self-development — the individual's own intricately designed, self-constructed prison; or to put it another way, the individual's incapacity for self-renewal.
It is not unusual to find that the major changes in life — marriage, a move to a new city, a new job, or a national emergency — reveal to us quite suddenly how much we had been imprisoned by the comfortable web we had woven around ourselves. Unlike the jailbird, we don't know that we have been imprisoned until after we have broken out. It was a common experience during World War II that men and women who had been forced to break the pattern of their lives often discovered within themselves resources and abilities they had not known to exist. How ironic that it should take war and disaster to bring about self-renewal on a large scale.

When we have learned to accomplish such self-renewal without wars and other disasters, we shall have discovered one of the most important secrets a society can learn, a secret that will unlock new resources of vitality throughout the society. And we shall have done something to avert the hardening of the arteries that attacks so many societies. Men who have lost their adaptiveness naturally resist change. The most stubborn protector of his own vested interest is the man who has lost the capacity for self-renewal.

What are the characteristics of the self-renewing man, and what might we do to foster those characteristics? Though we are far from understanding these matters, we have a few pieces of the puzzle.

1. The self-renewing man is versatile and adaptive. He is not trapped in the techniques, procedures, or routines of the moment. He is not the victim of fixed habits and attitudes. He is not imprisoned by extreme specialization. This last point is so important (and so easily misunderstood) that we must deal with it cautiously. Specialization is a universal feature of biological functioning, dramatically observable in insect societies and in the structure and functioning of the cells that make up a living organism. In humans, it is not peculiar to the modern age. Division of labor is older than recorded history. So specialization as such is no cause for alarm. But specialization today has extended far beyond anything we knew in the past, and this presents two difficulties. First, there are tasks that cannot be performed by men and women who have lost the capacity to function as generalists — tasks of leadership and management, certain kinds of innovation, communication, teaching, and many of the responsibilities of child rearing and citizenship. Second, the highly specialized person often loses the adaptability so essential today. He may not be able to reorient himself when technological change makes his specialty obsolete.

In a rapidly changing world versatility is a priceless asset, and the self-renewing man has not lost that vitally important attribute. He may be a specialist but he has also retained the capacity to function as a generalist. Within limits he has even retained the capacity to change specialties.

We are beginning to understand how to educate for versatility and renewal, but we must deepen that understanding. If we indoctrinate the young person in an elaborate set of fixed beliefs, we are ensuring his early obsolescence. The alternative is to develop skills, attitudes, habits of mind, and the kinds of knowledge and understanding that will be the instruments of continuous change and growth on the part of the young person. Then we shall have fashioned a system that provides for its own continuous renewal.

This suggests a standard for judging the effectiveness of all education — and so judged, much education today is monumentally ineffective. All too often
we are giving young people cut flowers when we should be teaching them to grow their own plants. We are stuffing their heads with the products of earlier innovation rather than teaching them how to innovate. We think of the mind as a storehouse to be filled rather than as an instrument to be used.

2. The self-renewing man is highly motivated and respects the sources of his own energy and motivation. He knows how important it is to believe in what he is doing. He knows how important it is to pursue the things about which he has deep conviction. Enthusiasm for the task to be accomplished lifts him out of the ruts of habit and customary procedure. Drive and conviction give him the courage to risk failure. (One of the reasons mature people stop learning is that they become less and less willing to risk failure.) And not only does he respond to challenge but he also sees challenge where others fail to see it.

But the society does not always find these attributes easy to live with. Drive and conviction can be nuisances. The enthusiast annoys people by pushing ideas a little too hard. He makes mistakes because he is too eager. He lacks the cool, detached urbanity that some people consider essential to the ideal organization man. But the ever-renewing society sees high motivation as a precious asset and allows wide latitude to the enthusiast. It does more than that — much more. It puts a strong emphasis on standards, on excellence, on high performance. It fosters a climate in which dedication, enthusiasm, and drive are not only welcomed but expected. It does not accept the “sophisticated” view that zeal is somehow unworthy of cultivated people.

3. For the self-renewing man the development of his own potentialities and the process of self-discovery never end.

It is a sad but unarguable fact that most human beings go through life only partially aware of the full range of their abilities. In our own society we could do much more than we now do to encourage self-development. We could, for example, drop the increasingly silly fiction that education is for youngsters and devise many more arrangements for life-long learning. An even more important task is to remove the obstacles to individual fulfillment. This means doing away with the gross inequalities of opportunity imposed on some of our citizens by race prejudice and economic hardship. It means a continuous and effective operation of “talent salvage” to assist young people to achieve the promise that is in them.

But the development of one’s talent is only part, perhaps the easiest part, of self-development. Another part is self-knowledge. The maxim “Know thyself” — so ancient, so deceptively simple, so difficult to follow — has gained in richness of meaning as we learn more about man’s nature. Modern research in psychology and psychiatry has shown the extent to which mental health is bound up in a reasonably objective view of the self, in accessibility of the self to consciousness, and in acceptance of the self. And we have learned how crucial is the young person’s search for identity.

As Josh Billings said, “It is not only the most difficult thing to know one’s self but the most inconvenient”. It is a life-long process, and formal education is only a part of the process — but an important part. Some people today seem to imagine that the chief function of education is to provide the student with a bag of tricks. The chief complaint of such people is that the schools are not teaching the tricks well enough — or are teaching mossy nineteenth-century tricks when they should be teaching slick twentieth-
century tricks. As a beacon to guide one away from such shallows, consider the comment of Learned Hand in his discussion of liberty: "By enlightenment men gain insight into their own being, and that is what frees them".

That brings us again to the recognition that the ever-renewing society will be a free society. It will understand that the only stability possible today is stability in motion. It will foster a climate in which the seedlings of new ideas can survive and the deadwood of obsolete ideas be hacked out. Above all, it will recognize that its capacity for renewal depends on the individuals who make it up. It will foster innovative, versatile, and self-renewing men and women and give them room to breathe. Having room to breathe, they will contribute, as only they can, to the continued vitality of the society.