Election Editorial —

People and Government

The desire for new faces at Canberra was perhaps the strongest reason for the Labor Party's triumph on December 2.

The Liberal Party gravely damaged its prospects by a succession of tiresome internal squabbles over the leadership, a complacent belief in its own invulnerability, the disastrously conceived 1971 Budget and by failing to match its thinking and policies to the march of events. For instance, the developing urban crises in Melbourne and Sydney, aggravated by large-scale immigration, received only a belated recognition in Liberal policies.

To cap it all, the McMahon Government made the crass error in the election campaign itself of trying to beat the Labor Party at its own game: the offer of lavish benefits and Big Brother government. This is Labor's traditional territory, and in trespassing on it the Liberals abandoned the fundamental principles of their professed philosophy. The public were offered a choice between competing packages of government-provided "goodies", not between two diametrically opposed philosophies of the role of government and the place of the individual. The discerning among the swinging voters must have sensed the Liberal departure from liberalism and cast their choice for the better thought-out Labor programme.
The task which the new Government faces — a task partly of its own making — is a mammoth one and thoughtful people, while wishing it well, must seriously doubt its ability to carry it through successfully. The huge programme outlined so blithely in Labor's pre-election promises, much of it involving the creation of a multiplicity of new government instrumentalities, pre-supposes a supply of top-level administrative experience and talent far beyond the resources of a small nation such as Australia. Moreover, it is difficult to see how government expenditures on the scale envisaged, and implicitly promised, by the new Government can be reconciled with election undertakings to conquer inflation, to refrain from tax increases, to release energies and improve productivity, and not merely to drastically curtail the inflow of foreign capital, but to "buy back the estate". The Labor Government may soon begin to regret the spate of over-rash promises it made in the euphoric atmosphere of the weeks before December 2. Economics is a relentless taskmaster and will have the last say, and the Labor programme, taken as a whole, simply does not add up to a sound, credible economic policy for the nation.

On the other side, one must wonder where on earth the Liberal Party obtained some of the extraordinary and implausible ideas it tried to market with the public in the election campaign. The Liberal Party has slipped downhill and is teetering on the edge of a morass. It is not going to get back to secure ground in a day: a great deal of soul-searching and frank, clear-eyed thinking will be necessary before it begins to emerge again as a credible contender for the Treasury benches. The 1970's are a far cry from the 1950's and there must be a deep realization, felt in the very bones of the Party, that the golden days of the Menzies era, when all seemed such smooth sailing, are gone. Today's world is a different and much more disturbing world, with a host of new and unfamiliar problems calling for new attitudes and approaches by democratic governments.

The fundamental articles of the liberal faith are, however, not out-dated. The central core of liberalism is its emphasis on the individual person — its belief that ordinary men and women are self-reliant, responsible, capable of looking after
themselves and of planning their own lives after their own manners, in short of working out their own destinies without the interfering Big Brother solicitude of the monolithic Welfare State. This does not mean that government help and, in some fields, large-scale planning is not needed for the individual to achieve his full stature.

But leaning on and demanding too much from Government has become the great malaise of the modern democracy. The present chaos of the British economy is a warning of what can happen when Welfare State ideas are carried to excess. The habit is growing of expecting Government to solve all problems for us, to rescue us from all our indiscretions, our mistakes of judgment, our collective selfishness and shortsightedness, to guarantee us with perfect security and improving standards of living, businessmen along with the rest, no matter whether or not we have deserved them. Government is expected not only, for instance, to provide jobs for everyone for every day of the year along with stable prices, but also, apparently, to pander to the young through handouts for buying a home, and to the old through state pensions for all, whether or not they are needed. Government is also expected to solve the "rat race" problem of the Big City, to bridge the generation gap, to police private morality, to fill our teeth, to apply balm to our aches and pains and a hundred-and-one other things.

The aspirants for public office are themselves largely responsible for creating the attitude that Government can and should do virtually everything. There is, after all, something rather satisfying to the ego in being Big Brother to the national family — it gives one a pleasant feeling of omniscient power. Neither of the major election policy speeches gave a vestige of a mention to the responsibilities of the people for their own self-improvement or to the nation. Everything would be done for them. If these attitudes are fostered we will soon be like a lot of fowls in a chook battery waiting to be fed and tended by our paternalistic keepers, squawking to high Heaven whenever they fall down on their job.

At the heart of the liberal doctrine is a reverence for the essential dignity of the individual person. Liberalism is the doctrine of self-help and personal responsibility. It is the doctrine of free decision and choice. It is the doctrine of the
diffusion of power, not its concentration. It is the doctrine which expects men to rule their lives by rational, clear-eyed intelligence, not by dogmas, nor by spurious emotion. It is the doctrine which accepts in the space age the inexorable logic, indeed the inevitability, of growing internationalism and rejects the out-dated futility of narrow nationalism; thus of a big, outward-looking Australianism, not an inward-looking, chauvinistic “Little Australianism”. It is the doctrine, too, of tolerance, of the brotherhood of men and races. But, in recognising the humane responsibility for helping the underdog and the needy, liberalism avoids the ultimate absurdity of subsidising the powerful and the affluent.

If these doctrines are out of time, not in tune with the mood of present-day Australia, then the Liberal Party is better to be in opposition than to betray its principles (even though vainly) in seeking the power and the glory. In opposition, the Liberals will have the chance to re-examine the creed which they profess to espouse.

"Even if it be recognised that for all manner of reasons the tide is still flowing, and is likely to continue for some time to flow, so strongly in the direction of a more ubiquitous State and less significant individual, it may just for that reason be all the more necessary to emphasise the other side in order that a proper balance may be maintained. The great need of the present day is for a prophet of liberalism, not because liberalism any more than any other tenable creed, is an exclusive repository of wisdom and truth, but precisely because liberalism, insofar as it stands for the pre-eminent worth of the individual, is an essential ingredient in any balanced view of things, and because liberalism at the present moment is dangerously in eclipse. For the strength of liberalism or individualism or whatever it may be called, is that all great things are conceived in solitude — however they may be executed — by men who relied on themselves and not on their fellows or the State. There may be divinely-inspired men, there may even be a heaven-sent statesman, but there was never a divinely-inspired State".

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Review—October-December, 1972
Great Gains for the Wage-Earner

In the last quarter of a century the standard of living of the wage-earner in Western free enterprise societies has improved out of sight.

Before World War II few employees in Australia received more than the bare minimum laid down in industrial awards. In December, 1938, the average award wage for an adult male in Melbourne was $9 a week or $468 a year. The "needs" basic wage had been assessed at $6.90 in 1934 to which was added a prosperity loading of 60 cents and a cost-of-living adjustment of 40 cents, making the total basic wage $7.90 a week in December, 1938. Skilled workers received on average another $1 a week as a margin for skill. These amounts were for a standard working week of 44 hours. However, many were on short time and use of junior and temporary personnel was also widespread. All this had the effect of reducing average employee earnings to less than the nominal award wage. Thus in 1938/39, when the average award wage for adult males was $486 a year, average earnings for male factory operatives were only $438. But today actual earnings are more than twice the N.S.W. basic wage, and more than 50 per cent above average award wages. In May, 1971, when the adult male basic wage in New South Wales was $2,033 a year and the average nominal award wage $2,894, average male earnings in factories were $4,649.

By contrast with pre-war days when employees were as likely to be on short-time as on over-time, a third of all factory employees now average about 8 hours a week over-time. Three-quarters of all factories work over-time, adding an average 2½ hours a week to the standard 40-hour week in manufacturing industry.

In today's rapidly developing economy, where there are frequently more jobs than people effectively capable of filling them, employers are obliged to pay large over-award payments and offer substantial fringe benefits to attract and retain staff. The extent of over-award payments is illustrated by the table below covering adult male factory employees in New South Wales in May, 1971.

**AVERAGE WEEKLY EARNINGS N.S.W. MALE FACTORY EMPLOYEES — MAY, 1971**
(excluding Managerial Staff, etc.)

<table>
<thead>
<tr>
<th></th>
<th>$ per week</th>
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<tbody>
<tr>
<td>Basic wage</td>
<td>39</td>
</tr>
<tr>
<td>Margins</td>
<td>17</td>
</tr>
<tr>
<td>Over-time</td>
<td>15</td>
</tr>
<tr>
<td>Bonuses, incentive and</td>
<td>18</td>
</tr>
<tr>
<td>over-award payments</td>
<td>89</td>
</tr>
</tbody>
</table>


But increased wages are only part of the story of the transformation in the economic position of the wage earner. A host of other things have to be brought...
into account. The reduction in the standard working week from 44 to 40 hours, and the scarcity of labour has encouraged many workers to supplement their earnings by part-time employment. Over 200,000 persons have a second job in a wide variety of occupations principally in the service industries. Married men in the 25 to 44 age group, endeavouring to attain a higher economic status for themselves and their families, predominate.

Paid annual leave belongs to the post-war era. Even as late as 1935 no major Federal award, apart from special cases, contained annual leave provisions. In 1945 the Commonwealth Arbitration Court decided that employees should be allowed fourteen days annual leave on full pay, and in 1963 this was raised to twenty-one days. Similar provisions now exist in all State awards. Long-service leave, which first appeared in 1951, eventually covered all employees under State and Federal awards with twenty years service (or pro rata payment for ten years). In 1964 employees became entitled to thirteen weeks long-service leave after only fifteen years employment. Apparently this privilege is now to be extended to Commonwealth public servants after only 10 years service.

Among other improved conditions and benefits resulting from awards by industrial tribunals or Acts of State Parliaments are provisions, varying from industry to industry, relating to sick leave, allowances for travelling to and from work, tool allowances, clothes allowances, wet-weather pay, tea-breaks, and so on. Workers' compensation benefits (arising from accident or illness) have been considerably extended by State Governments and are among the most generous in the world.

Apart from supplementary benefits of this kind, enforced by law, there is the wide range of fringe benefits now granted by employers, partly because of a wider conception of management's responsibilities in the field of industrial relations, and partly because of the need to retain and attract labour in an economy marked by full and over-full employment. Benefits voluntarily provided by employers include pension funds, canteens and medical centres in a big proportion of factories, offices and shops, welfare schemes, financial assistance in the housing of employees in localised industries, discounts on company goods and services, allocation of shares to employees on favourable terms, subsidised holidays, suggestion scheme payments, and improvements in conditions of employment. These benefits, although naturally varying from industry to industry and from business to business, are nevertheless widespread.

The prevalence of fringe benefits among Australian companies may be gauged from the table below summarising the findings of a survey by the Commonwealth Department of Labour and National Service covering a wide range of Australian industry.

<table>
<thead>
<tr>
<th>Percentage of Firms Providing or Administering</th>
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<tbody>
<tr>
<td>Employee Superannuation Schemes</td>
<td>89</td>
</tr>
<tr>
<td>Sickness and Accident Funds</td>
<td>64</td>
</tr>
<tr>
<td>Employee Loans</td>
<td>57</td>
</tr>
<tr>
<td>Employee Food Services</td>
<td>50</td>
</tr>
<tr>
<td>Assistance for Employee</td>
<td></td>
</tr>
<tr>
<td>Recreational Activities</td>
<td>68</td>
</tr>
<tr>
<td>Employee Education Schemes</td>
<td>59</td>
</tr>
<tr>
<td>Medical Centres</td>
<td>55</td>
</tr>
</tbody>
</table>

Among the most significant gains by employees over the past twenty years has been the development of private pension and superannuation schemes. Contributions by some 50,000 employers and 1,500,000 employees amount to over $800 million or about 4 per cent of the national wage bill. Assets of employee pension funds, government and private, exceed $5,000 million. About two-thirds of male white-collar and a quarter of all blue-collar workers in private employ-
ment are in a superannuation scheme. The great rise in the number of employees covered by superannuation from 500,000 in 1950 to nearly 1,500,000 today owes much to the modern full employment, affluent economy, enlightened industrial relations policies and the heavy bite of income tax on rewards to above-average employees.

In discussion of employee earnings, attention naturally tends to be concentrated on the wage of the head of the family. But in these days wives and other members of the family also often contribute substantially to the family income. Over the last twenty years the number of married women going to work in Australia has risen from 200,000 to 1,100,000. In 1947 only 6 per cent of all married women had jobs compared with about 40 per cent today. Female wage rates have risen much more sharply than male rates since pre-war. In 1939 the female basic wage was only 54 per cent of the New South Wales basic wage; today it is 75 per cent. From January of this year all women under Federal awards doing precisely the same work as men are entitled to receive equal pay. About half of all female public servants and virtually all teachers, nurses, tram conductors and railway porters are now on equal pay. Equal pay has also been granted to practically all female process workers in metal and meat trades. It is estimated that nearly 300,000 women receive equal pay with men.

Not only are Australian employees vastly better off than pre-war, their position also appears to compare favourably with that of wage-earners in most other countries. This is indicated by the table below.

<table>
<thead>
<tr>
<th></th>
<th>WAGE IN THE EAST AND WEST</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>(Adjusted for Differences in Purchasing Power)</td>
</tr>
<tr>
<td></td>
<td>The West</td>
</tr>
<tr>
<td>Dollars (Aust.) per week</td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>115</td>
</tr>
<tr>
<td>Sweden</td>
<td>99</td>
</tr>
<tr>
<td>Australia</td>
<td>82</td>
</tr>
<tr>
<td>West Germany</td>
<td>76</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>69</td>
</tr>
<tr>
<td>France</td>
<td>57</td>
</tr>
<tr>
<td>Italy</td>
<td>45</td>
</tr>
<tr>
<td>Japan</td>
<td>42</td>
</tr>
</tbody>
</table>

Overseas Figures: Based on a study by the German Study Group for Social Market Economy and an article in "German International", Australia estimated by the I.P.A.

In most overseas countries the take-home pay of the average employee is heavily reduced not only by income tax, but by social service contributions, by contrast with Australia where a large proportion of people make their own arrangements to insure against illness and to provide for their retirement. Swedish workers are the most heavily taxed in the world. Taxes (including social service contributions) represent nearly half the gross national product in Sweden compared with less than 28 per cent in Australia. The United Kingdom and other West European countries, the United States and Canada pay 30 to 40 per cent of the GNP in taxes and social service contributions. Australians have a larger take-home pay and a greater discretion in the spending of their earnings than the workers of most other countries.
It is significant that Australia has the highest ratio of owner-occupied homes of any country.

<table>
<thead>
<tr>
<th>% of Homes</th>
<th>Owner-Occupied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>69</td>
</tr>
<tr>
<td>Canada</td>
<td>65</td>
</tr>
<tr>
<td>United States</td>
<td>62</td>
</tr>
<tr>
<td>Japan</td>
<td>60</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>48</td>
</tr>
<tr>
<td>France</td>
<td>45</td>
</tr>
<tr>
<td>Denmark</td>
<td>44</td>
</tr>
<tr>
<td>Sweden</td>
<td>35</td>
</tr>
<tr>
<td>West Germany</td>
<td>30</td>
</tr>
</tbody>
</table>

**SOURCE:** United Nations publications and the 1971 Commonwealth Census. Figures for other countries are latest available.

Australia is third to United Kingdom and New Zealand in calories consumed per head of population. Tertiary (i.e. University, higher technical, teachers' colleges) enrolments per 100,000 of the population are exceeded only by the United States. The proportion of the 17-22 age group receiving a tertiary education has more than doubled since 1954. Australia is almost up to North American levels in possession of household appliances, such as refrigerators, washers, vacuum cleaners and T.V. sets. Only the United States and Canada have more cars in proportion to population.

International comparisons of standards of life cannot be entirely revealed by statistics. In opportunities for outdoor recreation and enjoyment — in climate, beaches, sporting facilities and the rest—Australia would seem to have a clear advantage over the peoples of many other countries. Higher incomes are enabling more and more Australians to take full advantage of the pleasures of their great natural environment.

When everything is taken into account it is clear that the standards of life of those who depend for their living on wages has been transformed over the post-war period. This represents a great and praiseworthy social advance. It has come about so rapidly that political and industrial attitudes have not fully adapted themselves to the revolution in the status of the wage-earner. The roots of it all are to be found in the bold conception of full employment and social security which were the immediate products of World War II.

This great advance has come about within the frame-work of the free enterprise system and by the intelligent direction and adaptation of the system to meet modern needs. Moreover, the end is by no means in sight. But it should always be borne in mind that attempts to improve standards of life faster than the resources of the nation can sustain must give rise to inflation and eventually run the economy into serious difficulties. Further gains are dependent on advancing technology, increased investment and improved productivity.
## APPENDIX

**STATISTICS INDICATING THE RISE IN THE STANDARD OF LIVING — 1939 TO 1972**

<table>
<thead>
<tr>
<th></th>
<th>1938/9</th>
<th>1951/2</th>
<th>1971/2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Weekly Earnings per Employee</td>
<td>35</td>
<td>50</td>
<td>93</td>
</tr>
<tr>
<td>Personal Consumption Expenditure per Head</td>
<td>800</td>
<td>1100</td>
<td>1600</td>
</tr>
<tr>
<td>Education Expenditure per Head</td>
<td>20</td>
<td>30</td>
<td>150</td>
</tr>
<tr>
<td>Cash Social Service Benefits per Head</td>
<td>40</td>
<td>80</td>
<td>160</td>
</tr>
<tr>
<td>Other Government Expenditure (excluding Defence) per head</td>
<td>180</td>
<td>300</td>
<td>550</td>
</tr>
<tr>
<td>Beer Consumption, Gals. per Head</td>
<td>12</td>
<td>21</td>
<td>28</td>
</tr>
<tr>
<td>Steel Consumption, lbs per Head</td>
<td>340</td>
<td>680</td>
<td>1075</td>
</tr>
<tr>
<td>Paper Consumption, lbs. per Head</td>
<td>75</td>
<td>130</td>
<td>280</td>
</tr>
<tr>
<td>Electricity Consumption, k.w.h. per Head</td>
<td>700</td>
<td>1300</td>
<td>4750</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>% Homes</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner Occupied</td>
<td>50</td>
<td>60</td>
<td>70</td>
</tr>
<tr>
<td>With Refrigerators</td>
<td>Under 10</td>
<td>30</td>
<td>96</td>
</tr>
<tr>
<td>With Washing Machines</td>
<td>Under 10</td>
<td>20</td>
<td>80</td>
</tr>
</tbody>
</table>

| | | |
| Telephones per 100 of population | 7 | 15 | 27 |
| Motor Vehicles per 100 of population | 12 | 19 | 41 |
| No. Life Assurance Policies (Million) | 4 | 6½ | 8½ |

**SOURCE:** Various publications of the Commonwealth Statistician; data privately estimated in several instances.
ERIC LAMPE, C.B.E.

The President's announcement at the I.P.A. Annual Meeting on the 20th November that Mr. Eric Lampe had died only a few hours previously, was greeted with a spontaneous murmur of sorrow and regret. There could not have been a more genuine expression of the deep affection and respect in which Eric was held.

It was somehow strangely fitting that Eric Lampe's death should occur on that particular day. For almost precisely thirty years the I.P.A. had occupied a major part of his life, and the extent of his contribution to whatever success the Institute has achieved could scarcely be exaggerated.

He had a unique understanding of what the Institute was about and an almost unerring instinct for the right course. One of Australia's leading retailers, he possessed, understandably, a natural flair for salesmanship. But he knew instinctively that the methods appropriate in this field could not be successfully applied to the complex task of "selling" the private enterprise concept to the people. He was aware that this demanded a much more subtle approach: under- rather than over-statement; also a strict adherence to the facts revealed and the conclusions indicated by thorough, objective analysis.

Eric Lampe was blessed with a warm, expansive personality and all who met him instantly sensed the kindness, humanity and goodwill which were part of his nature. It was impossible to imagine him doing any harm to anyone; Eric wanted all people to be as happy as he himself so transparently was — at least until the death of his wife in 1970, a personal tragedy from which he never really recovered. Nobody could have been more obviously in love with life and he was reluctant to leave it; his illness was prolonged and he lingered precariously for many months where others might have let go their hold.

It is trite to say that Eric will be missed. He is irreplaceable not only because of his rare human qualities but even more because he became an institution within an institution. In the minds of its supporters Eric Lampe became a kind of personal symbol of the I.P.A. and what it stands for. For this reason his name will always occupy a unique place in the Institute of Public Affairs.

(Eric Lampe's career and his association with the I.P.A. were described in some detail in the Oct./Dec., 1971, "Review").
Address by the President
Mr. W. D. Brookes, C.B.E., D.S.O.
I.P.A. ANNUAL MEETING

This is the first Annual Meeting of the Institute I have presided over since I was invited to succeed Mr. Eric Lampe as President of the I.P.A.

Eric Lampe was one of the "founding fathers" of the Institute and a member of the Executive and Editorial Committee from its inception until 1957. After the resignation of Mr. Geoffrey Grimwade in 1951, Mr. Lampe was appointed Chairman of the Editorial Committee. From 1957 until late last year when he resigned because of ill-health, Eric was President of the Institute. This represents an unparalleled record of service to the I.P.A. which would be difficult, indeed almost impossible, to equal.

Eric will be missed from the Chair of the I.P.A. He was a man of great and warm humanity, for whom we all had a deep affection.

During the year there have been several changes in the I.P.A. Council. To our great regret we lost through death, Mr. Norman Jones and Mr. Frank Fitzpatrick; both gave outstanding service to the Institute and will be greatly missed. Norman Jones had been Treasurer of the Institute since 1965, and Frank Fitzpatrick a member of the Executive and Editorial Committee since 1957. Mr. David McPherson has accepted an invitation to succeed Mr. Jones as Treasurer and Mr. Norman Robertson has agreed to become a member of the Editorial and Executive Committee. Both these gentlemen have always displayed a keen interest in our work and I am sure will be a great acquisition. Mr. Arnold Hancock, who has served on this Committee since 1963 has, regretfully, tendered his resignation owing to pressure of other duties. He will remain a member of the Council.

Mr. J. C. McNeill, the Managing Director of the Broken Hill Pty. Co. has kindly accepted an invitation to join the Council of the Institute. In addition, I am pleased to say that, Mr. Denys I. McCullough, Managing Director, P.A. Management Consultants, has joined the Executive Committee.
TODAY, I think it is appropriate that I should speak about a matter which must be causing concern to businessmen. This is the alarming amount of anti-business sentiment in the community and of public criticism of many aspects of the free enterprise system. Business is being blamed for numerous social and economic ills, from pollution and the desecration of the environment to inflationary price rises. One might almost say that business is in danger of becoming the scapegoat for the discontents of the modern industrialised communities.

This antagonism to business, which is widespread, is a serious thing. It is serious because the health and prosperity of our economy depend significantly on the confidence, initiative, vision and ability of businessmen in both large and small enterprises. But in a climate of suspicion and hostility, the free enterprise system cannot properly carry out its function of promoting economic expansion and providing satisfactory employment opportunities and improving living standards for the community. I am not saying that business should be above censure, or that it bears no share of the responsibility for the many problems confronting Australia along with other advanced countries. It is right and necessary that where private enterprise is at fault, where it fails to act in the best interests of the community, it should expect to be criticised. But today criticism is going far beyond the bounds of what is fair and reasonable.

Legislation and government measures affecting private enterprise are, naturally enough, greatly influenced by the prevailing public sentiment towards business. If there is undue suspicion of and antagonism toward business, this will be reflected in government policies, but policies which harm business may well be harmful to the community and the national economy.

Let me take one or two examples.

Profits have always been a focal point for attacks by people who do not like the larger companies. The role of company profits, their size, their widespread distribution through the community, their contribution to the capital needed for expansion and productivity improvement, is far from generally understood or recognised in spite of the edu-
cational efforts of organizations such as the I.P.A. It is not without significance that the Australian rate of company tax is very nearly the highest in the world, and average company profits, as a percentage of shareholders funds, are among the lowest in the industrialised countries.

In a climate of hostility, legislation on such matters as trade practices and on monopolies and mergers is likely to be unnecessarily punitive, and thus injurious to enterprise and efficiency and the national economy. In the Australian setting, where business necessarily operates in a limited market by comparison with most of the industrialised countries, action against so-called monopolies should move very warily. Quite exaggerated claims are being made for this type of legislation as a means of controlling prices and enforcing competition and for the benefits expected to flow from it. Indeed, much of it seems in the nature of political concession to attitudes widely, although often erroneously, held in the community, and resulting from the activities of the media. When business puts its point of view on this and other matters, there is the tendency for press commentators to interpret it as a purely self-interested reaction and to greet it with contempt.

On the other hand, we feel that the moves recently made by the Commonwealth Government to impose some measure of control over foreign capital inflows are, in the main, right and justified. We commend particularly the relaxation of the restraints on the freedom of Australians to make investments in other countries.

Private enterprise has, too frequently, been a convenient whipping boy for economic and social ills. When the I.P.A. was formed over a quarter of a century ago the attacks were concerned with the failure of a free enterprise system to provide full employment, security of income, better living standards and adequate opportunities for the mass of the people. To some extent these strictures were justified and, in the years that followed, businessmen made their contribution toward the great changes that followed the war and the evolution of the affluent society.
Today the criticisms are of a different kind. They come from a variety of quarters. There are the environmentalists who deplore the so-called prodigal use of exhaustible natural resources, the pollution of air, water and land and the despoliation of natural beauties. There are also the consumer protectionists who complain of the quality of many products, of built-in obsolescence, false and harmful advertising and of over-pricing, excessive profits and a variety of dubious trade practices. The extreme view that only the consumer counts, may give immediate benefits to the consumer but at the expense of his stake in long-term industrial stability and progress. Then there are some academics and also many young people who apparently see no virtue in private enterprise, and who associate it with what they call the "rat race" and blame it for many of the frustrations of modern living.

As I said at the beginning some of the criticisms that are being made of business are undoubtedly justified. Business organizations must certainly make their contribution to the solution of the environmental and urban problems which are plaguing modern societies. They must certainly put their houses in order where faults can be shown. They must continue to make their contribution towards a better society. The critics, usually without intimate knowledge or experience of the problems of industry, however, entirely ignore the great achievements of the private enterprise system over the past 25 years: the unparalleled economic developments in Australia, the provision of virtually continuous full employment and better opportunities, vastly improved living standards and, indeed, the evolution to what is now loosely called "the affluent society". All this great, indeed remarkable, progress tends to be taken for granted, and little or no credit is given to business and industry which have made such notable contributions to the economy. Nevertheless, the fact remains that many new demands are now being made which business must do its best to meet.

I want to conclude by suggesting to you that in the situation I have described, the role of the I.P.A. becomes of crucial importance, indeed just as important as it was in the
threatening circumstances of 25 years ago. The two main branches of I.P.A. activities — its educational work, particularly among the young, on the economics of the free enterprise system, and its attempt to influence governments to follow sound and sensible economic policies — must be fully maintained and indeed expanded.

★ ★ ★
Education for What?

"There is only one subject matter for education and that is Life in all its manifestations."

In today's society there is a rather naive notion that the more money that is spent on education the better will be the standard of education, and thus the community. Political parties compete strenuously with one another in promising greater and greater expenditures in this field, and measure progress by the amount spent. But many well-known authorities have observed that lavish buildings and facilities do not, in themselves, guarantee high levels of educational attainment. This is not, of course, to say that higher rates of expenditure are not needed at specific points of the educational structure.

By any measure the scale of education in Australia shows a quite extraordinary expansion over the last 20 years. In constant money values, education expenditure per head of population in 1972 was five times greater than in 1952 and over seven times greater than in 1939. The number of those graduating from universities rose from 5,000 in 1952 to over 15,000 in 1972, and the proportion of students in the 17 to 22 age group doubled. Entrants for the matriculation examinations in Victoria increased from 4,000 in 1952 to 28,000 in 1971. Almost 1 in every 2 in the 15 to 17 age bracket now attends secondary or technical school; twenty years ago the proportion was about 1 in 4. Whatever indicator is taken, the same explosive change is revealed.

Yet, paradoxically, dissatisfaction with the educational system is widespread; it is claimed that many young people are still being denied the opportunities to which they should be entitled in a modern community. Indeed, opinion polls suggested that education was at or close to the top of the list of those matters which ranked most important in the minds of the people at the Federal Elections.

The pressure on the universities has been especially intense. This has been partly because of the natural desire of intelligent young people to proceed to the higher levels of education in the interests of their own self-development. But it has also flowed from the conviction that a university degree is an almost infallible passport to a highly paid occupation on graduation and to first-rate career prospects in the longer term. Until recently at any rate this belief would seem to have been well founded. Even Arts graduates, for whom scope for employment is traditionally restricted, have found their services in strong demand, particularly in the public service and in the teaching profession.

But recently there appears to have been a dramatic turn-around in this situation. No longer are university students able to anticipate confidently, there will be a congenial well-remunerated job for them to step into on graduation. This is a world-wide phenomenon; it is not exclusive to Australia.
Moreover, it is apparently not confined to particular professions; it applies almost across the board and to those of the highest, as well as to those of more modest, academic attainments. A recent estimate suggests that the numbers of unemployed Ph.D.s in the United States, for instance, could run into thousands.

Is this just a temporary problem resulting from the recent slow-down in economic growth in most of the advanced industrialized nations? Or will the halcyon days when representatives of large companies were queueing up at the gates of the campus at the end of the university year to obtain their quota of graduates soon be a thing of the past? Has the supply-demand ratio swung more or less permanently in an unfavourable direction for university-trained people?

A notable and imaginative article in the April, 1972, number of the Australian National University News suggests that this may be so. The author is Mr. William Ginnane, Reader in Philosophy at the A.N.U. Mr. Ginnane writes: "The public service is no longer a bottomless pit of employment. The teaching profession is not yet saturated, but clearly it soon will be approaching that state. It is already very much a buyer's market in the higher education bracket... The over-supply of qualified people is inexorably reaching further and further down into the structure." Mr. Ginnane goes on to say that "... the long, familiar, enormous lag in education employment no longer exists. There would not now be something approaching hysteria if Canada were to repeat its bid to attract Australian teachers away, as happened a couple of brief years ago." Mr. Ginnane emphasises that the employment problem is not essentially confined to Arts graduates. "It is no longer the case that a degree in Science, Law, Economics, Engineering or whatever is an infallibly automatic entree to a choice job. In some branches of science, chemistry for example, there has long been a shortage of positions commensurate with the qualifications of the available applicants."

If it turns out to be true that the demand for university graduates, even for those with a specific vocational expertise, falls far short of the potential supply, what does this imply for the future of the universities? Will young people continue to flock to institutions of higher learning if there is no special economic advantage, and possibly even an economic detriment, in so doing? Should such a situation arise, then a far-reaching re-assessment of the purposes of higher education and the place of the university in society would clearly be necessary.

Mr. Ginnane casts his mind forward to contemplate the world not merely of tomorrow, but of the day after tomorrow. If everything goes according to the most optimistic and hopeful assessment, then it is possible that the Western societies will, in a not so distant time, be able to supply their populations with an adequate sufficiency of the material necessities and comforts with a declining expenditure of human effort. Machines, planned and controlled by electronic devices, will do an ever-increasing part of the work. There would thus be more time for people to devote to education. But since it will no longer be necessary to train vast numbers of people in professional disciplines (for to do so would be to permanently glut the market) what will the institutions of higher learning do?

Taking his speculation further, Mr. Ginnane suggests that the main occupation of people would have to become "their own growth and fulfilment as human beings in company with those around them." Education would cease to be something which prepares people for what they are going to do afterwards. In other words, it would cease to be
Education for What? (continued)

primarily "job-training". In this Utopia education would be primarily education for life rather than for livelihood.

People will still study those disciplines which most interest them and for which they are best fitted, but they will do so in a context in which the development of themselves as a whole person would be the pre-eminent purpose. Many of the present artificial boundaries between different branches of knowledge will disappear and education will become pluralistic, generalist rather than specialist. Education would thus revert to its real purpose of contributing toward the development of higher and better human beings.

It is a speculative picture, certainly, but Mr. Ginnane contends that the questions to which it gives rise are no longer abstract or remote. "They are instinctively very concrete questions for many of the young people entering the university today. They know in their bones, many of them, that a huge metamorphosis will take place in their culture in their life-time."

It would, doubtless, be generally conceded that the modern university, even more so than the pre-World War II university, and certainly by comparison with the pre-World War I university, has become more and more a kind of glorified technical college whose primary concern has been to furnish the modern community with the variety of complex professional talents needed for its effective functioning. The nature of the modern university has inevitably been moulded by the requirements of today's technological, scientific, materialist society. While this development may have offended the educational purist, it is difficult to see how it could have been avoided. The time may be getting close, however, when it will be possible, indeed necessary, for the institutions of higher learning to recapture at least something of their traditional function.

What, in essence, is this function? What is the true, the ultimate purpose of higher education?

It is certainly not the acquisition of mere knowledge. One of the greatest of educationalists, the philosopher, Alfred North Whitehead, said: "Facts have nothing to do with it; a merely well-informed man is the most useless bore on God's earth." Nor is education, to take it a step further, merely the development of analytical capacity, of the ability to reason precisely, the honing of the cutting edge of the mind to the finest degree of sharpness of which it is capable. We don't need to be reminded that some of the finest analytical intelligences are sometimes singularly devoid of those qualities and insights needed to reach wise judgments on great practical issues or on the deeper questions of human existence. One of the most eminent of all Americans, the great Judge Learned Hand, told the Harvard students on the day of his own graduation: "Life is not a thing of knowing only, mere knowledge has no place at all save it becomes the handmaiden of feeling and emotion."

In its ideal sense, education is concerned with values, moral as well as intellectual, with the moulding of character, with breadth of understanding, with the slow and arduous acquirement of the priceless intangible of wisdom. This goes far beyond mere knowledge; far beyond vocational expertise; it is more than intellectual competence or even brilliance. If we are to bring sense into the chaos of today's world, if we are to direct the vast powers which modern scientific and technological knowledge has placed at our command to noble ends, we must produce a sufficient supply of people with attributes that transcend the commonly accepted educational goals.
The ultimate purpose of education is to produce people of rounded comprehension and imaginative intelligence, wise rather than clever people, philosophers in the best sense and not just experts, people who think for themselves rather than people who swallow all they are told, and, above all, people who put the truth above popular acclaim. As Alfred North Whitehead said, "There is only one subject-matter for education, and that is Life in all its manifestations."

There is much more to education than getting a degree or diploma in some highly specialised field of learning. We need scientists and technicians and economists and lawyers and doctors and engineers, and we need a lot of them. But before a man is an economist, a scientist or a doctor, he is a human being. Indeed, it might be argued that he cannot be a first-rate economist, scientist or doctor without a breadth of understanding that goes far beyond the boundaries of his chosen profession. If the universities do not assist in this process, then indeed we are in a sorry case.

The truly educated person has a distinctive and distinguishable attitude to life, a recognizable cast of mind. At the core of it is the quality of humility: an acceptance of one's own insignificance in face of the vast insoluble mystery of human existence, the realization that no matter how much knowledge the individual may acquire, it can be no more than a drop in the sea of total human understanding. Education is really the process of divesting ourselves of intellectual arrogance and pride, of learning how little we know or can ever hope to know. Of all the forms of snobbishness, the intellectual variety is the most unattractive.

Wisdom begins with the dawning of the comprehension that none of us has the final answers to anything. There is a story of the economist at the Institute of Advanced Study of Princeton University, who stood and watched a number of undergraduates as they came bursting out of a lecture in an excess of high spirits. He stopped one of them and asked, "How did it go?" "Wonderful," was the reply, "everything we know about physics last week isn't true." From humility springs tolerance, from tolerance compassion, and without tolerance and compassion all great schemes for human advancement are doomed to crash in the dust. "The last acquisition of civilised man," wrote Learned Hand, "is forbearance in judgment and to its acquisition is necessary one of the highest efforts of the will."
The Oil Industry faces the Future

by

G. A. WAGNER, C.B.E.

President, Royal Dutch Petroleum Company. Senior Managing Director of the Royal Dutch/Shell Group of Companies.

This article was kindly written for "Review" by Mr. G. A. Wagner, the Managing Director of the Royal Dutch/Shell Group of Companies. Royal Dutch/Shell is the fourth largest multi-national company in the world with sales of over $(U.S.) 12 billion.

Mr. Wagner joined the Royal Dutch/Shell Group in 1946 He has held many positions in the Group. In July, 1972, he was appointed Chairman of the Committee of Managing Directors.

A SPATE of books, reports, and publications is insisting that if we go on consuming our natural resources as we do, if pollution continues unabated, and if population continues to grow exponentially, we shall soon be facing our doom. Whatever we think of these gloomy forecasts, they at least have the merit of increasing public awareness of these very important questions.

However, many believe — and I am one of them — that a lot of projections about exhaustion of energy resources are based on inadequate assumptions that undervalue the possibilities of human effort. Can it be assumed for example, that there are no new sources of energy yet to be discovered? Some 120 years ago petroleum was not considered as a source of energy, nor at the turn of the century was uranium. And in any event a very great deal remains to be done in the development of known but still unconventional forms of energy.

By the year 2,000 nuclear energy will be very readily available from conventional plant and fast breeder reactors. Of course, considerable problems remain
to be solved before that happens. Capital and operating costs for nuclear energy are still very high, but further technological progress should help to keep them down — and also help overcome such obstacles as the disposal of nuclear waste. The law of challenge and response will see to this. And beyond our present horizon, but coming nearer all the time, lies the age of controlled nuclear fusion, when energy will be available without limitation.

However, all that is some distance away. We are more immediately concerned with the next decade or two. There is a close correlation between the level of economic activity and the level of energy demand, so if the economic aims of countries all over the world are to be met energy needs are likely to double by 1985 — and we must provide for it. I say “we” because oil at present provides nearly 55% of the total demand for energy and by 1985 will still be providing roughly this share of a much larger total. Securing such huge volumes will place on the oil companies tremendous burdens, both technical and financial. I would like to look more closely at some of them here.

Sources of Oil

The ratio of proven oil reserves to annual production stands at about 30:1, but at current consumption and discovery levels it is decreasing. To maintain the ratio at even half its present level by 1985, we would have to discover in new reserves as much as the whole of the Middle East today contains; and to achieve a ratio of 20:1 we would have to double the world's present proven reserves of oil.

Where will all this oil come from? Increased demand has made the world steadily more dependent upon the Middle East, but it has also given incentive for opening up new and more difficult areas such as Alaska, the North Sea and the Amazon Basin.

Other potential sources of supply include vast quantities of tar sands and oil shales known to exist in both North and South America, where reserves are estimated at three times the recoverable reserves of conventional oil. As the latter becomes more expensive, these unconventional sources will become more attractive economically. And there is also the deep sea.

While there are physical limits to the amount of oil which can be extracted from fields already in production, the ceiling can be raised to some extent by modern techniques. In the last 20 years there has been a 50% improvement in the average recovery of certain fields by the injection of steam and by other means to make heavier crudes flow more freely. Nevertheless, at present the amount of oil that can be produced from a reservoir ranges from 15 to 60%, depending on reservoir conditions. An improvement of only 1% in the recovery rate from all known commercial fields could add one-and-a-half years' current production to the world's proven reserves.

Lastly, we could do a great deal more to eliminate waste and make better use of the energy supplies we have — for example, by better insulation of buildings and more efficient use of fuel in engines. I think we should all make a determined effort in this field.

Financing Future Needs

It is impossible to estimate accurately the capital needs of oil companies in the coming decade because of such imponderables as future demand, inflation and the level of spending needed to meet environmental requirements. The First National City Bank of New York estimates that the oil industry will need to double its spending to reach a rate of $U.S. 40,000
The Oil Industry faces the future (continued)

million per annum by 1980 if it is to provide the capacity needed to meet future demand. To do this there must be significant improvements in cash generation.

In the past the oil companies have been largely self-financing, but they are now facing increasing pressures on profit margins. In recent years this has forced them to turn more frequently to the world's capital markets. The long-term debt of seven major groups of oil companies, which together provide half the world's oil, rose last year by nearly $U.S. 2,000 million. For Royal Dutch/Shell Group companies, the ratio of long-term debt to total capital employed has risen from 7% to 18% over a decade and by the end of this year should rise further to reach the current average in the oil industry as a whole. The servicing of this growing burden of debt places an added strain on the revenues of the oil companies.

There are limits to the amount of money which the oil companies can raise by borrowing, especially if profitability does not rise above its current disappointing level. The Chase Manhattan Bank reported that over the last three years taxes paid by a group of 30 large oil companies have risen by 76% though profits increased by only 9%. Of their total revenues, these companies retained only 7.4% as net income.

"The ability of the oil companies to recover capital has recently been restricted and there are current efforts to impose further limitation. If governments believe both profits and capital recovery provisions are excessive, we wonder how they think the petroleum companies can possibly satisfy the world's expanding need for petroleum," the Bank said.

Costs and prices are of fundamental importance in looking at how our energy pattern is likely to develop in the future, particularly in the longer term. As the cost of energy rises, it should stimulate efforts to find alternative resources of energy and to find ways of using energy more efficiently. In the shorter term, as I mentioned earlier, it could also make economic those sources of energy which are at present uneconomic, such as shale and tar sands, as well as improve the competitive position of coal in the world energy picture. But prices must be adequate to warrant the expense. It would be foolish to keep them down to such an extent that the industry is forced to reduce its efforts.

Who Should Do the Jobs?

The task before us is so gigantic that there is room for many large and small private companies and also State-owned companies, where it is decided that they should exist. And they need understanding governments who allow them to work economically and without discrimination. This is the best guarantee for them to deliver the goods without which our world cannot live.

To a large extent the industry will have to maintain its international character. It rests upon the great commonplace of the oil industry — that oil is seldom found where it is mainly consumed. Happily Australia looks as if it will become an exception, with the still increasing production from Bass Strait, the exciting potential of the north-west shelf, and the finds in the Cooper Basin and Palm Valley. On the other hand, the Middle East contains over half the world's known oil reserves yet accounts for only 2% of total consumption. Western Europe, with just over 2% of known oil reserves, accounts for 27% of total consumption. Japan, the biggest single market outside the U.S. and Europe, has virtually no oil of its own.

Large tanker fleets and pipeline distribution networks have had to be built
to bring crude oil from the wellhead to the refinery and products from the refinery to the market. This movement of oil across oceans and frontiers has grown at a rate even greater than the total consumption of oil, largely because many of the national economies showing great growth in consumption (such as Japan) were also those without production. Oil is the largest single commodity in world commerce, both in bulk and value, and tankers make up half the world’s total tonnage of ships.

When the flow from one source of petroleum supply is denied, we are forced to turn to other means. For example, the halt in the flow through the Trans-Arabian Pipeline and the cut in Libyan production in 1970 meant that most of the oil needed in Europe had to be brought from the Gulf round the Cape, calling, in effect, for considerable increase in carrying capacity. This was forthcoming and no one went short, but it was a tremendous exercise in international supplies logistics.

The markets of particular countries differ significantly and this diversity of need calls for diversity of types of crude oil for the refineries. In relative terms, gasoline consumption is high in Australia, which has a large car population; consumption of kerosine is high in India; and the consumption of fuel oil is high in industrialised countries where coal cannot fulfil the demand. At the other end of the scale gasoline is a relatively unimportant part of the market in India; so is kerosine in (say) France or Germany; and the market for fuel oil in the Netherlands, since the development of natural gas discoveries, has hardly grown at all. So while heavy crude oils are required by some refineries, others need lighter crudes to meet the local market demand.

Success in moving vast quantities of oil over great distances to meet these varying needs requires a combination of flexible resources, including a wide range of transport facilities and a spread of refineries all over the world with the necessary human skills to make the whole system work. It is this type of network that the companies of the major oil groups have built up over the years, enabling the rapid rise in the demand for petroleum to be satisfied.

Conservation of the Environment

International resources — human, technical and financial — are also being applied to problems of environmental conservation, and I make special mention of this in view of the fact that criticism is frequently levelled against industry generally that it is careless of the environment in the pursuit of profits.

It is often overlooked that industry is a part of society and operates within the constraints imposed upon it. Its prime objective is to serve the community and profit is an incentive and a yardstick — no more than a means to an end. In case of adverse by-products, society, with the help of industry, which is part of it, has to identify those areas where the need for preventive or remedial action is strongest and then take the necessary action. The alleged conflict between economic growth on the one hand and conservation on the other is essentially false. The real question is not whether we should have economic growth or not, but rather, how our resources should be used to the best advantage. This is no argument of “them” and “us”. We are all in it.

Progress in protecting the environment will best be made by governments and industry working in co-operation to achieve sensible standards related to specific needs. The difficulties are formidable, but they can be overcome. Many people have only just discovered them, but oil companies have long been keenly conscious of the environmental
The Oil Industry faces the future (continued)

problems that some of their operations can cause and a large part of their research effort has been and is still being devoted to finding solutions. Considerable progress has already been made in many of the more sensitive areas. Pollution of the sea and the coastline by oil is one of the most immediately obvious issues, and the practice of discharging crude oil tank washings and dirty ballast into the sea from tankers has in the past contributed to this problem; a system for storing washings and discharging them at the refinery was developed by companies of the major oil groups and it has so far been adopted by 80% of the world's tankers.

Significant advances have been made in controlling and cutting down air and water pollution from refineries, in the disposal of solid wastes and in the reduction of noise pollution. For example, the Shell Refining Company of Australia is spending $A 3.5 million over the next year or so to strengthen further the water-pollution controls at the Clyde Refinery in Sydney, while considerable sums have been spent to cut down the risk of air pollution. On average, about 10% of the capital cost of a modern oil refinery is accounted for by spending on pollution abatement.

We are also concerned in helping the consumer of oil products reduce pollution of the environment. Of the estimated 220 million tons of sulphur released into the earth's atmosphere each year, three-quarters come from natural sources, such as swamps and oceans. The remainder derives from the burning of fossil fuels and from industrial activities, such as pulp mills and metal smelters. New methods have been evolved to reduce sulphur pollution of the atmosphere — either in the refining process or at the consumption stage — and thus to prevent it entering the earth's atmosphere. The Shell fuel gas desulphurisation process, for example, which is available for the consumer to install, is capable of removing between 90% and 95%. Processes in the refinery have also been devised for removing a significant part of the sulphur but the cost can run from $U.S.250 to $U.S.450 per ton of sulphur removed.

This illustrates an important point: we must be realistic in our approach to the problem and realize the cost of achieving the benefits that technology is offering us. I speak from experience, for the annual expenditure by Royal Dutch/Shell Group companies on direct research to remove or reduce pollution exceeds $U.S.10 million, and the work ranges from studying the marine effects of chronic sea pollution to joint programmes on matters such as automotive emission.

Conclusion

The problems that I have outlined are formidable and I would not wish to underestimate them. However, the oil industry has shown in the past that it has the capacity to meet and overcome the most severe challenges and this gives us great confidence for the future. Since its birth more than a century ago, the industry has been renowned for its capacity to absorb radical change. The course of the recent negotiations between the oil companies and governments of major producing countries is evidence that we retain this necessary flexibility. There are now grounds for hoping that we are entering a new era of co-operation between producing States and oil companies, to the benefit of each and to that of consumers all over the world.
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.
President's Address

Mr. W. D. Brookes, C.B.E., D.S.O.

This is the first Annual Meeting of the Institute I have presided over since I was invited to succeed Mr. Eric Lampe as President of the I.P.A.

Eric Lampe was one of the “founding fathers” of the Institute and a member of the Executive and Editorial Committee from its inception until 1957. After the resignation of Mr. Geoffrey Grimwade in 1951, Mr. Lampe was appointed Chairman of the Editorial Committee. From 1957 until late last year when he resigned because of ill health, Eric was President of the Institute. This represents an unparalleled record of service to the I.P.A. which would be difficult, indeed almost impossible, to equal.

Eric will be missed from the Chair of the I.P.A. He is a man of great and warm humanity, for whom we all have a deep affection.

During the year there have been several changes in the I.P.A. Council. To our great regret we lost through death, Mr. Norman Jones and Mr. Frank Fitzpatrick; both gave outstanding service to the Institute and will be greatly missed. Norman Jones had been Treasurer of the Institute since 1965, and Frank Fitzpatrick a member of the Executive and Editorial Committee since 1957. Mr. David McPherson has accepted an invitation to succeed Mr. Jones as Treasurer and Mr. Norman Robertson has agreed to become a member of the Editorial and Executive Committee. Both these gentlemen have always displayed a keen interest in our work and I am sure will be a great acquisition. Mr. Arnold Hancock, who has served on this Committee since 1963 has, regretfully, tendered his resignation owing to pressure of other duties. He will remain a member of the Council.

Mr. J. C. McNeill, the Managing Director of the Broken Hill Pty. Co. has kindly accepted an invitation to join the Council of the Institute. In addition, I am pleased to say that, Mr. Denys I. McCullough, Managing Director, P.A. Management Consultants, has joined the Executive Committee.

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Today, I think it is appropriate that I should speak about a matter which must be causing concern to businessmen. This is the alarming amount of anti-business sentiment in the community and of public criticism of many aspects of the free enterprise system. Business is being blamed for numerous social and economic ills, from pollution and the desecration of the environment to inflationary price rises. One might almost say that business is in danger of becoming the scapegoat for the discontents of the modern industrialised communities.

This antagonism to business, which is widespread, is a serious thing. It is serious because the health and prosperity of our economy depend significantly on the confidence, initiative, vision and ability of businessmen in both large and small enterprises. But in a climate of suspicion and hostility, the free enterprise system cannot properly carry out its function of promoting economic expansion and
providing satisfactory employment opportunities and improving living standards for the community. I am not saying that business should be above censure, or that it bears no share of the responsibility for the many problems confronting Australia along with other advanced countries. It is right and necessary that where private enterprise is at fault, where it fails to act in the best interests of the community, it should expect to be criticised. But today criticism is going far beyond the bounds of what is fair and reasonable.

Legislation and government measures affecting private enterprise are, naturally enough, greatly influenced by the prevailing public sentiment towards business. If there is undue suspicion and antagonism toward business, this will be reflected in government policies, but policies which harm business may well be harmful to the community and the national economy.

Let me take one or two examples.

Profits have always been a focal point for attacks by people who do not like the larger companies. The role of company profits, their size, their widespread distribution through the community, their contribution to the capital needed for expansion and productivity improvement, is far from generally understood or recognised in spite of the educational efforts of organizations such as the I.P.A. It is not without significance that the Australian rate of company tax is very nearly the highest in the world, and average company profits, as a percentage of shareholders funds, are among the lowest in the industrialised countries.

In a climate of hostility, legislation on such matters as trade practices and on monopolies and mergers is likely to be unnecessarily punitive, and thus injurious to enterprise and efficiency and the national economy. In the Australian setting, where business necessarily operates in a limited market by comparison with most of the industrialised countries, action against so-called monopolies should move very warily. Quite exaggerated claims are being made for this type of legislation as a means of controlling prices and enforcing competition and for the benefits expected to flow from it. Indeed, much of it seems in the nature of political concession to attitudes widely, although often erroneously, held in the community, and resulting from the activities of the media. When business puts its point of view on this and other matters, there is the tendency for press commentators to interpret it as a purely self-interested reaction and to greet it with contempt.

On the other hand, we feel that the moves recently made by the Commonwealth Government to impose some measure of control over foreign capital inflows are, in the main, right and justified. We commend particularly the relaxation of the restraints on the freedom of Australians to make investments in other countries.

Private enterprise has, too frequently, been a convenient whipping boy for economic and social ills. When the I.P.A. was formed over a quarter of a century ago the attacks were concerned with the failure of the free enterprise system to provide full employment, security of income, better living standards and adequate opportunities for the mass of the people. To some extent these strictures were justified and,
in the years that followed, businessmen made their contribution toward the great changes that followed the war and the evolution of the affluent society.

Today the criticisms are of a different kind. They come from a variety of quarters. There are the environmentalists who deplore the so-called prodigal use of exhaustible natural resources, the pollution of the air, water and land and the despoliation of natural beauties. There are also the consumer protectionists who complain of the quality of many products, of built-in obsolescence, false and harmful advertising and of over-pricing, excessive profits and a variety of dubious trade practices. The extreme view that only the consumer counts, may give immediate benefits to the consumer but at the expense of his stake in long-term industrial stability and progress. Then there are some academics and also many young people who apparently see no virtue in private enterprise and who associate it with what they call the “rat race” and blame it for many of the frustrations of modern living.

As I said at the beginning some of the criticisms that are being made of business are undoubtedly justified. Business organizations must certainly make their contribution to the solution of the environmental and urban problems which are plaguing modern societies. They must certainly put their houses in order where faults can be shown. They must continue to make their contribution towards a better society. The critics, usually without intimate knowledge or experience of the problems of industry, however, entirely ignore the great achievements of the private enterprise system over the past 25 years: the unparalleled economic developments of Australia, the provision of virtually continuous full employment and better opportunities, vastly improved living standards and, indeed, the evolution to what is now loosely called “the affluent society”. All this great, indeed remarkable, progress tends to be taken for granted, and little or no credit is given to business and industry which have made such notable contributions to the economy. Nevertheless, the fact remains that many new demands are now being made which business must do its best to meet.

I want to conclude by suggesting to you that in the situation I have described, the role of the I.P.A. becomes of crucial importance, indeed just as important as it was in the threatening circumstances of 25 years ago. The two main branches of I.P.A. activities — its educational work, particularly among the young, on the economics of the free enterprise system, and its attempt to influence governments to follow sound and sensible economic policies — must be fully maintained and indeed expanded.

Now may I say to members of the Editorial and Executive Committee that we think they do fine work for the community acting in this capacity, and I would like to say to them, on your behalf, “we thank you”.

It would be appropriate for me to conclude by paying a warm and well-merited tribute to the work of the Director, Mr. C. D. Kemp, Mr. H. N. Warren, Mr. M. T. Williams and the staff for the efficiency and loyal service which they have rendered to the Institute over the past year.
As Chairman of the Executive Committee, I have much pleasure in again drawing attention to some of the more significant facets of the Institute's work during the past year.

The I.P.A. has always had in mind the importance of the impact of its ideas on the thought of younger people. To influence the shape of things to come, businessmen must clearly appeal to the generation which will constitute the future. In this regard the I.P.A. can claim a more than modest success over the years. I am sure you will agree that the fact that our publications are used in senior classes in over 1,000 schools throughout Australia is a remarkable vindication of the value of the Institute's educational work.

I would stress again that all this is not the product of a day. It has come about over many years as a result of requests from teachers and students. The I.P.A. has never actively promoted the use of its publications in the schools. In any case, this would clearly have been wrong. The schools themselves must be their own judges of the value of our material to them. I suggest that their verdict will continue to be favourable so long, and only so long, as the quality of I.P.A. publications is maintained at its present high standard. For financial reasons the I.P.A. cannot meet all the heavy demands for its publications received from the schools. I am sure you would agree that this situation is far from satisfactory.

If you could see our day-to-day correspondence from teachers and students, you would be frankly surprised at the enthusiastic interest in I.P.A. publications.

"The I.P.A. Review" and "Facts" maintain a place of high esteem, not, of course, only in the schools, but among opinion-moulders in government, business, the press and other key sections of the community.

I am pleased to say that the I.P.A.'s viewpoint on the need to take strong action against inflation continues to receive a very good press. The prestigious "Eastern Economist" in a recent two-page article says "The latest issue of the I.P.A. Review not only analyses the causes of inflation in terms simple enough for any mildly intelligent employer and worker to understand . . . The Institute has never wavered from the view that the first and all-important step in combating inflation must be a sharp reduction in the rate of increase of public sector spending . . . This report on inflation in Australia covers the situation in the majority of countries. All you have to do to apply it to your
own national circumstances, is to substitute the words India, the United Kingdom, France or the United States, for Australia.”

We have always endeavoured to publish one article in the “IPA Review” from an eminent contributor. You will be pleased to know that a leading world industrialist, Mr. G. A. Wagner, President of Royal Dutch Shell Co., whose headquarters are at The Hague in Holland, will write for our next issue on the vital question of the world's future energy supply, including the need for and the cost of environmental conservation.

A powerful and influential organization in the United States, The National Association of Manufacturers, wrote to us recently to say it was (and I quote) “intrigued by the material at the top of your letterhead which explains your aims of educating the public about our economic system. As you know American industry faces a terrific problem of selling itself to young people who really don't understand economics at all. We have been wondering how you are attacking the problem and what progress you have made. The members of the NAM would be interested in your efforts and we wonder if you would write an article for our publication ‘NAM Reports’”.

In response to this invitation from NAM, our Director, Mr. C. D. Kemp, has written an article which has now been published. The article relates how for 30 years the Institute has been working to bring about a better understanding by the Australian people of the merits of the free enterprise system. Mr. Kemp points out that “the success of the Institute stems from the high credibility rating it has achieved in the community. Its views are respected even by those who may not be in sympathy with its business-oriented philosophy and policies. The success of the I.P.A. is basically attributable to the fact that it has eschewed the narrow propagandist approach in its published material, and after exploring all sides of a problem, has striven to reach a verdict which it conscientiously believes to be in the best interests of the Australian people”.

In recent years, the I.P.A. has published a number of special booklets on important subjects such as productivity, profits, free enterprise, inflation and living standards. Our latest booklet, “Better Living — the Key is Productivity”, appeared towards the end of last year. The booklet was produced jointly with the Productivity Promotion Council of Australia as part of a national educational campaign. It is being sold at 20 cents per copy. Orders are now approaching 40,000 copies from about 200 companies, and we believe many more companies will place this important message on productivity before their employees. In addition about 60,000 copies have been distributed free of charge to teachers, schools and students by the Productivity Promotion Council.

The I.P.A. receives many overseas requests from universities, financial journals and various organizations for inclusion on our mailing list. It is a source of considerable pride and encouragement that the Institute is now listed in “The World of Learning” a directory of educational, scientific and cultural organizations in all parts of the world.
The work of the Institute is largely concerned with the advocacy of policies designed to stress the importance of the individual and to be of benefit to free enterprise in both the economic and political spheres. There is undoubted evidence that these views have an important influence on government thinking and policy at Canberra. The Director of the I.P.A. has himself established relations of confidence and trust with senior Treasury officials and top people in other government departments. As you know, for many years the I.P.A. has strongly advocated a reduction in personal income tax which has been an ever-increasing burden, escalating with the march of inflation. The Institute was therefore very pleased to see the substantial reductions in the rates of tax in the Commonwealth Budget in August. I am sure that businessmen will appreciate the importance of work such as this, and provide the I.P.A. with the financial support to carry out its activities effectively.

On behalf of the I.P.A. I wish to acknowledge the valuable support given during the year by some 500 companies and over 1,000 individual subscribers. Higher printing and postage costs this year and the increasing cost of servicing our free mailing list are major items in our budget. We have to face the fact that the costs of running the Institute are exceeding our current revenues. In a very real sense the I.P.A. has been a victim of inflation. This is not a satisfactory situation and I appeal to our subscribers to assist in its correction. Contributions to the I.P.A. are an investment in the long-range prosperity of the free enterprise system which has served us so well.
Advance copies of both "The IPA Review" and "Facts" are sent to the editors of the leading newspapers and publications in all States of Australia.

We are encouraged to see that so much IPA material is republished. This is a secondary circulation which enables the Institute's message to reach a much wider readership than could be achieved directly by "The I.P.A. Review" and "Facts".

The following is an analysis of the space given to I.P.A. material which has come to our notice in the year ended 30th June, 1972.

<table>
<thead>
<tr>
<th>Category</th>
<th>Single Column Inches</th>
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</thead>
<tbody>
<tr>
<td>Capital City Newspapers</td>
<td>953</td>
</tr>
<tr>
<td>Periodicals, Including House Journals</td>
<td>1,190</td>
</tr>
<tr>
<td>Country &amp; Suburban Newspapers, Broadcasts and Hansards</td>
<td>176</td>
</tr>
<tr>
<td>Overseas Publications</td>
<td>140</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,459</strong></td>
</tr>
</tbody>
</table>

Among the I.P.A. articles which were featured prominently in the press were those dealing with —

- Inflation
- Wages, Profits and Prices
- Strange Economics
- Incomes Policies
- Australia's Foreign Policy

Some "Review" articles were republished in full in journals having a wide circulation.
"REVIEW" — (Circulation 20,000)

The main objects of "Review" are to

★ correct false impressions about the free enterprise system
★ inform the public about important economic issues
★ influence political leaders, departmental policy-advisers and strategic opinion-moulders.

Below are a few quotes from "Review" over the past year:

A 19th Century Concept — January/March, 1972

Mr. Hawke seems to have a curiously old-fashioned, almost 19th century concept of the free enterprise economy. A half century or so ago the direct benefits of profits were limited to a comparative few. Mr. Hawke assumes that there is hard-and-fast dichotomy between wages and profits, where all non-wage incomes (i.e. dividends, rent and interest) go to one section of the community and wages to another. This is clearly an out-of-date conception in today's economy, where share ownership is spread over the millions and share registers are dominated by the large holdings of life companies, pension funds, unit trusts, charitable and other institutions which spread the benefits of profits widely through the community.

The Tax Burden — April/June, 1972

Australia spends a far higher proportion of public revenues on capital works than any other Western Country. If, in addition to this cost, the taxpayers were required to finance a great expansion of welfare services (e.g. National Superannuation) the tax burden would become staggering and would certainly aggravate current inflationary pressures. Those who claim that Australia is one of the most lightly taxed countries in the world lose sight of the fact that the high ratio of taxes to GNP in other countries is accounted for, predominantly, by social security contributions.

Inflation Must be Stopped — July/Sept., 1972

The roots of inflation are imbedded in the soil of human greed and acquisitiveness, qualities which have become greatly magnified in our materialist-oriented contemporary society with its tendency to reject traditional moral values and disciplines. Instead of giving leadership by appealing to the sense of responsibility and decent moderation inherent in British communities, governments, the public service, trade unions and the private sector, too, increasingly tend to pander to the false values which lie at the root of the trouble.

The Goals Change — April/June, 1972

It must be clear by now that the time is rapidly approaching if it is not already here, when we must look at the Growth objective much more critically. It should hardly, for instance, these days be regarded as a national calamity if the Growth rate for a single year fails by a few decimal points to achieve the target which has been set as the desirable aim. Only the purblind can still believe that Growth and Progress are synonymous and that GNP is a reliable index of the community's welfare and happiness.
ECONOMIC EDUCATION—“FACTS”  
(Circulation 60,000)

Government policies tend to reflect the attitudes and viewpoints held in the community. If these policies are to be soundly based, people must be better informed about the workings of the economic system.

The I.P.A. “Facts” has over 20 years endeavoured to provide this information in a succinct, attractive and easily understood form. The popularity of “Facts” suggests that it has achieved a remarkable degree of success.

Among the subjects discussed by “Facts” in the past year have been:—

**Profits**

Of the $10,000 million increase in national turnover directly attributable to price rises over the period 1960/1 to 1970/1 nearly $6000 million went to wage and salary earners and $100 million to company shareholders.

**Getting Unemployment Into Perspective**

Well over half those unemployed are out of work for less than a month. This is a vital point to bear in mind in assessing the hardships of unemployment.

**How Incomes are Divided Up**

Over the past 10 years the share of wages and salaries in total personal income has risen from 65.6 per cent to 71.6 per cent. The share going to dividends has fallen from 2.8 to 2.3 per cent.

**Modern Investment**

Through their savings in life assurance policies the great majority now benefit to some extent from company profits. Twenty years or so ago, only a few hundred thousand benefited.

**Hours of Work**

After allowing for holidays, Australians work 35½ hours a week, about the lowest working time in the world.

**Inflation**

In 1971 consumer prices rose by an average 7 per cent. The large increases were in items controlled by governments — rail and tram fares 26 per cent and postal and telephone charges 15 per cent.

The bulk of “Facts” circulation is among employees over the whole range of Australian industry — especially among foremen, skilled tradesmen, apprentices and selected office employees. It also has a large circulation among teachers, schools and students. At the request of the Commonwealth Government, copies are sent regularly by air mail to some 25 Immigration Officers located in various countries overseas.

The following are some of the larger outlets for “Facts” in industry and commerce:—

<table>
<thead>
<tr>
<th>Company</th>
<th>No. of Copies</th>
</tr>
</thead>
<tbody>
<tr>
<td>W.A. Employers' Federation</td>
<td>3,600</td>
</tr>
<tr>
<td>B.H.P.</td>
<td>2,330</td>
</tr>
<tr>
<td>Rheem Australia</td>
<td>2,314</td>
</tr>
<tr>
<td>National Bank of Australasia</td>
<td>2,250</td>
</tr>
<tr>
<td>Commercial Bank of Australia</td>
<td>2,220</td>
</tr>
<tr>
<td>Mount Isa Mines</td>
<td>2,000</td>
</tr>
<tr>
<td>McPhersons</td>
<td>1,900</td>
</tr>
<tr>
<td>North Broken Hill</td>
<td>1,210</td>
</tr>
</tbody>
</table>

The distribution of “Facts” can and should be expanded considerably, but this depends on companies and firms becoming aware of the need for basic economic education among their employees and the community.
Some Extracts from Correspondence
During the Year

Sir John Dunlop, K.B.E., Chairman, Colonial Sugar Refining Co. Ltd.
I have always admired the high standard of the editorials in your Institute's "Review", and am therefore the more complimented and grateful that you should have invited me to bask in their reflection by writing a contributed feature.

Mr. Edward Salt, Freedom Foundation Inc. — United States
This is the first copy of IPA Facts I had seen for years. It brought back pleasant memories. I notice it still has the same high standard of quality articles and interest that it had when I received it regularly. I was particularly interested in this edition because of the articles on Liberty and particularly Gambling.

W. R. Crocker, C.B.E. — Leading Australian Diplomat (now retired)
I have been a regular reader of IPA Review for some years, continually learning something from it, and appreciate your standards.

Department of Trade & Industry, Canberra
We find this journal a most valuable part of our collection, and it is, in fact, one of the journals we index most frequently.

Mr. D. S. Beavis, Public Health Dept., Kieta — N.G.
I have found the IPA Facts particularly valuable over the past years, and wish to thank those who compile this useful publication.

Mr. J. R. James, Director, Queensland Employers' Federation
May I extend all good wishes for the success of the Meeting and congratulations on the splendid work the Institute is doing and the excellence of its publications.

Mr. A. J. White, St. Regis-ACI Pty. Ltd., Sydney
May I take the opportunity of congratulating your Institute on the work that they have done and are doing in the community. It seems that the task of selling free enterprise as a desirable concept in our community is becoming an increasingly complex one.

Mr. R. G. Mockridge, Cheetham Salt Ltd., Geelong — Vic.
My Board considers your organization is doing a very important work in the interests of free enterprise in Australia, and hope that you will be able to continue for many years to come.
Mr. C. Fisher, Maples Pty. Ltd., South Melbourne

This cheque is forwarded with the sincere appreciation of the Directors in the excellent work being carried out by the members of the Institute.

Mr. J. S. Harricks, Bonds Coats Patons Ltd., Camperdown — N.S.W.

The Institute is playing a unique role in ensuring that a balanced picture is presented, and it appears from recent comments in the press that it continues to be most necessary.

Mr. I. L. Dalziell, University of New England, Armidale — N.S.W.

I am most impressed with the IPA Review. It is refreshing to see such articles as are published in the Review. Too often the public is only shown the socialist economic point of view. It is good to see a balanced viewpoint expressed.

Mr. J. G. Cooper, General Manager, Davies Bros. Ltd. — Hobart

Personally, I have taken a considerable interest in the work of the Institute and appreciate reading and studying the various documents that are produced from time to time.
This interest is shared by members of our staff and we arrange for quite a wide dissemination of the publications which regularly flow to our office.

Mr. E. W. Smith, Manager — Public Relations, H. J. Heinz Co. Aust. Ltd. Dandenong

I might add that both “The IPA Review” and “Facts” are widely read within this company.

Mr. F. W. Crick — Surrey, England

This morning there came through my letterbox the 100th number of “IPA Review”. I have been privileged to receive and read this publication for many years, and have greatly enjoyed and profited from it. Many times I have quoted it, with admiring acknowledgment. So before reading the century issue I want to send to you and your colleagues a word of very sincere congratulations and appreciation. You have done a fine job of public education, keep it up!
Need for Financial Support

There is a continuing need for clear statements of the free enterprise philosophy; for a better understanding of the facts about inflation, productivity, taxes, prices, profits and wages the function of management; the role of the investor and the place of government in a free society. These are matters about which the average man is not well informed and is often influenced by hearsay and propaganda from anti-business sources.

The Institute of Public Affairs is the only organization in Australia which is devoting all of its time to the task of public enlightenment on these questions.

These are issues on which the I.P.A. asks for the continued financial support of its subscribers and of all those people who believe in free enterprise as the best means of promoting progress and individual opportunity.

I.P.A. SUBSCRIPTIONS

<table>
<thead>
<tr>
<th>Entitlement</th>
<th>&quot;IPA Review&quot;</th>
<th>&quot;Facts&quot;</th>
</tr>
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<tbody>
<tr>
<td>Companies</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>$50.00 per annum</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Individuals</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>$3.00</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

The above are minimum rates and entitlements increase with larger subscriptions. The I.P.A. relies in the main on the financial help of companies and organizations which contribute larger amounts.