Economic Growth

The focus of economic thinking two or three decades ago was "full employment"; today, it is "growth".*

Economic growth is of special importance in a country such as Australia striving to develop its resources and to expand its population as rapidly as possible. But it is also the main concern of the older economies of Western Europe and of the United States where economic development is equated more closely with improvement in current living standards than with population building and the exploitation of hitherto unused natural resources. In fact, a country's economic performance in the world today is largely judged by the rate of growth that it is achieving. The "growth rate" has, indeed, become a symbol of national prestige, and countries whose rates of growth seem relatively low are regarded as falling short in effective economic management and efficient utilisation of their resources.

Provided its limitations are recognised, the broad concept of growth is a valuable and useful one. Unfortunately, in many discussions, the limitations have been frequently ignored or not understood, and this has led to conclusions that are often absurd and sometimes dangerously fallacious. The limitations arise, first, from the fact that "growth" can be measured only in a very indirect and approximate fashion; and,

*The objective of "full employment" is still, of course, of primary importance.
second, that these approximate measurements assume meaning only if properly interpreted. Moreover, the task of interpretation is so complex that even the experts in these matters can stray far from the path of truth.

The Commonwealth Treasury has now published a White Paper, "The Meaning and Measurement of Economic Growth", which should help to throw light in dark places and lead to a better understanding of a very intricate subject. That this is the hope of the Treasury itself is made clear in a modest, one-sentence "Foreword" to the White Paper: "This supplement on the meaning and measurement of economic growth is put forward in the belief that it is desirable to reach a consensus upon important topics of this kind and that well-informed debate upon them is the most effective means of doing so."

The White Paper is a major contribution to economic enlightenment. After reading it, no informed person could doubt that the Treasury has on its staff a quota of first-class minds. The document is not light reading. It is too technical and too closely reasoned to be fully understood by others than those with much more than a nodding acquaintance of modern economics and it demands a real effort in concentration. Nevertheless, the White Paper should have a most salutary educational influence as the important lessons it contains filter through to influential opinion in press, business, trade unions and academic circles. As a result one would hope that economic discussion will be purged of much of the unrealism which has entered into it in recent years.

Fallacies that have played a large part in economic thinking over the last decade are effectively exposed and, we trust, finally laid to rest. One is the idea that rates of growth achieved in one country provide a useful practical indication of what should be possible in another. Thus, many economists and writers in Australia have drawn attention to the apparently "low" rate of increase of G.N.P. per head in Australia by comparison with countries such as France, Western Germany and Japan and have concluded that economic policy in this country is falling down. A favourite expression of the critics has been that: "Australia is near the bottom of the international league table of growth rates". This has led them to put forward all
sorts of wild ideas for bringing Australia up to the levels being attained in other countries.

We would be more than human if we did not here record the fact that the I.P.A. refused to go along with these notions. Early in 1962 an editorial in “Review” stated: “Has it not occurred to them (the critics of Australia’s growth rate) that there may be special reasons why the rate of growth in Japan which is said to have averaged 9.1% over the past decade, is so startlingly different from Australia’s which averaged 4.3% or the United Kingdom’s which averaged only 2.5%”. We pointed out that there was a vast difference between the circumstances of countries such as Japan and France and Western Germany which had been physically devastated by war and those of Australia and the United States which were relatively untouched. In the former countries, starting almost from scratch, and assisted by tremendous infusions of American capital and technology, it was much easier to record high rates of growth than in the latter where standards of living and production per head were already at a comparatively high level. We also emphasised the important distinction between countries at a very advanced stage of economic and technical development—such as the United States—and low income countries where startling productivity gains are often possible through mechanisation and the application of modern technology. In the advanced countries, too, a far greater proportion of national resources is devoted to the service industries—distribution, finance, entertainment—where rapid improvements in productivity are not easily achieved—“This helps to explain, for instance, why the growth rate in the United States, which averaged 3.3% over the 1950 decade, is so much less than that of Italy at 5.7%. Are we to deduce that the economy of the United States is much less dynamic and progressive than the Italian?”. (I.P.A. “Review”, January-March, 1962.)

This general view is supported by the Treasury White Paper. The Paper states:

"Take the case of a country already in the technical forefront. The United States of America is the most obvious example. So far as technical progress is concerned, such a country can increase the productivity of its
workers in only two ways. One is through new knowledge and, just as important, innovation—the translation of the new knowledge into the processes of production. This is a relatively slow process—the technical frontiers are expanding all the time, but the pace made by the pioneers will usually be slower than that at which others can follow. The other way is to try to ensure that all the country’s productive units are taking full advantage of existing techniques—that is, to ensure the spread of ‘best practice’ through industry as a whole.

“The other example concerns an economy, already growing but still well behind the leaders in all or part of its technology. Such a country has open to it the second process mentioned above, not merely on the national scale (bringing all its firms up to the ‘best practice’ of its own leading ones), but on the international scale (bringing its industry as a whole up to the ‘best practice’ prevailing in the leading countries of the world). For a country starting well behind the technological field, such a situation offers an enormous scope for growth. This probably serves as much as any other single factor to explain, for example, the remarkable growth achieved by the Japanese economy in the post-war period; while by contrast it has obvious implications for the lower growth rates achieved by such countries as the United States, the United Kingdom and Australia.

“This general point is, in fact, of first-rate importance; it should never be lost sight of either in looking at a country’s potential for growth or comparing its experience with that of other countries.”

The White Paper also directs attention to another key factor bearing on rates of growth that is of especial significance in Australia where so much new capital investment has to be devoted to providing basic facilities—houses, roads, schools and so on—for the increased population, rather than to raising productivity per head. The Paper says: “This so-called ‘capital widening’ tends, in the main, to provide the capital facilities for increased numbers at the same levels of output per head . . . To the extent that capital is needed for this type of investment, there will tend to be less available for the so-called ‘capital deepening’ . . . associated with an increase in output per worker”. This no doubt goes a long way to explaining why a country such as Sweden—where population is relatively static—has been able to advance production per head at a much greater rate than Australia since the War. United Nations figures suggest that whereas, in 1948, production per head was roughly equal in both countries—at around £A450 per head (in today’s price levels)—by 1962 the Swedish figure had risen to £A705 compared with Australia £A570. The huge area of Australia, thinly populated except in the capital cities, also
requires exceptionally heavy investment of a “developmental” type, leaving proportionately less capital for investment contributing immediately to higher productivity.

The Treasury Paper refers to an additional factor that may have a marked effect on rates of growth in different countries and that has been of particular importance in the years since the War. This is the pronounced tendency, especially on the European continent but also in Japan, for the work force to move out of agriculture into urban industries. In Western Germany, for example the proportion employed in agriculture fell from 26% in 1950 to 13% ten years later. With France there was a similar change. In Japan the transformation was even more notable—from 43% in agriculture in 1953 to 29% in 1962. In the United Kingdom the proportion of the work-force in agriculture fell only from 4.9% in 1951 to 3.7% in 1962. In Australia’s case the change was from 13.3% to 10.9% between 1954 and 1961. The Treasury Paper states: “Even in the absence of other considerations, these figures alone would imply large differences in the relative capacities of the countries concerned for achieving comparable rates of economic growth . . .” The rate of national growth in France, Western Germany and Japan has no doubt been greatly accelerated by the flow of labour into the high-productivity-manufacturing industries and also by the improved efficiency of the agricultural sector where great scope existed for the replacement of labour by the use of mechanisation and modern methods.

One of the most astounding features of the debate on “growth rates” is the disregard of elementary mathematics. A country with a very high standard of living—say the United States—can achieve very big absolute increases in production and yet show only a small percentage increase in its annual growth rate. On the other hand, a country whose standard of living is low can record a remarkably high percentage rate of growth with comparatively modest increases in production. This can be made clear from a simple example. Take two countries, one (A) with a production per head of 100 units, the other (B) whose production per head is 25 units. In a given year country A raises its productivity by 4 units per head
to 104. Country B raises its productivity by 2 units to 27. A’s productivity is now 104, B’s 27. The discrepancy has widened in A’s favour from 75 units to 77. Yet the percentage “growth rates” show A—4%, B—8%.

Thus there are overwhelming reasons why comparisons of growth rates between different countries should be treated with even more than the usual measure of scepticism that the wise economist applies to any international statistical comparison.

The fact that the bare comparisons of growth rates differ so markedly between countries, and that Australia’s rate of growth comes near the bottom of the “League Table” has led many people to seek ways to greatly accelerate the pace of economic development in this country. One of the most widely canvassed proposals in this regard is that of over-all national economic planning in which the Government would set “targets of performance” for the main industries and for the economy as a whole. It is argued that the mere fact of setting such targets would help, of itself, to bring about their realisation, because each industry would tend to adjust its plans to the goals set, based upon its expectations of what other industries would be doing.

Three reasons which throw doubt on this kind of economic planning are:—

First, that it is not possible to measure economic growth other than in an indirect and approximate sense. On this point the White Paper says: “The setting of statistical targets for growth has meaning only in terms of achieving a statistical result the relationship of which to a real result is obscure and not ascertainable”.

Second, that in a dynamic, expanding economy the pattern of demand itself and with it the pattern of output is continuously changing, as also is scientific and technical “know how”. In this context not only is the setting of realistic targets for the future next to impossible, but any attempt to do so may tend to “freeze” industry into patterns becoming outmoded.
Third, that the rate of economic growth in Australia is greatly affected, almost from year to year, by large changes in export returns and in the terms of trade over which we have no control.

The scepticism of the Commonwealth Treasury about target-setting in the new White Paper reaffirms the stand that it took in its 1962 Annual Survey of the Economy.

Another idea widely held in Australia during the 1950’s was that rapid growth and price stability were incompatibles and that in the interests of faster development we should be prepared to accept some measure of inflation. It should be said that throughout those years the I.P.A. vigorously endeavoured to combat this point of view. The new Treasury White Paper also rejects it and states, "... a large part, though not all, of the case for maintaining stability of costs and prices resides in the proposition, that without it economic growth will not proceed at its maximum rate in the long run". This is because of the unsettling effects of inflation on the balance of payments and of the distortions, bottle-necks and labour shortages which inflation produces in the economy. "In short, reasonable stability of costs and prices is not an alternative to maximum economic growth but appears to be a necessary condition for it in the long run".

Much more could be said on the Treasury’s admirable essay in economic analysis. It is impossible to do justice to it in a brief article because the Paper needs to be read and read again. There is little or nothing in it with which the I.P.A. would disagree. Perhaps in Section II which outlines “The Conditions for Economic Growth” the Paper might have dug just a little deeper. It details the main factors bearing directly on the rate of economic growth:

- the pace of technical progress (“the main catalyst to growth”);
- the availability of capital (“the higher the proportion of current output that can be devoted to capital
investment, the greater will be the opportunity to achieve a high rate of economic growth”);  

- the level of education, skills and age structure of the population;  

- the prevailing social conventions (e.g. the employment of women in industry);  

- institutional factors such as trade union or business restrictions which work against efficiency;  

- and government policies, the nature of which may impede or promote growth.

Perhaps some reference might have been made to the fact that all economic activity depends ultimately on people, on their state of mind, their morale, their willingness to experiment and adventure, their vigor or lack of it, their opportunities for achievement and for self-advancement, their knowledge that hard work and honest endeavour will produce an adequate reward. The aim of governments, and of the officials who play such a predominant role in the practice of government, should be to provide an environment and to inculcate a climate in which these qualities and attitudes will be encouraged.

The recent history of Israel shows what miracles of progress can be accomplished, even in the most unpromising conditions, given the intelligence, the will, the determination and the capacity for service. People, not technical progress, comprise the primary “catalyst of growth”.

“It is, in literal truth, faith that moves mountains even when it employs bull-dozers.”
A Socialist Revival?

Almost for a decade and a half the reins of political power in Britain and Australia have been in the hands of non-socialist governments. With the narrow victory of the Labour Party in the October elections, the position in Britain has now been altered. What significance can be attached to the British electorate's rejection of the Conservative administration? Does it signify a revival of popular interest in the basic political conceptions of socialism? Does it portend any substantial move in the direction of socialist goals in the coming months and years? Does it mean that the great conflict between free enterprise and socialism, which was the central feature of political life in Britain and Australia in the years immediately following World War II, is about to flare up again?

There seems to be little prospect of the renewal of this conflict in its old form. We have come a long way since the 1940's. The economic and social conditions and the political temper which gave rise to the memorable battles of those times have changed almost beyond recognition. Then we were at the parting of the ways. Everything was in a state of flux and uncertainty. Basic choices had to be made. The people were in the mood for, indeed demanding, deep-seated changes and far-reaching reforms. In their search for some new kind of social order they were prepared to adventure into little-
known paths and embrace novel and radical policies. Tired and disillusioned, with standards-of-living down to bedrock, the public mood was receptive to political and economic experiments.

All this is far removed from the conditions of the present. In Britain and Australia austerity has been replaced by some measure of affluence; unemployment by full employment; economic insecurity by security; stagnation by growth and progress. The basic socialist propositions to which the electors were prepared to give a serious hearing twenty years ago would be rejected out of hand today—the widespread public ownership of industry; the tightly planned and directed economy; confiscatory taxation with government, not private, spending playing the predominant role.

Indeed, it seems that the Wilson Government will be judged in large part, and its term of office decided, by the extent to which it avoids distinctively socialist measures. With its paper-thin majority of five, the Labour Government, either of its own choice or for other reasons, is likely to face the electors long before the normal five-year term of office expires. Some political commentators think another election is possible within a matter of months; few would be prepared to go beyond some time next year. If, in the early period of his administration, Mr. Wilson can contrive to give the impression that he is a leader who knows what he is about, and provide the nation with the sense of purpose and direction for which it is seeking, the Labour Party might hope to establish itself more firmly in the seat of government. At least, until then, the Government is unlikely to have the time, the inclination or the numbers to embark on extreme socialist policies. It would not be surprising, for instance, if the Labour Party's "theological commitment" to nationalise steel were put on ice for the time being.

There is clearly no strong public enthusiasm for the new Government. In fact the Labour Party attracted only a fractionally greater proportion of the total vote than in the previous election in 1959 when it was unsuccessful.
The percentage of votes cast for the three major parties in 1964 compares with 1959 as follows:—

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Labour's success on this occasion clearly stems from the electors' dissatisfaction with the Conservatives, a vague public ennui, a desire for a more dynamic leadership than the previous Government was giving. The mood of public dissatisfaction, even bewilderment, seems to have its roots in the feeling that, for some reason or other, Britain is failing to keep abreast of the times, that it is not adapting itself to the conditions—either in industry or elsewhere—of the new scientific and technical age, and that consequently its rate of economic and social progress compares unfavourably with other highly industrialised countries.

This sense of dissatisfaction seems most pronounced among the younger educated middle classes, the products of the grammar schools and "red brick" universities—the "new men" of the novels of C.P. Snow, the scientists, the technicians, the younger generation of executives and "organisation men". It is these people who have apparently swung against the Conservatives and have been instrumental in putting the Labour Party into power; not so much by giving their votes to Labour as by getting behind the Liberals. The Liberal Party polled 3 million votes, as against only 1½ million in 1959. These people seem to feel that science and technology and expert, specialist knowledge are not being given their proper place or opportunity in modern Britain. Mr. Wilson's emphasis during his campaign on the need for industrial and technical modernisation, on the primacy of science in today's world, and his undertaking to set up a Ministry of Technology must have had a strong appeal to them. On the other hand, many of these
people have little interest in socialist dogma or specifically socialist policies which they would regard as irrelevant, if not harmful, in the circumstances of Britain today. What the “new men” want is opportunity not equality, the enthronement in the high places of administration in industry and government of expert and realist knowledge and learning. They have little patience with the narrowness and rigidity of the trade union mentality. They represent a revolt of the “professional” against what they conceive to be the “amateurism” of too much of British industry and public administration.

Traditional socialism was a plant which grew out of the soil of poverty, mass unemployment and great extremes of wealth and income. It offered an alternative to a capitalist society which, despite its considerable achievements, continued to falter at rather frequent intervals and contained within itself manifest social injustices. (Many years later, after World War II, the application of Keynesian doctrines showed that capitalism was not incompatible with continued high employment and social welfare.) That socialism failed to establish itself firmly in countries such as Britain and Australia in the years prior to World War II was due to the innate caution and conservatism of the electors. Democratic peoples have a deep suspicion of measures which seem to be revolutionary and extreme and a threat to individual freedoms. They prefer the devil they know to the devil they don’t know. The socialist parties were also gravely injured and weakened during the Great World Depression, when the policies they proposed to deal with it gave rise to alarm among many sections of the community, and even among some of their own parliamentary leaders who crossed the floor to form new composite governments.

But out of World War II grew a spirit of reform, a determination that there would be no return to the old pre-war order and a willingness to adventure upon novel and experimental courses of action. The socialist parties were able to identify themselves with the temper of the times, quite largely because their political opponents had underrated the
strength of the forces making for change and had failed to bring their thinking and policies up-to-date. In a situation demanding radical measures of reform, they offered only the "status quo".

In the early post-war years, the preference of electors in Britain and Australia for socialist parties represented not so much a preference for socialism, as a demand that "the old order" be changed. Change in any direction was regarded as better than no change at all.

In Britain some large steps in the direction of socialism were taken. Certain industries and services were nationalised—steel, coal, gas, electricity, the railways and health. Bulk purchasing of basic commodities and state control of capital issues and of some prices, such as rents, and materials allocation—measures unavoidable during the war—were continued into peace. The Welfare State, the basic concept of which was "cradle to the grave" security, was established. The concept of the Welfare State, however, was supported by moderate political opinion of all shades. Taxation was continued into peace at the merciless levels of war-time, absorbing close to 40% of the national income.

In Australia the Labor Government extended the social services, maintained the apparatus of war-time state controls and rationing, but seemed to halt at the brink of nationalisation—to some extent because of doubts about its constitutional powers. Not until 1947 did it venture into the realm of nationalisation (in banking) and then with consequences which ultimately proved disastrous for its political future. The political occurrences around 1950 showed that both in Australia and Britain the people had deep-seated objections to socialist measures which entailed a serious interference with their personal freedom of choice and decision.

Are these objections any less strong today—15 years later? Certainly not in Australia; nor, as far as one can gather in Britain. Apart from that, to most people, including many of its former supporters, the socialist doctrine would seem to be largely irrelevant to the needs of the affluent, middle-class
society of the 1960's. Indeed, the obstinate refusal of the parties of the Left to give up their adherence to old-time socialism and their consequent failure to recast and modernise their basic thinking are, at root, the reasons for their long exclusion from the seat of government.

We are therefore unlikely to see a renewal of the socialist—free enterprise conflict in the form that it took 20 years ago. This was a kind of head-on clash between two diametrically opposed concepts of society. What the socialists in those days aimed to do was to replace holus bolus the system of free enterprise and private capitalism with an entirely new economic and social system. Socialism was not concerned to reform, modify and improve capitalism, but to destroy it. This may have been a tenable objective when the system of free enterprise was breaking down at various points and was failing to satisfy the community’s basic needs for full employment, economic security, steadily advancing standards of life and better opportunities for education and self-improvement. The years since the war have made it clear that an economic system that retains the fundamental elements of private enterprise is not inconsistent with the achievement of these basic community aspirations. Thus, the conditions which gave rise to the revolutionary aspect of socialism, the overturning of one system of society and its replacement by another, no longer exist.

BUT a word of caution is necessary. While in the last decade and a half we have seen tremendous improvements in many directions, we have also seen, somewhat paradoxically under non-socialist governments, a steady growth in the powers and field of operation of the state. The size, powers, and area of discretionary judgments by the bureaucratic machine has grown, almost alarmingly. Taxation, as a percentage of G.N.P., in Britain has not been greatly reduced and, in Australia, is actually greater today than it was in the last year of the Chifley Government. There seems to be an increasing tendency to look to government to do things to an extent that once upon a time would have been regarded with horror by those of anti-socialist
persuasion. In quarters where one would expect uncompromising opposition to socialism are to be found some of the most ardent advocates of national economic planning and the setting of targets and goals of accomplishment for the economy. NEDDY in England was the creation of a Conservative not a Labour Government.

It would be, perhaps, premature at the moment to criticise, and wrong to oppose, some of these developments. Nevertheless, they need to be watched. The ogre of the all-powerful State still looms as a danger to individual freedoms and that danger may have been heightened by the inevitable technological and scientific character of modern society with its emphasis on large-scale organisation. Individual man must always remain the master of the political and economic machine and beware of becoming its unwitting tool.
I have much pleasure in welcoming you to this meeting, the 21st Annual Meeting of the Institute. One might say that this is the Institute's coming of age, its 21st birthday, and, therefore quite an historic occasion.

We are entitled to take some small measure of pride in the fact, that, after this long period of 21 years, the I.P.A. has not only survived but, through its achievements, has won a position of some respect and authority throughout Australia and with many diverse sections of the Australian people. It is very important to remind ourselves on this occasion that institutions like this are not created in a day. They are the product of time and experience, and the understanding that comes with experience, and they grow in prestige and stature only bit by bit. Needless to say, the Institute could not have succeeded without the wonderfully loyal and consistent support, maintained over the years, of those who have provided the money to finance its activities. We express our sincere thanks for that assistance, and trust that our future activities will merit your continued support.

During the year, three new members have been appointed to the Council of the Institute: Mr. J. Chester Guest, Mr. J. Arnold Hancock, and Mr. W. A. Beattie.

I am sure their knowledge, experience and judgment will be of great value to the Institute.
Mr. Herbert Taylor retires this year from the Editorial and Executive Committee after 16 years of invaluable work. I take this opportunity to place on record a special vote of thanks to him and to express pleasure, Herbert, that you have agreed to continue as a Member of the Council, and will thus be in a position to continue assisting the work of the Institute.

When I spoke here a year ago, the Australian economy was sailing merrily along on smooth seas and everything seemed set fair for a long period of prosperity and uninterrupted progress. While the general prospect is still wonderfully good, just at the moment the seas have begun to get a little ruffled and the economy is here and there exhibiting signs of strain. Severe labour shortages have appeared; costs and prices are moving up; taxes are increasing; the charges of public utilities such as electricity, television and public transport are going up; and the tide of imports is rising perhaps a little rapidly for complete peace of mind. In the three months to September, 1964, the import bill was about £62 million greater than the corresponding months last year, creating a trade deficit for the period of £40 million. The stability which we had in our grasp up to a few months ago has, quite suddenly been disturbed.

Do these things have to happen? Certainly nobody wants them to happen—nobody wants to have to pay higher taxes, or higher prices, or more for their electricity and fares. Nobody wants to see their living standards eroded—even temporarily. We had a decade of this kind of thing in the 1950’s—of periods of inflation, rising prices, and over-rapid expansion, followed by cut-backs instead of sound, steady progress. We all got heartily sick of it so that two or three years ago we determined as a people—a determination which was expressed through the Commonwealth Government—to try to achieve a more steady rate of progress without the curse of constantly rising prices. The objective we set ourselves was full employment without inflation, that is growth with stability. Today that stability is being threatened and unless we are very careful we will be off again on the old upward spiral of inflation, with all the frustrations and problems to which it gives rise.
Though these frustrations may be transient, they can bring about a serious interruption of economic progress, and they are all the more to be deplored when the long-term outlook for Australia is so magnificent with promise and the economy is so basically strong.

This problem of recurring inflation seems to have its roots in a clash of opposites, or a conflict of purposes. On the one hand there is the patriotic, community-spirited side of the Australian character which wants to see this country develop and populate with the utmost rapidity and which is prepared to pay whatever price this may demand. But, on the other hand, there is the side of the Australian character, which, quite understandably, wants to maintain and to improve, also as rapidly as possible, the immediate standard of living. Now, whilst in the long term these two things—that is rapid growth and improving living standards—go together, in the short term they may clash.

Today, many of us are crying out for more rapid development in many fields and for an even larger migration program. This problem of development is not merely governed by economics. There is a much broader background. We are a young developing country and we have to be prepared to take risks. But it must be fully realised that this objective of more rapid development must mean the diversion of more resources into the public sector to provide more universities and schools, better roads, increased community services in a host of directions and increased social benefits. There is also the need for more money for defence. In short, rapid development gives rise to the need for more and more government spending. But how far are we prepared to go in saving more and subscribing to national development loans, or paying higher taxes, or both, to finance these things? The large jump in government spending in the recent Commonwealth Budget was largely a response to a widespread public need and clamour for better community services. You have, then, the paradox, that whilst practically all of us object to paying higher taxes, practically all of us are demanding more of the things that only higher savings, loans and taxes can provide. This would appear
to be the very crux of our problem. We can have high-speed
development, both in the public and private sectors, provided
we are prepared to pay for it, but we can only pay for it by
curbing our natural desire for better living standards in the
present.

Inflation with its higher costs, prices, taxes and charges—
has its seeds in this very conflict within our natures. We want
the best of both worlds. We are trying, at one and the same
time, to improve our current living standards and to push
ahead with rapid national growth and development. From
this dual purpose, there builds up an excessive pressure on our
resources of labour, materials and capital, the economy becomes
over-extended, in everyday terms demand exceeds supply and
costs and prices start to rise. We are trying to achieve more
than our available resources permit.

To avoid this it is essential that we watch carefully the
trends of the economy through the eyes of historical statistics
supplemented by up-to-the-minute surveys. In this regard it
has always been my conviction that steps should be taken to
arrange for the collection and collation of more forward statis-
tics based on forecasts. Such statistics, though very approxi-
mate, would provide earlier information regarding the trends
of the economy in key areas and facilitate prompt and gentle
adjustments to the economy. This would help to avoid the more
drastic measures we have so often had to undertake in the past.
The newly instituted survey of anticipated imports being
organised by the Commonwealth Statistician is an excellent
example of the kind of thing we need.

But in the final analysis, if we want to avoid inflation, we
must set our national targets and ambitions no higher than we,
as a community, are honestly prepared to make sacrifices to
achieve. It is no good blaming the Government for putting on
higher taxes to pay for development—if we are clamouring for
development: We have to be frank with ourselves as a people.
We have to look the problem squarely in the eye. Perhaps what
is needed is a lot more education and leadership on this prob-
lem, education from the Government and from leaders in
different walks of life.
ADDRESS

by Mr. H. McE. Scambler, General Manager, E.S.&A. Bank, at I.P.A. Annual Meeting

On behalf of the subscribers, I am pleased to express to the Council, and to the Executive and Editorial Committee, our congratulations and thanks for the past year's work. I say congratulations because the Institute has come of age with its 21st birthday, and is showing a virile maturity in its activities. We have seen many evidences of a successful year's work.

I should say that the need for wide-spread economic education is greater than ever before. During the 21 years of the Institute's life the nation's economy has steadily become more complex. There have been great increases in production and in overseas trade. We have become more sophisticated industrially; there are vast new developments in such things as oil and mineral resources. The population has been growing at a rate which must rank high in the Western world.

The way we live our lives is more and more influenced by questions of economic or monetary management, and of the handling of the great industrial problems of the day.

Not only do these things affect the way we live our lives, but they are of the essence of modern methods of government. Australians, if they are to be effective citizens, need both knowledge and understanding of great economic and industrial questions. Because we are a democracy, the degree of understanding of the electors will inevitably be reflected in the quality of government we receive—we will get finally the kind of government we deserve.

The Institute is developing with notable success this work of disseminating both knowledge and understanding. As an example, the bulletin "Facts" does, as its name indicates, deal mainly with facts, but I have frequently been impressed by the thought that the way these facts are presented compels further thought, or in other words, leads to better understanding, as
well as knowledge. The facts are presented in a way that helps to make us think. In the "Review" the important questions of the day are capably and analytically discussed in a manner which is bound to stimulate the thinking of all who want to arrive at sound conclusions for the future. Its wide distribution in and out of Australia means that it plays a vital part in the forming of influential opinion.

The publications the Institute produces are concise, well illustrated and interesting. These qualities form the hall-mark of people who know what their aims are, and who have the technical skill and will to achieve their purpose.

We are here because we believe in the merits of free enterprise. If free enterprise is to survive, it must continue to develop and change to fit a changing environment, and this is why I am much impressed by the way in which the Institute's publications, in examining questions of the day, have in the past displayed an open mind and a fair presentation of all sides of the subject. It is important that this should continue. For example, the President, in his address, has mentioned that we are trying, at one and the same time, to improve our living standards and to push ahead with rapid growth in national and community services. The diversion of more resources into the public sector must have results that are not altogether welcome to us—because we must pay the price for them. Here is an example of the need for a well-informed outlook such as the Institute fosters to guide public opinion on such vital matters.

In considering the 21 years of life of the Institute, I should like to express the hope that it will continue to show the greatest youthful adaptability and freshness in its ideas. The components of the population of this country are changing and there is, and will be, a much higher proportion of young people. We cannot afford to become fixed in our ideas, and a youthful adaptability and freshness must be welcomed in studying and furthering the ways in which the benefits of free enterprise are to be not only enjoyed, but distributed throughout a flourishing economy.
“Big Businessmen”

This book, published by the Institute last August, comprises character studies of four leading Australian businessmen, written by the Director of the Institute, C. D. Kemp. The subjects of the studies are:

- Sir Herbert Gepp—great industrial innovator and top Government adviser on Australian development
- Sir Walter Massy-Greene—perhaps Australia’s outstanding company director.
- Sir Leslie McConnan—who dominated the banking scene during the stormy years of the 1930’s and 1940’s.
- Mr. Geoffrey Grimwade—who played a major part in working out a new modern concept of the role of private enterprise at a time of crisis.

Extracts from some of the press reviews of the book are printed below:

“The Herald”, Melbourne

“Mr. Kemp, before or during his work with the Institute of Public Affairs, knew all four men. He knew Gepp best, and writes best about him—a restless, uncomfortable man of great vigor and foresight, wide interests and curiosity, technical talent, imagination.”

“The Mercury”, Hobart

“The few personality sketches (of leading businessmen) which appear in popular journals are usually so inhibited that their dullness erases from the reader’s mind all but the name of the subject and a few ‘Who’s Who’ type of facts. The author of this book has achieved something much more lively, particularly with Gepp and Massy-Greene.

Of the four, Mr. Kemp knew Gepp best. But he also came to know Massy-Greene closely through personal contact and correspondence and his sketches of their careers and personalities are fuller and livelier than those of the other two. Mr. Kemp had a profound admiration for Massy-Greene’s qualities but it was Gepp’s personality which really captured him and consequently this is the outstanding study.”
"Journal of Industry", Adelaide

"Two things stand out clearly in C. D. Kemp's recently published book, "Big Businessmen". First, that Mr. Kemp is an able and fluent writer and the other that he knew intimately the men about whom he has written. Mr. Kemp has brilliantly succeeded in conveying the idea that each of these men were 'big' men, big in themselves.

"Whilst what he has to say about Massy-Greene and Gepp vividly reveals the business methods of a few decades ago, the book, taken as a whole, is not in any way a 'history book'. His studies of McConnan and Grimwade bring in an almost contemporary era, and his incisive sketches reveal an extraordinary talent for observation.

"'Big Businessmen' fills a gap, not only in Australian literature, but in modern Australian history."

"Business Review", Sydney

"Students of administration can learn a great deal about what goes to make up the successful manager from biographies of those who have achieved success. Mr. Kemp has done something to meet a real need in this country by producing these four biographical studies.

"Their comparative brevity has made it difficult to treat the subjects at great depth, but in spite of restrictions of space, the author has been successful in presenting lively and meaningful character analyses. This is particularly so in the case of the two longer sketches—of Gepp and Massy-Greene—which tend to dominate the book."

"The Australian", Canberra

"Mr. Kemp was personally associated with his subjects, who were all active in the I.P.A. from its inception. In addition, he was personal assistant to Gepp at A.P.M. for seven years.

"As a result, his profiles of the four men (they cannot be called biographies) have the flavour of personal knowledge and insight. As a trained economist and publicist, Mr. Kemp also knows a good deal about the economic and political background against which they operated."

"The Bulletin", Sydney

"These four outstanding Australians in their various spheres made contributions to the national scene which up to this time have not been documented as fully as they are here.

"None of the four men come out of this book as the ideal businessman, though all are, in a sense, typical of the Australian product, at least of their time. One doubts, though, whether the rough-hewn Gepp ever really thought of himself as a businessman. From Kemp's description he was probably thinking he would prefer to be conquering other worlds.

"Massy-Greene, like Gepp also, was a sort of jack-of-all-trades, as one probably had to be in the formative stages of industrial development here."
"The Age", Melbourne

"The essays on Sir Herbert Gepp and Sir Walter Massy-Greene are intended to be extensive studies in character analysis.

"Both of these men warrant full-dress treatment. Their achievements were substantial; each commanded his success and did not have greatness thrust on him. They both held high responsibility during the crucial periods of the growth of Australian industry."

"The Australasian Manufacturer", Sydney

"This book of 183 pages is extremely informative and a study of the four characters is interesting for the younger generation, particularly, of Australians who are concerned not merely with what Australia is today, or what it will become tomorrow, but with the men, who by their work in the past, helped to determine both today and tomorrow."

Copies of "Big Businessmen" may be obtained from the Institute. The cost is 27/6, including postage.
Australia and the United States

WORLD War II changed the relationship of Australia to the United States in a deep and fundamental sense. Britain’s virtual withdrawal from Asia and the Battle of the Coral Sea emphasised how dependent we had become on the United States for our continued national independence.

Deep down, there can be few Australians who fail to realise this all-important relationship. Yet there are some, perhaps many, who vaguely resent it and who at times act in a way that seems inconsistent with it.

The implications of this dependence on the United States are indeed tremendous. For instance, in one respect, Australia may be said to owe her great post-war programme of national development to the United States. This debt does not arise so much from the large amounts of American capital that have assisted this development. At least here there is a “quid pro quo”. It arises from the fact that Australia has been able to proceed with her development secure in the belief that American military might would be used, if necessary, to maintain her national integrity. In the absence of this protecting arm, a not insignificant part of the efforts which Australia is devoting to her economic development might well have been consumed in trying to provide for her own security and defence against potentially hostile neighbours in the near North. Nor, in these circumstances, would Australia have been regarded as a good risk by overseas financial interests seeking a profitable avenue of investment for their capital.

However, there is some risk that the Americans may not approve of the fact that Australia has been devoting such a relatively small part of her national income to defence and has been concentrating her efforts on national development. There have already been voices in the United States which have
drawn attention to this. The recently announced increases in defence expenditure may help to allay criticisms of Australia on these grounds.

The Australian-American relationship, while essentially a friendly one, must also, of its nature, be a vastly lop-sided one. One party to it is huge, wealthy, the dominant world power today, whose decisions, on the global stage of international politics must vitally affect Australia for better or worse, even its very existence. On this stage, Australia is very “small potatoes”. Fortunately American and Australian interests coincide on the great world issues. The policies that the United States has followed in the “cold war” and in the containment of the Communist world would, on the whole, be in accord with Australian ideas.

Of course, the fact that Australian security and independence ultimately depend on the United States, must, to some degree, inhibit our freedom of decision in the area of foreign policy. On many major matters—the question of Communist China’s admission to the United Nations may be one—it would not be easy for Australia to adopt a line radically different from the United States. This does not mean that there is any disposition in the United States to dictate Australia’s foreign policy; but were she to voice her displeasure at a decision by Australia which she regarded as opposed to her own vital interests, that would be understandable.

The Australian Government’s attitude to Britain’s bid to gain entry into the Common Market in 1962—a matter which the American administration regarded as of profound importance in its efforts to strengthen the Western Alliance and ultimately to build an Atlantic Community—must have been a source of disappointment to the United States. (The stand taken by Australia at that time could be criticised as dangerously short-sighted and narrowly parochial.)

Australians, like the peoples of most countries, are naturally sensitive about their right to make their own decisions and their freedom from foreign influence. But they should beware of carrying this too far. The H-bomb has made the world
interdependent in a way that it has never been before, and interdependence necessarily implies some limitations of independence: a truth that seems so far to have escaped the understanding of the French leader, De Gaulle.

The three post-war evidences of our dependence on and common interest with the United States in matters of defence are the A.N.Z.U.S. Treaty, signed in 1951 over British objections; our membership of S.E.A.T.O., and the establishment of the Naval Communications Station at North-West Cape in Western Australia with American money and under American control. When completed in 1965, the Station will be the biggest of its kind in the world and a key link in America's defence communications' system.

Considering how vital they are to our national security, it is surprising how many Australians are vague over the meaning of A.N.Z.U.S. and S.E.A.T.O. Each party to the A.N.Z.U.S. Treaty (Australia, New Zealand and the United States) recognizes that an armed attack on any of them would be a threat to its own peace and declares its intention to meet the common danger "in accordance with its constitutional processes". Australia is a member of S.E.A.T.O. along with America, Britain, France, New Zealand, Pakistan, the Philippines and Thailand. The objectives of S.E.A.T.O. are two-fold:

1. To prevent Communist aggression in South-East Asia and thereby maintain peace and stability in the area.

2. To deter Communist subversion by improving the economic and social conditions that encourage Communism to flourish.

But the supremely important relationship between Australia and the United States in matters of defence and foreign policy is not just governed by grim necessity on Australia's side or by convenience or strategic advantage on America's. Indeed that is not the greater, or even the most fundamental, part of it. At root this relationship stems from a common
democratic tradition and a similar, although not completely identical, philosophy of living. In their basic attitudes and way of life, indeed, Australians bear a much closer affinity to the Americans than they do to the British.

This is not altogether surprising. Geographically and historically England is a part of Europe. But America cannot begin to be understood without the realisation that the conception of the American democracy represents, in essence, a revolt from the European tradition. The early Americans left Europe to seek a new way of life based on the essential equality of man, and in which the gates of opportunity would be open to all—"the log cabin to White House" tradition. That this great conception may not have been perfectly realised does not detract from the hold it exercises over basic American thinking and attitudes. The American ideal was one diametrically opposed to the rigidities and inequalities of caste societies and to the arbitrary powers of autocratic governments. It is a society built on the acceptance of change, experiment and limitation of the state power. Its deep distrust of governmental authority is expressed in its Federal principle and the clear-cut constitutional division of powers between the legislature, the executive and the judiciary.

The egalitarian tradition of Australia has much in common with all this, as has her dislike of authoritarianism in government. The Federal Constitution of Australia is largely patterned on that of America. Our House of Representatives, proportionate to the population, and the Senate, based on equal representation of the States, are both copied from the American system. The founding fathers of Federation, who were largely "States-righters", would no doubt have regretted that our Senate has failed to achieve comparable status in the political system of Australia to the position which the Senate occupies in the United States. Australia was also faced with a similar physical task to the United States—that is, the development of the resources of a new, large, young and unexplored continent. In both countries there is, thus, a strong pioneering or "frontier" tradition.
Americans and Australians have differences in tastes, in outlook and attitudes, but the differences are far outweighed, and to some extent submerged, by their basic similarities. Americans feel at ease and "at home" with Australians in a way they never do with the English; and the converse is also sometimes true. There is not only a mutual liking between Australians and Americans, but also an instinctive mutual understanding. It is a liking between alike peoples.

There are, it is true, some faintly anti-American attitudes and prejudices discernible in Australia. These are, today, most obvious among that part of the population more likely to be jealous of their British connection. The "man in the street" is generally pro-American. What anti-Americanism exists seems to come from a small group with political sympathies aligned with the left, and from conservative elements who are anti-pathetic to some of the more obtrusive manifestations of American customs and who deplore their invasion of the Australian way of life.

They resent the fact that we appear to copy the Americans in so many things. They fear the "Americanisation" of their own country. When people call Sydney an "American city", the reference is often meant to be critical. The rush and bustle of Sydney which they deplore are associated in their minds with what they believe American cities to be like.

As many Europeans, of necessity, accept the presence of American power and influence in Europe, and at the same time strongly resent it, so some Australians (a decreasing minority) resent the evidences of the penetration of American "culture" into Australia. They bewail, for instance, the hold of American films and T.V., magazines and popular music and clothes, particularly on Australian youth.

The attitude of these critics of America, although not entirely without foundation, is yet dangerously one-sided. The viewpoint of too many Australians on the United States is formed from a superficial acquaintance of some of the more obtrusive, materialistic aspects of the American way of life. When some Australians watch a particularly bad specimen of
a sadistic, American gangster film they are too prone to accept it as conclusive evidence of the "evils" of American civilisation.

James Morris of the "The Manchester Guardian", one of the outstanding journalists of the day, writes: "The United States of America is perhaps the grandest, noblest, and most lovable of all nations, based upon the most honourable of principles, cherished by the warmest of human hopes, blessed with a sense of destiny and a resilient gift of humility; but somehow it all pales into irrelevance, when you hear the juke-box blaring outside the cathedral close or watch the blue-haired New Yorkers lounging patronisingly through the piazza."

There are also those who are critical of the increasing American stake in Australian industry and American ownership and control of some of our recently discovered rich mineral resources. These people point to what has happened in Canada where American capital has come to occupy a commanding position in the ownership of manufacturing industries and of primary resources.

While it is unquestionably desirable for Australia to maintain basic control of its own industries and resources, this view overlooks the fact that there is a world of difference between the position of American capital in Canada and its position in Australia. At the end of 1961 the total amount of American investment in Canada exceeded 18,000 million dollars compared with barely 1,000 million in this country. American capital owns over 60% of Canadian manufacturing industry; in Australia little more than 10% is dollar owned. Moreover, whatever the rights and wrongs of the matter, Australia's great post-war development could not have been so great without the assistance and stimulation of American capital and the all-important American "know-how". It would be short-sighted indeed to discourage American interest in Australia at the present stage of our national economic progress.

The extent of American interest in the Australian economy is indicated by the fact that well over 1,000 American companies have a stake in Australia, either directly through
the investment of capital or through licensing agreements. American companies hold shares in about 300 registered Australian companies, most of which are wholly owned or controlled subsidiaries. The share of the United States in total overseas investment in Australia is about one-quarter compared with one-sixth at the end of World War II.

Our true interest lies in continuing to foster the economic ties between Australia and the United States by all possible means. One of the most heartening developments has been the dramatic increase in Australian exports to the United States over the last five or so years. Exports have grown from £61 million in 1958/9 to £140 million in 1963/4. There have been significant changes, too, in the content of Australian exports to United States. The dominant part formerly occupied by wool has been taken by meat. In the last six years exports of beef and mutton have risen from practically nothing to about £80 million. America now takes 90% of our beef exports. This rapid increase, not surprisingly, has incurred the wrath of American producers. Under an agreement with the United States, Australia is reducing its beef and mutton exports in 1964 by 6% below the 1963 level. The agreement provides for an increase of 4% a year in the future.

Other commodities which have played a big part in this increase in exports to America are sugar, which is now bringing some £10 million a year and crayfish tails which amount to £5 million. It could be argued, of course, that Australia's exports would be very much greater were it not for the stiff quotas and tariffs imposed by the United States to protect her own agricultural and mining industries.

Along with the increased trade in exports has gone a great rise in imports from the United States since the removal of import restrictions and the return to sterling convertibility in 1958. Imports rose from £108 million in 1958/9 to £150 million in 1959/60, and in 1963/4 reached the large figure of £272 million. In 1963/4 23% of our imports came from the United States—the highest figure since the 1920's—while the United States took 10% of our exports. A big current account
deficit with the United States is being largely made good by the heavy capital inflow resulting both from private investment and from borrowing by the Australian Government on the New York money market.

As time goes on Australia seems destined, in one sense at least, to become more like the United States. The 1 million migrants of non-British stock who have come to Australia since the end of the War have brought a diversity of talents, outlooks and ideas which is leavening the Anglo-Saxon lump. This diversity constitutes one of the great distinguishing features of the American democracy which is an amalgam of many different racial cultures out of which has evolved a new, distinctive civilisation and way of life.

A great Scotsman, Lord Tweedsmuir (perhaps better known as the author, John Buchan) once related that Henry James deplored the extraordinary racial diversity of the United States which he contrasted unfavourably with the homogeneity of Scotland. Buchan commented that he could not imagine a more nightmarish conception than that of a community of some 130 million Scotsmen (the population of the United States at that time) with their tight, restricted nationalism and culture. The American strength and position in the world may be said to derive, in part, from its multi-racial origins. Australia has already benefited greatly in many directions from the influx of people of disparate strands and ideas and, if the United States can be taken as an example, it is likely to do so even more vastly in the future.
TWENTY FIRST ANNUAL REPORT 1964

INSTITUTE OF PUBLIC AFFAIRS
The Institute of Public Affairs is a non-profit, educational organisation financed by business enterprises and people throughout Australia to study economic and industrial problems. It was launched in 1943. The basic aim of the I.P.A. is to advance the cause of free business enterprise in Australia. In pursuit of this aim it is endeavouring:—

1. To inform the Australian public of the facts of our economic system and to raise the level of economic literacy in Australia.
2. To work always for a full and friendly understanding between employers and employees and for good relations throughout industry.
3. To study the means by which private business enterprise can be made to operate better in the interests of all sections of the Australian people.
I have much pleasure in welcoming you to this meeting, the 21st Annual Meeting of the Institute. One might say that this is the Institute’s coming of age, its 21st birthday, and, therefore, quite an historic occasion.

We are entitled to take some small measure of pride in the fact that, after this long period of 21 years, the I.P.A. has not only survived but, through its achievements, has won a position of some respect and authority throughout Australia and with many diverse sections of the Australian people. It is very important to remind ourselves on this occasion that institutions like this are not created in a day. They are the product of time and experience, and the understanding that comes with experience, and they grow in prestige and stature only bit by bit. Needless to say, the Institute could not have succeeded without the wonderfully loyal and consistent support, maintained over the years, of those who have provided the money to finance its activities. We express our sincere thanks for that assistance and trust that our future activities will merit your continued support.

During the year, three new members have been appointed to the Council of the Institute: Mr. J. Chester Guest, Mr. J. Arnold Hancock, and Mr. W. A. Beattie.

I am sure their knowledge, experience and judgment will be of great value to the Institute.

Mr. Herbert Taylor retires this year from the Editorial and Executive Committee after 16 years of invaluable work. I take this opportunity to place on record a special vote of thanks to him and to express pleasure, Herbert, that you have agreed to continue as a Member of the Council, and will thus be in a position to continue assisting the work of the Institute.

When I spoke here a year ago, the Australian economy was sailing merrily along on smooth seas and everything seemed set fair for a long period of prosperity and uninterrupted progress. While the general prospect is still wonderfully good, just at the moment the seas have begun to get a little ruffled and the economy is here and there exhibiting signs of strain. Severe labour shortages have appeared; costs and prices are moving up; taxes are increasing; the charges of public utilities such as electricity, television and public transport are going up; and the tide of imports is rising perhaps a little rapidly for complete peace of mind. In the three months to September, 1964, the import bill was about £62 million greater than the corresponding months last year, creating a trade deficit for the period of £40 million. The stability which we had in our
grasp up to a few months ago has, quite suddenly been disturbed.

Do these things have to happen? Certainly nobody wants them to happen—nobody wants to have to pay higher taxes, or higher prices, or more for their electricity and fares. Nobody wants to see their living standards eroded—even temporarily. We had a decade of this kind of thing in the 1950's—of periods of inflation, rising prices, and over-rapid expansion, followed by cut-backs instead of sound, steady progress. We all got heartily sick of it so that two or three years ago we determined as a people—a determination which was expressed through the Commonwealth Government—to try to achieve a more steady rate of progress without the curse of constantly rising prices. The objective we set ourselves was full employment without inflation, that is growth with stability. Today that stability is being threatened and unless we are very careful we will be off again on the old upward spiral of inflation, with all the frustrations and problems to which it gives rise.

Though these frustrations may be transient, they can bring about a serious interruption of economic progress, and they are all the more to be deplored when the long-term outlook for Australia is so magnificent with promise and the economy is so basically strong.

This problem of recurring inflation seems to have its roots in a clash of opposites or a conflict of purposes. On the one hand there is the patriotic, community-spirited side of the Australian character which wants to see this country develop and populate with the utmost rapidity and which is prepared to pay whatever price this may demand. But, on the other hand, there is the side of the Australian character, which, quite understandably, wants to maintain and to improve, also as rapidly as possible, the immediate standard of living. Now, whilst in the long term these two things—that is rapid growth and improving living standards—go together, in the short term they may clash.

Today, many of us are crying out for more rapid development in many fields and for an even larger migration program. This problem of development is not merely governed by economics. There is a much broader background. We are a young developing country and we have to be prepared to take risks. But it must be fully realised that this objective of more rapid development must mean the diversion of more resources into the public sector to provide more universities and schools, better roads, increased community services in a host of directions and increased social benefits. There is also the need for more money for defence. In short, rapid development gives rise to the need for more and more government spending. But how far are we prepared to go in saving more and sub-
scribing to national development loans, or paying higher taxes, or both, to finance these things? The large jump in government spending in the recent Commonwealth Budget was largely a response to a widespread public need and clamour for better community services. You have, then, the paradox, that whilst practically all of us object to paying higher taxes, practically all of us are demanding more of the things that only higher savings, loans and taxes can provide. This would appear to be the very crux of our problem. We can have high-speed development, both in the public and private sectors, provided we are prepared to pay for it, but we can only pay for it by curbing our natural desire for better living standards in the present.

Inflation with its higher costs, prices, taxes and charges—has its seeds in this very conflict within our natures. We want the best of both worlds. We are trying, at one and the same time, to improve our current living standards and to push ahead with rapid national growth and development. From this dual purpose, there builds up an excessive pressure on our resources of labour, materials and capital, the economy becomes over-extended, in everyday terms demand exceeds supply and costs and prices start to rise. We are trying to achieve more than our available resources permit.

To avoid this it is essential that we watch carefully the trends of the economy through the eyes of historical statistics supplemented by up-to-the-minute surveys. In this regard it has always been my conviction that steps should be taken to arrange for the collection and collation of more forward statistics based on forecasts. Such statistics, though very approximate, would provide earlier information regarding the trends of the economy in key areas and facilitate prompt and gentle adjustments to the economy. This would help to avoid the more drastic measures we have so often had to undertake in the past. The newly instituted survey of anticipated imports being organised by the Commonwealth Statistician is an excellent example of the kind of thing we need.

But in the final analysis, if we want to avoid inflation, we must set our national targets and ambitions no higher than we, as a community, are honestly prepared to make sacrifices to achieve. It is no good blaming the Government for putting on higher taxes to pay for development—if we are clamouring for development. We have to be frank with ourselves as a people. We have to look the problem squarely in the eye. Perhaps what is needed is a lot more education and leadership on this problem, education from the Government and from leaders in different walks of life.
I have had the privilege of chairing the Executive and Editorial Committee for seven of the twenty-one years of the Institute's existence. My predecessor in this position was the present President of the Council, Eric Lampe. The only other Chairman of the Committee was the late Mr. Geoffrey Grimwade who made a great contribution to the establishment and success of the Institute. In his book, "Big Businessmen", published recently, the author, Mr. C. D. Kemp, has paid a fine tribute to Mr. Grimwade's outstanding work for the I.P.A. I am sure that all our subscribers would be interested to read of the part that Mr. Grimwade played in the difficult, formative years of the organisation.

I have had a great deal of personal satisfaction from my work with this Committee where discussion is always lively and quite uninhibited. Out of these discussions eventually emerge the regular publications of the Institute—"Review" and "Facts"—and other occasional publications which we produce from time to time. Of course, a committee cannot itself write and the original drafts of the material for these publications are prepared by the Director and his assistants, Mr. Warren and Mr. Williams. But any member of the Committee is free to say exactly what he thinks about the drafts, and the intellectual skins of Mr. Kemp and Mr. Warren have fortunately been toughened by many years of vigorous comment and criticism. It is an enjoyable process and, I think, a productive one because, though small, the Committee comprises a variety of experience and talent which all makes some worthwhile contribution to the final result. So far as possible we endeavour to reach unanimity on what is said and in most cases we are able to do so. On the odd occasions when there are differences of view (and these usually only occur in the matter of detail) we try to achieve the compromise most satisfactory to all concerned.

We have always regarded "Review" as the Institute's most important publication. But, while this is so, the letters we receive leave no doubt about the extraordinary popularity of "Facts". The extent of this popularity has far exceeded the expectations even of its authors. "Facts" was started in 1952, with an initial circulation of 10,000. Its circulation is now 55,000 copies. "Review" was launched in 1947 and its circulation is close to 20,000 copies an issue.

One of the things which pleases us most of all is that our publications are greatly valued by the schools and that our school circulation is rising rapidly. A number of schools distribute our publications to each economics student for use as
source material in class discussion and essay writing. After a period, these copies are recalled and kept for classes who will use them in the following year. Hardly a day goes by without requests being received from students somewhere in Australia asking to be included on our free mailing list. The personal interest of teachers shown by their letters of appreciation, telephone calls and visits to the I.P.A. office is most encouraging.

It is important that the key role free enterprise plays in our national life should be fully and accurately reported to the general public. This is a responsibility which rests to a considerable extent on the daily press. During the year copies of the “I.P.A. Review” and “Facts” were sent regularly to the editors of over 400 newspapers and other publications throughout Australia. Much of the Institute’s material has been republished. We are grateful to all the editors who have used our material for their co-operation in bringing our viewpoint before a wider audience.

Several subjects dealt with in “Review” were, I think of particular importance and aroused widespread discussion. One was the analysis of overseas investment which appeared in the October-December issue of 1963. In addition to Australia, this survey attracted a remarkable amount of interest in overseas countries. (See Page 6 of this Report.) There has been a tremendous amount of interest and discussion during the year on the Commonwealth Government’s proposal to introduce legislation on restrictive trade practices. Naturally enough this interest has been most intense among the business community which would be deeply affected by it. In common with many other organisations, the Institute believes that the legislation goes much too far and in its present form could cause a lot of confusion in business circles and could conceivably do serious harm.

For some years, many Australian economists have been inclined to assert that Australia is the most lightly taxed country in the world and that taxes should be substantially raised to finance better community facilities and more extensive social services. The Institute contested these issues in correspondence between the Director of the Institute and several of Australia’s most prominent University economists. This correspondence was published in the most recent “Review”. We do not claim that the argument has been finally settled, but the importance of the issues with which it deals cannot be doubted because they lie at the very heart of Australian economic strategy in the years immediately ahead.

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We must always rely on the generous support of companies, large and small, and our individual contributors for the funds
needed to maintain and, where possible, expand our educational program.

Above all, this financial support is needed to finance our ever-growing free mailing list to students, teachers, schools, government servants, libraries, members of parliament, newspapers and journals, trade union officials and many others who cannot be expected to make any contribution. 20% of our big mailing list is distributed free of charge.

We are a non-profit organisation. In spite of the growth in the number of our subscribers, our costs have increased faster than our income. It has been by no means an easy task to keep the Institute's expenditure within the limit imposed by our income. I would remind you that the I.P.A. is the only organisation in Australia, with a trained and skilled staff, which is devoting all of its time and resources to this work. I thank you all for your generous support in the past and I ask you to continue it, and where possible, to increase it.

I strongly believe the I.P.A. is a worthwhile investment which has paid good dividends both to this country and to businessmen and, with your help, I believe it will continue to do so in the future.

SURVEY OF OVERSEAS INVESTMENT

One of the highlights of the past year was the survey of overseas investment published in the October-December, 1963, issue of "Review". Among other things the survey revealed that—

★ 85% of the nation's productive assets in private hands were owned by Australians and 15% were owned overseas.

★ Contrary to general impression, Australia was in a much better position to meet interest and dividend payments overseas than at earlier periods in our history. Comparing 1939 and 1963, interest payable on the public debt held overseas fell from 17% to 2½% of export income and dividends from 5½% to 5%.

★ Since the War, North American investment has increased from a sixth to a quarter of all overseas investment in Australia; but two-thirds of the total is still held by the United Kingdom.

★ Australia cannot do without overseas investment unless it is prepared to take the consequence of a much slower rate of development and a lower standard of living. If we are to develop the nation's resources and industries, Australia needs the assistance of overseas capital and the techniques and skills that go with it.
The survey was reprinted in part or in whole, in a number of the leading newspapers and periodicals throughout Australia. We were particularly gratified by the extensive reprint which appeared in "The Financial Times", London. The Finance Editor, Harold Wincott, described our survey as an "extraordinarily good and complete study of the impact of foreign investment in Australia". He further said, "the more the facts about overseas investment can be put dispassionately and objectively and in a way which the ordinary chaps can understand, as this Australian survey has done, the less likely it is that we shall see a return to the dire days of the ‘thirties’.”

"The Financial Times" article has been responsible for numerous requests for this issue of “The I.P.A. Review” from overseas. Inquiries have been received from U.S.A., Britain, Switzerland, Germany, France, Japan, Argentina, East Nigeria, New Zealand and Malaysia.

"BIG BUSINESSMEN"

In August this year the I.P.A. published a book of biographical essays comprising character studies of four businessmen who achieved great prominence in the business and public life of Australia. The essays were written by the Director of the Institute, Mr. C. D. Kemp.
The subjects of the essays—Sir Herbert Gepp, Sir Walter Massy-Greene, Sir Leslie McConnan and Mr. Geoffrey Grimwade—all played a big part in great events that have had a determining influence on the shape of present-day Australia. All four were also closely associated with the foundation and development of the Institute of Public Affairs.

Although the market for a book of this kind is necessarily limited, we are already in sight of sales of the first thousand copies and a further steady flow of orders is anticipated from book-sellers throughout Australia.

It is very desirable that the younger generation of Australians, on the threshold of their careers, should have some knowledge of the characters and outlook of businessmen who have contributed outstandingly to the industrial and economic development of their country. This is all the more important at a time when Australia is thinking consciously of itself as a nation and is therefore beginning to take a much greater interest in its roots and the past which has made the present possible.

We hope, therefore, to be in a position to provide gift copies to the libraries of hundreds of prominent schools and other educational institutions throughout Australia. But this will depend very largely on the extent to which companies and businessmen are prepared to purchase copies of the book for presentation to school and university libraries. The import-
The bold front, the apparent self-confidence and sophistication and air of independence that youth presents to the world, should not delude us into thinking that this is the real youth. Things are seldom as they appear on the surface. The very complexities of the times, the bewildering rate of change in so many directions, the break-down of old standards, have left youth bewildered and perplexed. Sometimes it feels adrift in lonely and tempestuous seas. What is it to believe in? What is it to strive for? What is it to make of its life? Perhaps even more than the youth of other days, it needs guidance and help and example, and it looks for these things as it has always done, in the first place, to those closest to it, to its parents, who are themselves often confused.

Governments today generally show a much stronger determination to avoid excess demand in the economy and a greater readiness to use their monetary and budgetary powers for this purpose. There remains, however, a potent source of inflationary pressure over which governments have no, or at best only limited, control. This is the persistent habit of wages and salaries and other incomes to increase at a faster rate than the goods and services on which they can be spent.

One thing is certain: the wage awards of the Commonwealth Arbitration Commission should not be of such a kind as to provoke inflationary pressures of any magnitude. While the Commission has shown awareness of its responsibilities in this regard, its attitude still seems to be mildly equivocal. The real crux of the matter here lies in the widespread existence of overaward payments over which the Commission has no control.

Everywhere there has been grief, profound grief—a deep sense of hurt, as acute and real as a searing physical pain. In that terrible week-end of tragedy there were few Australians who did not feel a kind of raw aching hollowness deep inside themselves.

But the most shattering blow is to the young and the young in spirit. For the late American President was a phenomenon;
he was the one example in modern times of a young man in a position of over-riding power, a power to command events and to shape the unfolding pattern of world history. With that awful power in his hands he was doing what right-thinking youth, unclouded and unsullied by the prejudices of ignorance or the doubts and cynicisms of age, would want to be done. Now he has gone and the world can never be the same. The leader has fallen—foully slain—and, blinded by our tears, the way ahead seems plunged in darkness. But the light which he lit and held aloft continues to burn and to illumine the path we must tread.

In times of exceptional prosperity, inflationary elements begin to appear in the economy. In the coming months we are certain to see additional measures 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.

It is 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, combined with the underlying strength of the economy at the moment gives every hope that sound prosperity can be maintained for some time ahead.

In the brief space of ten years the Australian way of life and thought have undergone almost incredible changes: the democratisation of the motor car; the mushrooming of glass and concrete sky-scrapers; new suburbs spreading endlessly; the multiplication of modern, attractively designed factories and supermarkets, and homes comprehensively equipped with labour-saving and entertainment-giving “gadgets”.

Increasing affluence is obliterating old-time “class” divisions. In dress, it is impossible to distinguish many factory workers from white-collar office workers. 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 labour movement itself.

In the coming decade or two, business will have enough to do grappling with all the implications of the 20th century technological revolution and putting them to the best account, without being distracted from the main task by such a sweeping piece of legislation which cannot fail to give rise to uncertainty and whose overall economic benefits must be doubtful. This
sort of legislation could for some considerable period, be regarded as no more than experimental. The legislation is, in essence, an attempt to alter radically a whole pattern of practices and arguments that have evolved with the years and to impose on business a doctrine of competition in industry out of harmony with present-day realities. Such an aim would seem certain to fail: first, because it marches in conflict with the economic and technical conditions of modern 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.

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 and not a few will have misgivings.

The £1 increase that has been granted must, in our view, unavoidably lead to increase 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 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.

Contributed article by John W. Gardner, President, Carnegie Corporation.

There is a place for vigorous criticism. From the ranks of the critics come not only the cranks and trouble makers but saviours and innovators. The creative individual must be free to ask the unsettling questions, and free to come up with the disturbing answers.

A vital free society gives wide latitude to the enthusiast. It puts 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.

"I can assure you that the publications of I.P.A. are very well received, not only here by my colleagues and our senior Melbourne staff, but also by our senior men in our many other centres of operation in Australia."


"We would like to compliment you on the high standard of interesting and informative articles contained in your periodical with the hope that they will continue."

Mr. Leavitt S. White, E.I. du Pont de Nemours & Co., U.S.A.

"Many of the topics which you are reporting or discussing in 'The I.P.A. Review' are of equal interest and significance to us in this country, and the publication in general continues to be one of my effective ways of keeping up to date on business activity and business thinking in your country."

Mr. R. I. Oehr, Felt & Textiles of Australia Ltd., Melbourne.

"I should like to take this opportunity of congratulating your Institute on the fine work it does in the community and of offering the company's best wishes for the furtherance of this excellent service."


"Our support over so many years, indicates the value we attach to your work and we wish you every success and a widening sphere of influence throughout the community."

Mr. Maurice J. Kennedy, Braddon, A.C.T.

"Recently I saw a copy of one of your bulletins together with some of your other pamphlets and I was most impressed and pleased that an organization such as yours had been formed for the purpose of bringing to the public, vital facts both social and economic, about our complex society."

Mr. A. G. Eastwood, Managing Director, Holeproof Ltd.

"The work which is being carried out by your Institute has undoubtedly contributed a great deal towards more orderly thinking about our economic system and our way of life. In this company, for example, 'The I.P.A. Review' is sought after and is read by most of our senior staff. 'Facts' is distributed to all ranks of management, down to that of foreman. I trust that the influence that is being exercised by the Institute, and by your executive, will continue to grow."

Mr. J. T. Massey, Former Commonwealth Co-ordinator of Good Neighbour Movement.

"I very much appreciate your kindness in sending me complimentary copies of your publications which have been very helpful. I've felt they are the best of their kind I've seen here or overseas."

Dr. M. Gauchat, Managing Director, Ciba Pty. Ltd., Sydney.

"This company is well aware of the vital part the Institute is playing in its attempts to publicise the case for private enterprise in the overall community picture, in such an excellent way. As you know, we strongly share your views that it is essential for the economic and cultural development of this country to maintain and foster the concept of private enterprise as a healthy insurance for future prosperity. You can be assured, therefore, of our continued active support of the Institute in its very worthwhile endeavours."
Mr. Ross Kerr, A.N.Z. Bank Ltd., Brisbane.

"I might mention that I have filed away every copy since No. 1. 'Facts' to me, is the best publication of its kind and I am constantly using not only the latest issues but past copies in my contacts with our Australian customers but, on every possible occasion, with overseas visitors.

Mr. F. E. Jennings, Director, Woolworths (Vic.) Ltd., Melbourne.

"There is no doubt that the I.P.A. is doing an excellent job in keeping the public informed on the benefits of a free enterprise economy."

Mr. Alan Gregory, Brighton High School, Victoria.

"Your valuable services to schools are very much appreciated by those of us who use them. 'Facts' gives pithy and important data, clearly and very consumable for pupils. I have used the 'Review' both for economics and geography and it is more than just a current journal, but is retained and used and re-used. Rest assured that the I.P.A. service to schools is a most valuable one and much appreciated one."

Mr. S. Williams, Economics Master, Wesley College, Melbourne.

"I note that 100 copies of "Productivity—the Key to Better Living", will be forwarded. We are grateful for your assistance to us over the years. We receive your 'Review' which is regularly made available to Matriculation economics classes. Publications such as the two mentioned above are useful to us in both economics and social studies classes."

Mr. A. G. Illingworth, Royal Melb. Inst. Technology.

"I can assure you that the booklets that you forward to us are put to good use, and as a matter of fact further copies could be distributed if they could be made available because, as you are probably aware, student numbers at this Institute are constantly increasing."

Principal, Coburg Teachers' College, Victoria.

"We find 'The I.P.A. Review' of considerable value for keeping our lecture material up to date. 'The I.P.A. Facts' are distributed to all first year student teachers-in-training and these have proved to be very valuable. Probably the most useful articles have been those on Asian countries."

Commercial Master, Fort Street Boys' High School, Sydney.

"I wish to express our appreciation of the 'I.P.A. Review' and 'Facts'. These publications provide much useful and informative material of considerable value to our senior economics students. Articles such as 'Can we be Confident?' and 'A Changing Society', Legislation on Restrictive Practices, Basic Wage Judgement, International Comparisons of the Tax Burden, as well as many others published in previous years have provided bases for debate and discussion among our senior pupils. Statistics given in 'Facts' are also of great value, particularly those related to Australia's trade, productivity, income distribution."

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