What Would Keynes Have Done?

The recent publication of four volumes of Lord Keynes' private papers prompts again a question frequently heard during the last few years of frighteningly rapid inflation throughout the Western economies. Faced with this situation, what would Keynes have prescribed? Would he, as is not unlikely, have suggested an entirely novel, but effective, remedy, one which has so far eluded the combined intelligences of governments and their economic advisers?

On the record, it would not be beyond his powers. Keynes was, after all, an intellectual prodigy. No single human being has had as great an influence on the economies of the modern world as this man of incomparable genius. He transformed our way of thinking about economics, so much so that standards of living in the Western economies have trebled in the short space of thirty years and serious chronic unemployment is no longer feared. His influence on his fellow economists and on many politicians was so profound that not to be a Keynesian was to put oneself among the company of the damned. Even President Nixon announced recently, although somewhat belatedly, "I am now a Keynesian".

It was however, always to be doubted whether Keynes himself was a "Keynesian" in the sense that many of his fol-
Would Keynes Have Done? (continued)

lowsers continue to attach to the word. With the kind of uncanny prescience that was almost normal to him, he once said, "Twenty years hence governments and treasury officials will still be talking about and applying my doctrines but by that time they will have ceased to be relevant".

How would Keynes have viewed the current inflation? He would certainly not have looked at it with a complacent, tolerant eye. A prominent, American economist, Seymour Harris, has said that in his book, "The Economic Consequences of the Peace", Keynes had written the most powerful indictment of inflation that had ever been penned.

Although his name is frequently associated with inflationary economics, Keynes was, in truth, a fierce opponent of inflation. His feelings about inflation come through at many places in his writings. His main objection to inflation was that it affects quite arbitrarily, and unfairly, the distribution of income and wealth. "A change in prices and rewards, as measured in money, affects different classes unequally, transferring wealth from one to another, bestows affluence here and embarrassment there, and redistributes Fortune's favours so as to frustrate design and disappoint expectation".

He also argued that while the depreciation of money is often a source of gain to the businessman, it tends to discredit private enterprise in the eyes of the community. "To the consumer the businessman's exceptional profits appear as the cause instead of the consequence of the hated rise of prices." He points out the bad and distorting effects of inflation on the psychology and activities of the business community. "He (the businessman) loses his conservative instincts and begins to think more of the large gains of the moment than of the lesser, but permanent profits of normal business".

What, then, would he have been saying about today's world? In spite of his immense intellectual virtuosity, and his love of splitting theoretical hairs with his contemporaries, perhaps Keynes' greatest quality was his massive common sense. He was above all a pragmatist. Unlike the great majority of his fellow economists, Keynes was no cloistered scholar. His main concern was with practical economic problems and in finding workable solutions for them. Indeed, the central proposal that emerges from his most famous and extraordinarily frustrating book, "The General Theory of Employment, In-
terest and Money” was, paradoxically, a simple, and today an obvious, one: namely, that governments should stimulate and maintain total demand at the level where productive resources, especially of manpower, are fully employed. Indeed, in the light of hindsight one cannot help wondering whether the theoretical structure of “The General Theory” is all that important. It seems almost as if Keynes, after having decided what was necessary in terms of practical policy, then constructed an intricate and coherent theoretical framework to support it. He once wrote of his own book, “I am in the stage of not liking my book very much. It all seems very angry and much ado about a matter much simpler that I make it appear”.

The nagging question recurs: What would the master economist have prescribed for our present economic ills? Having himself, in a sense, created the breeding ground of the modern disease of chronic inflation, what would he have done to cure it?

There is an element of superb intellectual arrogance in any one attempting to put himself in the shoes of the master, but speculation will go on none the less. Might it not be argued that what Keynes proposed in conditions of under-employment and deflation should be reversed to meet the entirely opposite situation of over-full employment and inflation. The essence of the Keynesian remedy for unemployment lay in increased government spending on capital works. Since 1945 most Western governments have followed this advice very effectively — perhaps too much so. The most striking phenomenon of today’s Western economies is not merely the large part occupied by government spending (compared with pre-1939), but the steady, almost year by year, expanding claim on resources made by the public sector. This is true of virtually all the Western countries. It would be very easy, therefore, and on the face of it logical, to deduce that in a climate of chronic inflation, the Keynesian remedy for deflation should be turned upside down: that is, the way to remedy inflation is to reduce government spending. Keynes indeed attributed the historic deterioration in the value of money to the “impecuniosity of governments”. In other words, he contended that the seat of the trouble was to be found in government spending.
Most economists — and no doubt practically all who would regard themselves as Keynesians — have, however, persisted in arguing that it is quite in order to expand the claims of the public sector on resources so long as those of the private sector are correspondingly reduced. The reduction is effected mainly through taxes and the charges of government instrumentalities which can, in the result, be the same thing as taxes. This, of course, is what has been attempted in the economic policies of the Western countries over the last quarter of a century, but inflation has persisted none the less. Where, then, is the flaw? Perhaps it lies in an over-simplification of the essential Keynesian message.

In an historic pamphlet, "How to Pay for the War", Keynes introduced a concept which he called "the inflationary gap". It soon became a part of common economic parlance, perhaps without any clear insight into what Keynes meant. The concept came to be regarded by some as the simple deficit on government transactions — that is, the difference between total government expenditure and receipts from all sources. Others, perhaps more sophisticatedly, took the inflationary gap to mean the discrepancy between total demand and total supplies. Keynes, however, seemed to have in mind something rather more subtle. The phrase was used for the first time in an official document in April, 1941 in the British Budget Speech on which Keynes is said to have had a great influence. The gap is defined in the Speech as, "The amount of the government's expenditure against which there is no corresponding release of real resources or materials by some other member of the community". For "some other member of the community" we may read "the private sector".

This definition of the inflationary gap may throw some light on our current dilemmas. Where Government expenditure has already reached a high level it becomes difficult, if not impossible, to balance a further increase with an equivalent reduction in the claims of the private sector. Keynes used to place a great deal of emphasis on the powerful propensity to consume to which human nature is heir. He said that people develop an habitual standard of consumption that they will not readily forgo and will, indeed, fight tooth and nail to maintain. It would follow that if government policies are directed at lowering this standard — or even curbing its rate of improve-
ment below what, in "the affluent society", people have come to expect — the consumer will take his own reprisals. Beyond a certain point he will not willingly surrender claims on resources to the government and, what is much more important, he cannot altogether be compelled to do so. If taxes or government charges are raised so that his disposable income is reduced, the consumer will seek ways of frustrating the Government's intentions, mainly by demanding a higher income, but also by borrowing more or running down his savings.

This reaction is much more apposite today than when Keynes was writing, because of pay-as-you earn taxation and because people generally have more ambitious expectations. With p.a.y.e. the effect of any increase in taxes becomes immediately and painfully apparent to the income receiver.

A rise in wages which has its seeds in a high level of government expenditure is somewhat different from a wage increase which is an automatic consequence of excess demand, that is, a shortage of labour. Nevertheless, it can be equally catastrophic so far as its effects on inflation are concerned. This helps to explain why inflation can persist after excess demand pressures have been removed and even when there is some unemployment. We have become familiar with this phenomenon in the last few years. How much of our recent "cost-push" inflation has its source in the heavy and increasing claims of the public sector?

It is true that modern Governments are under tremendous pressures from their electorates to provide an ever-expanding range of facilities and benefits. But, when the bills are presented, the people are reluctant, and, in effect, refuse, to pay them.

This discrepancy between the demands made by the people on Government and their willingness to meet the costs probably lies close to the heart of the modern inflation.

Keynes viewed inflation as a weapon available to governments for extracting resources from the community which they would not willingly surrender. "Inflation", he said, "is a mighty tax gatherer". We have had a striking demonstration of this in the Australian budgets of recent years where revenue has poured into the public coffers as rising money incomes have
elevated even modest wage and salary earners into the high tax brackets. "By a continuing process of inflation" he wrote, "governments can confiscate secretly and unobserved an important part of the wealth of their citizens". This lay behind his view that the ultimate cause of inflation was to be found in the "impecuniosity of governments". Inflation transfers resources to the government by reducing the real purchasing power of the incomes of business and the consumer.

Keynes is usually regarded as the apostle of low interest rates. And in a sense he was. In the under-employed, stagnating economy of the 1930's, business investment was one of the main laggards. Keynes was naturally concerned to encourage investment. One of the main weapons to hand was the price of money. He became, therefore, for this and other reasons — into which we need not enter — an advocate of low interest rates. But if low interest rates were part of the armoury available to governments to attack the over-riding problem of chronic deflation, it would follow that an increase in interest rates would be a logically appropriate weapon to use against inflation and excess demand. Yet even today many people, among whom is the Federal Treasurer, Mr. Crean, continue to preach the virtues of low rates of interest (often on the fond assumption that in doing so they are following the gospel of the master) when they have become largely irrelevant and indeed harmful. While Keynes undoubtedly had a powerful predilection towards "cheap money", he was nothing if not flexible. It is difficult to imagine that he would have adhered to the "cheap money" doctrine in the vastly changed circumstances of the world 30 years after.

All Western Governments, particularly the Australian, at least once a week proclaim their horror of inflation and their insistence that stern measures to stop it must be taken. So far, without exception, they have all been glaringly unsuccessful. Maybe the solution lies closer to home than they think. It is rather more than possible that if Keynes could be contacted on some celestial hot-line, he might tell governments to take a searching look at their own expenditures and to ask themselves whether these could possibly contain the answer to the riddle.
The Labor Government’s Economic Policy

FROM measures introduced or projected, and from Ministerial statements, it is possible to piece together some kind of picture of the Labor Government’s economic policy. To call the profusion of measures, proposals and ideas that have emerged from Government Ministers a “policy”, however, is to dignify them in a way they do not deserve.

Five dominant, inter-connected features stand out in the picture that has so far taken shape:

First, a greatly expanded role for Government in the economy.

Second, a critical, intrusive attitude by Government toward the private sector.

Third, Government intervention to improve the rewards and conditions of the wage-earning section of the community, particularly those of the lower-paid workers.

Fourth, a massive expansion in all fields of social welfare.

Fifth, a strongly nationalistic economic attitude and policy, with greatly reduced dependence on overseas capital.

It is clear that under the Labor Government the private sector will be subjected to much more detailed supervision and control than it has encountered since 1949. The public sector itself is to be greatly enlarged; the Commonwealth Treasurer, Mr. Crean, for instance, has expressed the wish that Government expenditure as a proportion of total national expenditure should increase from the present 33 per cent to something like 40 per cent.

So far as the traditional Labor policy of nationalization is concerned, there have been some significant developments. The natural gas pipeline grid in South Australia and New South Wales has been taken over from Australian Gaslight Industries and will be constructed and operated by the Commonwealth Government. The Government has also indicated that workers’ compensation and motor vehicle third-party insurance are to be nationalized.

The Government intends to enter into the field of oil exploration and production of petroleum and related products, and has established a national petroleum and minerals authority for that purpose. The Commonwealth Serum Laboratories is to enter into the manufacturing and marketing of commercial drugs.

The scope of industrial planning is to be extended. The Minister for Overseas Trade and Secondary Industry, Dr. Cairns, is proposing to form “industrial panels” composed of representatives of government, business, trade unions and consumer bodies to oversee industrial plans. Government control of the private sector is being extended in a number of directions, ranging from the establishment of a Prices Justification Tribunal to the provision of preference in public
contracts to firms with a record of "good" union relationships.

Government attitudes toward private enterprise have undergone a radical change under the new administration. A number of Ministers have referred to business in terms varying from mild disparagement to gratuitous abuse. On a number of occasions Dr. Cairns has used the strange phrase, "the crisis of the market place". The Treasurer, Mr. Crean, has referred to "good old private enterprise" in a context not meant to be complimentary. The Minister for Fuel and Energy, Mr. Connor, has castigated the mining leaders as "mugs", "hillbillies", "spivs" and with other choice epithets. Apart from the intention to compel industry to publicly justify its pricing policies, the Government has also made clear that there is to be a much more rigorous application of tariff policy and of a more stringent Trade Practices Act. There are indications that the days of the Export Development Allowance, the Special Investment concessions and some other business tax concessions, are numbered.

The third distinctive feature of the Labor Government's programme is, not unexpectedly, a more sympathetic approach toward the section of the community comprising the bulk of its own supporters. The Government's intervention in the National Wage Case, for instance, was a complete reversal of the stand of its predecessor which, through its submissions to the Commonwealth Arbitration authority, endeavoured to apply a brake to wage increases.

The Government has, moreover, highly ambitious plans in the field of social welfare — the fourth major area of policy. Pension rates and unemployment benefits have been raised: the former is to be stepped up to around 25 per cent of average earnings. Free tertiary education is to be introduced in 1974. Then there are the longer-term comprehensive plans for the introduction of National Superannuation and removal of the Means Test, and for a National Health Scheme and the phasing out of private voluntary health insurance. The Prime Minister has stated that expenditure on education is to be the fastest growing sector of government expenditure. The Karmel Report has proposed that the Commonwealth should spend an additional $467 million on primary and secondary schools over the next two years. The Government has also announced a far-reaching programme called "The Australian Assistance Plan" under which the Commonwealth is to assist and co-ordinate all State and local welfare agencies to provide the maximum assistance to those in need of help and advice.

The new nationalistic approach to economic policy could be the most significant strand of the pattern which is emerging. The Government's clear wish is to see a much greater measure of local ownership and control of Australian industry and resources. This is a turnabout from the policies pursued over the quarter of a century since World War II, when overseas capital has not only been welcomed but often vigorously solicited. The Prime Minister has expressed a wish that foreign equity in mineral enterprise should not go beyond the present level of 62 per cent. While acknowledging the economic growth stemming from the mining developments of the last decade, he has stated that future developments must dovetail with the plans of the Federal Government. The export of all minerals, whether in raw or semi-processed form, is to be supervised by the Commonwealth, and prices negotiated in collaboration with the Government. Foreign investment in real estate, whether urban or rural, has been banned. Overseas borrowing has been discouraged by requiring that 25 per cent of any loan should be lodged and frozen with the
Reserve Bank. As a “back-up” to this provision, and in an attempt to reduce speculative movements of funds, a complex system of exchange controls affecting inter-company accounts and overseas payments for dividends and interest and for exports and imports has been introduced.

As a corollary to the reduced reliance on overseas capital, and the need for marshalling Australian resources to take its place, the Government envisages a much bigger role for the Australian Industries Development Corporation. It has been suggested that large financial institutions, such as the life companies, should be compelled to channel some of their resources into the A.I.D.C. to provide local capital for development projects. The Prime Minister’s election speech stated that, in order to encourage the development of Australian owned and controlled petroleum companies as against those controlled overseas, the Commonwealth would make its purchases from the former.

Since the Labor Government came to power there has been an extraordinary proliferation of new committees and commissions — already numbering over 40 — mainly of a research and advisory nature. These new bodies are quite apart from the personal advisory staffs which various Ministers have added to their retinue. Members of the permanent Public Service must be disquieted by the potential impact on their own powers and prestige of all these new authorities, many of them staffed by people outside the Public Service.

The five features of economic policy to which we have drawn attention merely give a broad conspectus of the Government’s thinking and more important proposals. But ideas have fallen with such abandon from the lips of Government Ministers, that the picture would become hopelessly confused if it were attempted to deal with them all.

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Perhaps the most far-reaching economic decisions taken by the Government are those concerned with the external value of the Australian dollar and the scale of the migration programme. The exchange rate decisions in December and February occasioned widespread surprise, and, understandably, strong opposition from certain business quarters. However, even those who disagreed with the Government’s actions might have to concede some reluctant admiration for its courage in what is probably the most politically sensitive area of Australian economic policy. Indeed, the December up-valuation was the first positive decision to appreciate the value of the Australian currency in our history. The debate about the wisdom of this measure, and of the subsequent one in February not to follow the U.S. dollar down, will continue, but at least one good by-product is the enhanced prestige Australia has gained in international financial circles.

The Labor administration is radically changing the immigration policies of the previous Government. The size of the programme has been substantially cut — an intake figure of 110,000 for the current financial year has been announced compared with the coalition Government’s target of 140,000. In the future the emphasis is to be heavily on sponsorship and the bringing to Australia of relatives of migrants already settled here. The Government also seems disposed to take the important step of abolishing assisted passages.

The I.P.A. would applaud these measures. We have long argued that immigration on the scale pursued by the previous Government added strongly to inflationary pressures. It made heavy demands on capital resources for the public facilities required to cater for the needs of the rapid population growth, particularly in the major urban centres. This not only compelled semi-government utilities to raise their charges
to finance capital expansions but also governments at all levels to increase taxes for similar purposes. In addition, savings were diverted from the kind of capital expenditures, particularly in the private sector, which would have contributed to higher productivity and more rapid economic growth.

In recent years these arguments against the scale of the immigration programme have been reinforced by the mounting urban and environmental pressures facing the big cities. The recent Report of the Commonwealth Department of Urban and Regional Development pointed out that immigration has been a major contributor to the rapid metropolitan growth of the capital cities, particularly Melbourne and Sydney. The Report states that the curtailment of the immigration programme "would probably be the most effective single action the Commonwealth Government could take to provide a breathing space to deal with urban development".

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NOTWITHSTANDING its courage in not running away from difficult decisions, the present Government seems to have learnt little from the rather unhappy experiences of previous Labor administrations. In particular, it is in grave danger of ignoring the central problem with which economics always has to contend, even in the affluent society: that is, the limitation on over-ambitious plans and election promises imposed by the unfortunate fact that resources are scarce. No country in the world, not even the United States, has enough for all that governments would like to do and also to satisfy the personal demands of its people.

In a realistic economic policy, planned expenditures must be tailored to prospective resources. Moreover, the various parts must fit together in a way calculated to achieve the central objectives of adequate growth, full but not over-full employment, reasonable price stability, and a just distribution of what is produced. The limited resources must be allocated in a rational manner between the various, and often conflicting, demands upon them: for example, between the private and public sectors and, within the government sector, between such fields as health, education and urban redevelopment: if, for instance, expenditures on health are over-ambitious, the other two will suffer.

At present, the Government's actions suggest that individual Ministers are going their own sweet way and throwing off plans and ideas with reckless abandon. As a consequence the "policy" evolving is an untidy conglomeration of measures and proposals without co-ordination and consistency. One basic inconsistency is that the Government's objectives (and this has been conceded by the Prime Minister and other Ministers) require a much faster rate of national growth. But the Government's actions and policies could have the reverse effect.

It is true that individual Ministers, and particularly the Prime Minister, have stressed the need for a more rapid rate of growth if Government plans in the fields of education, health, welfare, urban redevelopment and the improvement of the elusive quality of life are to be realised. The Prime Minister has mentioned a growth rate of 7 per cent per annum as attainable; this compares with an average 5 per cent over the last 10 years. This is tantamount to an admission that the Government's plans are in the realm of the impossible. There is no prospect whatever of any Australian government, irrespective of its political colour, raising the rate of economic growth which has prevailed over most of the post-war years by these proportions, unless a Japanese-like attitude toward work were to replace the customary easy-going Australian tradition.
The combined effect of Government plans, on the contrary, must be to impede rather than stimulate the pace of national economic growth. The emphasis which it is placing on shorter hours of work, greater annual and long-service leave and the diversion of capital resources into the welfare sector of the economy, along with a cool attitude toward overseas capital, and consequently to the accompanying sophisticated technologies and know-how, do not harmonize well with the Government's ambition to achieve a dramatic improvement in the growth rate.

There is a basic contradiction in the Government's policy that has always plagued governments of the Left. They have to try to carry through their ambitious plans for social improvement in the context of what is still an essentially free enterprise economy. Indeed, precisely because their objectives in the field of welfare are so far-reaching, Labor governments are, paradoxically, even more dependent on the effective operation of the private sector than are governments of the Right. It is only an optimistic, buoyant and expansive private enterprise which can provide the resources and rate of economic development needed for an even approximate attainment of Government objectives. Yet the Government — by what it is saying, as much as by what it is doing — is creating an environment of uncertainty which will hardly pre-dispose businessmen to plan confidently for the future. Lord Keynes was accustomed to emphasise how much depended on what he called the "animal spirits" of the business community. If the Government continues on its present path, business "animal spirits", which are a synonym for vigour, enterprise, drive, the will to achieve, will be exorcised.

The big mining companies, for instance, which have successfully pioneered over the last 7 or 8 years some of the most spectacular, large-scale developments in Australian economic history, have been virtually told that they don't know their job. These developments have been the catalyst of the economic growth of recent years and have indeed transformed Australian prospects for decades ahead. They were financed largely by foreign money and were brought to fruition with the help of indispensable overseas "know-how", special skills and market connections. Without these ingredients they would never have got off the ground.

Yet the Government almost seems to be suggesting that all this could have been done better had Australia gone its own independent way. The Prime Minister, with a touch of nationalistic bombast, has said that Australia must be "mistress of her own household" and he, along with other Ministers, has berated the companies concerned for writing their long-term contracts in U.S. dollars. Yet, when the contracts were drawn up, who in the wide world would have imagined that Australia, traditionally beset by a chronic balance-of-payments weakness, would find its currency substantially appreciating in terms of the mighty U.S. dollar? It is magnificently ironical that the mining companies — through their own massive contributions to the favourable turn-about in the current external payments position no less than through the overseas financial interest in Australia which their operations have stimulated — have themselves, through their very success, been responsible for the problems which they now face.

A Survey of the Australian economy prepared in late 1972 by the Organization for Economic Co-operation and Development states: "So immense are the continent's natural resources, and so well geared to their development appear to be the skills and energies of the people, that the next decades could well be a period of expansion more vigorous than the two
that have passed. But it is hard to see how this promise can be realised without more people, capital and technology from abroad. More economic growth, not less, will also help to provide the productive resources needed to tackle the country's domestic and social problems". The Commonwealth Government would do well to heed these views of experts vastly more experienced and competent in economics than its own Ministers could hope to be.

The economy has moved into boom conditions, with excess demand evident in certain areas. In addition, the powerful cost-push pressures which have been at work for some time must be aggravated by the Commonwealth Arbitration Commission's Judgement in the National Wage Case. The explosive potentialities in this situation demand that the Government should be placing strong restraints on its own spending and should spread the impact of its policies over a longer period. In fact, it is doing precisely the opposite; expenditures are racing far ahead of receipts, and the domestic deficit for the current financial year is certain to be several times greater than that contemplated in the 1971/72 budget. Moreover, the projected plans of the Commonwealth, if carried through, would certainly result in huge deficits in the 1973/74 budget. Without a great change in Government thinking and planning, the prospect is, to say the least, alarming.

If the Government does not backtrack on its plans — there are some mild, but far from sufficient signs, that it is doing so — Australia is in for a bout of inflation of an intensity that could rival the early 1950's. The Government seems to imagine that the enormous pressures to which it threatens to subject the economy at one end can be contained by the simple expedient of damming back prices at the other. This cannot succeed in any circumstances. But, where the Government is, in addition, actively promoting substantial increases in wage and salary costs, only chaos can result.

The Commonwealth Government must learn very quickly that the rules of economics cannot be defied with impunity. Otherwise the Government's chances of implementing its welfare policies, and indeed of re-election will be negligible. The key to political, as well as to economic, success, is to be found in the wise management of the economy: without that, the bravest plans and the best intentions will come to naught.

At the moment the Government is steering the economy hell-bent on the treacherous path of inflation.
Problems for the Unemployed in a Full Employment Economy

By The Revd P. J. HOLLINGWORTH,
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An editorial, “Commonsense About Unemployment”, in the January-February “Review”, argued that the amount of hardship arising from unemployment of around, say, 2 per cent had been considerably overstated in the press and other media. This view was contested by the Reverend P. J. Hollingworth, who debated it with the Director of the I.P.A. on radio and television. The Reverend Hollingworth subsequently wrote this article for publication in “Review”. The author is well-known for his studies of poverty and for his work among under-privileged people. During 1972 his book, “The Powerless Poor”, was published by Stockland Press.

Why write an article about the problems of the unemployed when it has now ceased to be a politically significant issue? The May 1973 unemployment figures are now well below the politically acceptable 1.5 per cent of the total work force. There is no longer any widespread hardship, there is a surplus of jobs and those who are now unemployed have no real difficulty in finding work. Economists generally agree that there will always be at least 1 per cent of the work force unemployed for various reasons and that this does not represent any serious degree of hardship.

I appreciate the opportunity of writing about this subject by way of following up the article “Commonsense About Unemployment” in the January-March 1973 edition of the Institute of Public Affairs Review. In various ways the Brotherhood has expressed its concern about the unemployed over the past twelve months because there has been considerable hardship amongst many people with whom we are associated. The situation has now returned to normal and still many of these people are facing hardship as a result of unemployment. The problems confronting these people have always been present and it would be tragic if the recently aroused public concern about the plight of the unemployed was allowed to abate simply because the issue had seemingly disappeared from sight.

Who are still unemployed? In 1970 the Department of Labour and National Service undertook an analysis of unemployment in a full employment economy entitled “Labour Market Studies No. 2, 1970”. At a time when the unemployment level was around 1 per cent, the Department showed how unemployed people fell into five different categories.

1. Frictional Unemployment — where people were moving between jobs.
2. Structural Unemployment — where the unemployed were unable to
Rills for the Unemployed in a full Employment Economy (continued)

adjust to the existing pattern of demand for labour.

3. Hard-core Unemployment — where unemployment is due to personality factors.

4. Seasonal Unemployment — where people are put off during slack periods.

5. Technological Unemployment — where people are displaced from their jobs by changes in the production process and now require retraining in new jobs.

The fact that must never be overlooked is that many people in each of these five categories do suffer severe periods of hardship. Some would say this is not prolonged hardship reminiscent of depression years but I would reply that in many cases the hardship is of a chronic, intermittent nature which has serious psychological effects upon those who are unfortunate enough to be unemployed when the rest of the community are in stable employment.

Frictional and Seasonal Unemployment. In January 1972 the Brotherhood published a research project entitled "The Have Nots"; it was a sample study of 150 families approaching the Brotherhood for assistance. Most of the male heads were in employment but 27 per cent were on incomes on or below the then minimum wage and a further 50 per cent were on incomes between $40 and $49 per week*. Their reason for approaching the Brotherhood was essentially lack of money despite the fact that they were in employment. The study further revealed that many of the difficulties resulted from the high level of mobility in employment. More than a quarter of male heads had been in their present job for under two months, much of the work available to these men was subject to fluctuation for seasonal and economic reasons, while improved techniques and increasing automation seriously affected them. The study showed that some of the job mobility appeared to be related to poor job satisfaction which low job skills tend to generate. Social workers also noted that there was a tendency for these men to quit because of unsatisfactory relationships with their employers. In some instances family responsibility also played a part and sometimes the only solution to the illness of the mother was for the husband to stay home from work and look after the children. Other men sought to improve their position by changing jobs. This often proved to be disastrous because job hunting can only take place during working hours. This often means that a man will lose his present job for taking time off in a search for something better. The family's vulnerable financial situation means that if he does not find something better very quickly, he may be forced to take any job even for less than he was previously earning. The end result of this mobility is that though the job provides for sick pay and holiday pay, the worker has often not been in the job long enough to qualify for them. Consequently illness or an enforced Christmas break can cause an immediate cessation of income. Low wages and irregular work were seen to be major factors in keeping these families in poverty and social vulnerable circumstances. These points are worth noting because there is a tendency for people in the employment field to describe "frictional unemployment" where people move between jobs as being of a temporary nature which does not present serious problems. Our experience shows that this is not so.

Hard-core Unemployment. When we turn to the other categories of unemployment one of the most urgent areas needing attention is that of "hard-core unemployment". It should be a matter of top priority for the Commonwealth Department of Labour to establish more job training programmes for the mentally,

*The minimum wage at the time was $38.80.
physically and socially handicapped. Likewise the Commonwealth Government should seek to finance special work opportunities to absorb such people either into sheltered workshops or into normal industrial situations where they would be required to function according to their level of capability. If the Commonwealth Employment Service had more professional staff, such people would be greatly assisted and treated with human dignity. It would also be helpful if the means test were eased so that people on pensions and benefits were given a positive incentive to increase their incomes from work without being penalised.

**Structural and Technological Unemployment.** The unemployment categories described as “structural” and “technological” serve to highlight a problem which is becoming increasingly apparent in the future. Countries like the United States and Canada are facing long term structural unemployment which in due course will affect us in Australia. Canada’s unemployment level stands around 7% and this is frequently due to job displacement or changes in labour patterns to which people find it hard to adapt. Even in Australia, many workers in their fifties find it almost impossible to obtain work and this group represents a growing problem area in our local community. In these respects there is a growing need for a wider range of job training and retraining programmes and special work opportunities built into our existing industrial structures.

The new Minister for Labour Mr. Clyde Cameron in a speech to community leaders in Perth last January stated “Our aim is to more effectively service our work force with better placement services, better training and retraining and better work force planning”. In the context of that speech, the Minister made two further important announcements. The first was the appointment of a Committee of Enquiry into Australia’s unemployment statistics. The Minister expressed concern over the inadequacy of employment data as a means of informing the government about specific areas of need in the community and in providing an effective basis for future manpower policies.

The second welcome announcement was the intention to establish a “Local Initiatives Programme” similar to that undertaken by the Canadian Government in 1971. This programme will aim to give individuals and private groups who are unemployed the resources to act upon their own concerns and definitions of local needs. Federal funds are to be made available through local government and local community organizations to carry out short term projects, services for the aged, the handicapped, single parent co-operatives and the building of recreational and cultural facilities. This important new proposal will do much to overcome the lack of motivation amongst many young people who are “dropping out” of the work force and society generally because they see little point in work itself or in the general goals of a work oriented society. These new service proposals may do something to stimulate the idealism of the young and to engage them in creative service activity for which they would be paid.

**Looking ahead.** No one would doubt that the structure of society is changing and the nature of work itself is likely to undergo considerable change in the future. Much has been written about the need for more government initiatives in the areas of research, manpower planning and manpower retraining. Even more has been written about preparing for increased leisure.

Last year the Brotherhood felt there was a great need to examine existing problems related to work and unemployment and to try and project into the long
term future. David Griffiths was commissioned to undertake a study and this was subsequently published under the title "Unemployment — the Facts and Effects".

There was some subsequent disagreement between the Institute of Public Affairs and Mr. Griffiths as to what he actually said in the book with reference to the long term future. The Institute interpreted his statements to mean that the time was coming when people should be able to choose whether to work or not and that those who chose not to work should be paid an income by the community. In other words, they should be supported by the efforts of those who do work. What he actually said was "The time will come when workers will have the free choice of employment or unemployment. Then, and only then, will the nexus between jobs and income be broken. People may be paid an income and given the choice of whether to work or not." This does not mean that they would be paid an income for not working but that they may be paid an income. The issue is not so much that of communities subsidising people to be lazy, it is rather that the whole nature of work will take on a new meaning. As the nexus between jobs and income will eventually be broken, so too will the nexus between work and leisure be broken. Reduced industrial work force requirements could well mean that in future people will be able to spend more time in constructive and creative use of their leisure. Many will seek to use their leisure time in some form of community service or as a means of promoting their own personal growth and development. Others will place more emphasis on the family and seeing the responsibilities of being a parent as an extension of the old definition of work.

The experience of all our social work staff indicates that most people prefer to work or to be engaged in some constructive activity. Recent overseas studies indicate that the vast majority prefer work provided that it is reasonably well paid, it has some purpose, it is not unduly dull, physically over-demanding or unhealthy. In particular people are much more motivated to work if they are given a real say in the decision-making processes and a stake in the benefits that accrue from the work situation. It has often been noted that people work for a range of reasons as well as obtaining an income. Work provides them with companionship, a sense of task achievement and a feeling of being socially useful. People will need the same kind of fulfilment whether they are involved in traditional forms of work or not.

The world of the future may well mean that all people will be offered a much wider range of choices in a situation where the gap between work, leisure and service is finally breached. If we can prepare ourselves for such a future, there are enormous social benefits for mankind as a whole as many of the old hardships and injustices of the past will disappear for ever.
"The Self-Reliant Dragon Beckons"

By ANDREW GRIMWADE

The author was a member of the first Australian Trade Mission to the People's Republic of China, 13-27 May, 1973. Although he went as Chairman of Kempthorne Mistral Limited, the views expressed in this article are his personal ones and are not necessarily those of his Company or the Australian Government. Mr. Grimwade is a member of the I.P.A. Council.

KWANGTUNG Province is rightly renowned for two things. It is the modern gateway to China and it is regularly drenched with rain daily. Sunday, May 13 was no exception as the Australian Trade Mission crossed the Lo-wu bridge from Hong Kong and the torrential downpour cascaded off the umbrellas of Sir Ian McLennan and his 12 business associates.

It was the start of the most fascinating two weeks one could ever spend. The traditional terms of reference of the Western World must be discarded. It is incredibly shattering, and thought provoking, to be part of a society which is not motivated by money, personal ego or the unlimited right to hedonistic independence.

Several Mission members had already made visits to China. Nearly all of us had been briefed by our respective executives who had attended the Kwangtung (i.e. Canton) Fair during the preceding month. Mr. Jim Kibel, who featured in some controversy with former Prime Minister McMahon, was making his twelfth entry. Sir Thomas Wardle of Perth was making his eighteenth.

The pre-visit briefing had been excellent — a great credit to the meticulous planning by the Secretary of the Department of Overseas Trade, Doug McKay, his First Assistant Secretary, Frank Anderson and Mission Leader, Kevin Liddy.

The itinerary gave a comprehensive coverage of the Eastern Seaboard from Kwangchow in the Southern Province of Kwangtung, through Hangchow, Shanghai, Nanking and Peking, to Shenyang and Anshan in the Northern Province of Liaoning. About 4,000 miles were travelled inside China, over 20 degrees of latitude (roughly equivalent to the latitude spread between Launceston and Rockhampton).

The Political Environment

China could not be more different from our Western system of politics, culture and business. In China, the political en-
vironment is supreme. It dominates the working day, the cultural life and trading patterns.

Chairman Mao is more than a titular head of state. He is revered as a god and his thoughts (most of which are as true in Australia as in China) are respected and honoured like the words on the tablets of Moses. Turning 80 on Boxing Day this year, he is above criticism and is rarely seen by other than visiting heads of state. The Chinese blandly explain, “he is resting”.

The Australian Mission was given an unprecedented 1½ hours-long meeting with Premier Chou En-lai. As is customary, no advance warning was given (perhaps on security grounds?). At 75, Premier Chou is still China’s indispensable man. He ranks as one of the outstanding men of our age. He is an extraordinary diplomat and leader, a proven administrator and a man of great personal charm and magnetism. He has a brilliant intellect and is penetrating with his questions and answers.

He speaks five or six languages. We met him in his comfortable office adjacent to the Great Hall. Though he used one of China’s top interpreters, he courteously interrupted her in English in order to substitute an English word with a slightly different shade of meaning from that used by the interpreter.

A similar performance in reverse had earned Australia much credit earlier on the same day. Our new Australian Ambassador, Dr. Stephen Fitzgerald, was giving his first official lunch at the Summer Palace in Peking. He impresses with his great knowledge and feel for China. With his excellent grasp of Mandarin, it was not surprising that he was able to speak in Chinese to correct his interpreter.

Incidentally, Fitzgerald’s speech was a model of diplomatic sensitivity, sparkling with Chinese-type analogies. With his Embassy Counsellor, Ross Cottrill, and Trade Commissioner, John Clark, all of whom are highly articulate in Chinese, Australia has a team of which we can be proud.

Some of us visited the new Chancellory, still under construction though nearly completed. It is far too small and too lightly staffed, but a distinct improvement upon the temporary Embassy in room 464 of the Peking Hotel! Australia desperately needs to appoint an additional half dozen of Chinese-speaking assistant Trade Commissioners and diplomats.

The People

Without exception, we were warmly received by the Chinese people. They were naturally curious. Nowhere did we see abject poverty or signs of starvation. There was no great affluence or opulence but everyone seemed happy, well-fed and well-clothed. In Peking, Mr. Ken Myer and I strolled off unescorted through the local stores and felt safer than in many cities of the Western world.

The Chinese, by comparison with Australians, show an obedience and stoic acceptance of life. In many respects they are well disciplined and unquestioning, whereas their Australian counterparts would be enquiring, cynical and of an independent nature.

The people work hard — an 8 hour day for 6 days a week and only one week’s leave a year. Australia could do worse than copy “lar lien”, the annual 3 week “go camping” that is required of city workers, bureaucrats, government officials and the P.L.A.* The Chinese welcome this event which is good for the health, enables the city to keep in touch with the country and, somewhat cynically, provides a pool of labour for peak farming needs.

In factories, it is not unusual for Responsible Persons (i.e. Directors) of Revolutionary Committees (i.e. Boards of Directors) to be paid less than production line personnel.

The population explosion seems to be coming under control — primarily by use

*Peoples’ Liberation Army.
of the pill and Chairman Mao's advice to limit the average family to 2 children. There is no need for Women's Lib. — women don't change their names on marriage, nor do they wear wedding rings. A pregnant mother has between 2-8 weeks off work prior to childbirth and 8 weeks off thereafter. Most Chinese mothers work full time and there is a sophisticated system of creches, kindergartens and schools attached to each factory, office and commune. Retirement age is 55 for women and 60 for men.

Few cars exist in China and a cavalcade of 20 vehicles created an impression everywhere, preceded as it was by 3 or 4 black "Red Flags" (the Chinese Rolls Royce). There is no desire by the individual to own a car, with consequent reductions in geographical mobility of population.

The spending of the consumer yuan is interesting. An average person would prefer to save for a watch, then a transistor radio, a bicycle, a sewing machine and finally a camera. Though black and white television is available, there is no apparent desire by people to possess a set.

Economic and Trade Aspects

China desires to be self-reliant in industry and agriculture. China exports only sufficient goods to generate funds needed to purchase imports approved by Peking. In its overseas trading, China avoids the use of international credit.

In order to pay for higher priced imports, Chinese export prices have been increased substantially this year over those in recent years. Despite these increases, and despite noisy complaints from Japanese and American buyers, the volume of goods sold this year from the Kwangtung Fair actually increased.

The Chinese economy has been growing at the rate of 10% per annum. Because internal prices are fixed, there is no inflation. It is claimed that prices have not varied for 15 years.

Saving Bank deposits are made by the people, though no one including very senior Chinese bankers seemed to know, or care about, the interest rate. Through the persistence of our banking members, Messrs. T. B. C. Bell and H. M. Knight, we finally deduced the rate was 1.7% for 1 year and 2.7% for 2 years.

The Australian Minister for Trade, Dr. J. F. Cairns, has already announced that the way has been cleared for a trade agreement to be signed between Australia and China. This will probably occur during the visit to Australia later this year by China's Minister of Foreign Trade, Pai Hsiang-kuo — a relatively young man whose future star should be watched.

In any event, it is clear that China regards Australia as a "most favoured nation". Australian companies can expect special and sympathetic treatment in the next few years and probably continuing through to the long term.

With regard to sales to China, future prospects look bright for bulk raw materials (such as wool, pig iron, aluminium ingots) and basic foodstuffs (such as wheat and sugar). There are signs that a limited range of sophisticated equipment and electronic products can also find a market in China.

With regard to purchases from China, low-cost consumer products (such as toys, textiles, glassware, elementary electrical goods) will be increasingly competitive on the Australian scene. China is, of course, a large exporter of canned pork and fruit to South-East Asian markets.

Sino-Australian Relations

With the resumption of diplomatic relations after 23 years, long overdue in my opinion, the outlook is promising for a strengthening of the links between Australia and China — somewhat confirmed by the endless number of banquet toasts to "friendship through trade". The atmosphere was sincere, not artificial nor deceitful.

Dr. Jim Cairns made an excellent impression on the Chinese. His intelligence
and leadership were appreciated. The Chinese were obviously aware of his many years in the political wilderness. His commitment to peace has been well documented, as has his distaste for Western intervention in Asia as evidenced through his book “The Eagle and The Locust”.

Dr. Cairns behaved with great dignity and distinction. I suspect he went through a ministerial learning curve and may have been surprised at the ease with which he and the business team got along together. It does validate the old maxim that life, business and trade must continue irrespective of which government is in office.

“Never Seek Hegemony”

The impassive dragon of China is slowly unbending. After years of inward-looking policies, China is seeking overseas contacts. The dragon is becoming both self-reliant and beckoning.

Australia is favourably placed. We are fortunate in being a small country that no one fears, yet we have sophisticated technology that is the envy of many.

We have many attractions for China. Let us not wilfully throw away an opportunity to come to terms with an ancient and venerable culture that has adapted to, and adopted, the purest brand of Communism. Australia is one of the few countries that has never been directly engaged in hostilities against China.

It was Premier Chou who quoted to us the famous thought of Chairman Mao:

“Sin wa doong
Quan chi lian
Po tzung bar”

which literally means:

“Deeply dig the tunnels
Widey store grain
And never seek hegemony”.

In many ways it sums up China of today. First, you must dig deeply, work hard and seriously. Secondly, all China must be self-reliant and produce all products widely. And finally, the people of China should never seek to make China a super-power.

In the West, there has been a tendency for people to become obsessed with China’s 850 million population and alleged territorial ambitions. After visiting China, it seems clear that the Chinese people have more than enough to do internally without having to increase their area or impose these responsibilities more widely.

In summary, China’s present system and society is so completely different from ours as to be unbelievable. Motivation is not through financial reward but in doing what is best for China and its people.

The system does, however, exist. It does appear to work. Perhaps only in China could it work.
Is Growth Worth Having?

The Treasury White Paper on Economic Growth is an extraordinary document. It is extraordinary on two counts: first, because the Paper flies directly in the face of the prevailing winds of opinion about Growth and its dire consequences for the human species; second, because of its intellectual excellence.

The Commonwealth Treasury has produced a quite superb piece of economic analysis. Indeed the White Paper is so good, that one is lost in admiration of the minds of its authors.

One always expects that in a Treasury document the thought, research and inquiry which form the basis of the conclusions and viewpoints, will be carried out with the utmost thoroughness and care. But it is the viewpoints themselves which are quite masterly — the product not merely of exhaustive research, but of wisdom, insight, balance and a rare understanding of the total economic process. These qualities are reflected in the exposition and expression which have almost a Marshallian* ring of authority. The Treasury Paper is likely to become a standard work on the Growth Debate, not merely in the country which has produced it, but in many other countries as well.

Australian Governments should consider themselves fortunate in having in the Commonwealth Treasury economic talents which must bear favourable comparison with those of any Treasury in the world. They would be foolish indeed if they did not make full use of these talents, for Governments are, after all, ultimately judged by their performance in the management of the economy.

The White Paper is a powerful and convincing rebuttal of the Prophets of Doom. It will, in consequence, bring comfort to those who have been under their influence — and this includes most of us.

In the last few years the Growth Debate has swung from one extreme to the other. Through most of the 1960's, only a few courageous spirits were prepared to raise any doubts at all about the objective of rapid economic Growth.

Indeed, economists were judging the performance of an economy almost exclusively by the rate of increase in G.N.P. In the 1970's, a remarkable change has come about. In many intellectual circles the word “Growth” is now almost an obscenity. The unqualified pursuit of Growth will, it is held, result in a major catastrophe. Through its effects on the environment, the pollution of air, water and earth, the destruction of the precarious balance of natural forces, the rapid depletion of the Earth's resources, continued rapid Growth will undermine the life supports of the Planet and threaten human existence itself. Thus, to advocate a stop to, or at least a great slowing down of, Growth is to join the ranks of the intellectual pace-setters. Those who persist in adhering to the Growth objective are suspected of a kind of reactionary self-interest.

The opposition to Growth has been argued in a mounting torrent of books, pamphlets and articles, many from highly reputable authorities. One of the most notable is “The Limits to Growth”, a study sponsored by the Club of Rome and conducted by a high-level brains trust at the Massachusetts Institute of Technology.

*Alfred Marshall's monumental “Principles of Economics” still stands as the greatest textbook ever written on the market economy.
Published only a little over a year ago, its conclusions, not unexpectedly, commanded widespread acceptance. The Treasury White Paper amounts to a blunt rejection of the basic contentions of "The Limits to Growth". Its importance thus extends far beyond the boundaries of Australia.

The main arguments and conclusions of the Treasury Paper can be reduced to three propositions:

(1) Economic Growth is not something to be pursued for its own sake. It is, nevertheless, the likely result of policies directed at the improvement of human welfare. These policies should be concerned to achieve not a particular statistical rate of Growth but the most efficient (using the word in its broadest sense) allocation and use of available resources. The most efficient allocation of resources is that which best reflects the true preferences of the people.

(2) Pollution of the environment is not an inevitable consequence of Growth. It is attributable to the economic conditions under which Growth has been allowed to take place. The remedy is not to halt or slow down growth but to change the conditions under which consumers and producers are permitted free and unrestricted use of certain environmental resources.

A policy of anti-growth helps no one because it would reduce the resources available to society to realize its various objectives. One of these objectives must be the correction and prevention of environmental disorders. (Governments and many of their advisors are in danger these days of forgetting that resources are still quite insufficient for all the things they aim to do. There is a brilliant sentence on Page 16 of the White Paper which should be on the walls of everyone — politicians, public servants, and businessmen — concerned with the making of economic and social policy. "In the use of resources there can be no absolutes: every purpose, no matter how over-riding it may appear to be, is ultimately in competition with every other").

(3) The grave and widespread fears which are held about the approaching exhaustion of so-called non-renewable natural resources of raw materials and sources of energy are groundless. These fears spring from comparisons of known reserves of minerals with their present and prospective rates of use. But known reserves are no guide to ultimate reserves which will be determined by the scale of exploration, new technologies, and new demands.

Some opponents of Growth have almost gone so far as to argue that personal standards of living should be stabilised at their present levels, while effort is directed at improving the environment and the "quality of life". This contention clearly overlooks the fact that in the so-called "affluent society" only a tiny proportion of people regard themselves as affluent. The White Paper points out, "... most people still want to be better off, even in relatively wealthy countries such as Australia. They have many pressing wants of which the desire for a cleaner and quieter environment is only one. It would be a grim choice if hopes for improvement in all other directions had to be sacrificed to this one end".

The Treasury recognises, however, that if the claims of the environment are to be met, there will need to be some diversion of resources to those ends. It suggests that this diversion may not be so great as may be commonly imagined — perhaps around 1 to 2 per cent of a country's Gross Domestic Product. "A growing economy", the Paper argues, "can take such a diversion in its stride".

How is the diversion to be accomplished? The Treasury canvasses two possibilities — in one, the polluter pays; in the other, Government through the "public purse". It opts for the former. In other words, the costs involved in maintaining a "clean environment", that is one which satisfies certain established standards,
should be met by the producer. The producer, of course, will be compelled to pass these costs on in his selling prices. Ultimately, then, it is the consumer who pays. The demands of the community for particular products will now be influenced by the new pattern of prices thus established.

The principles involved may be illustrated by the "noise pollution" accompanying the construction of a city building. The anti-growth people might solve the problem by not constructing the building — that is, by jettisoning growth. The alternative is to establish acceptable levels of noise and to impose on the builder the obligation, and thus additional costs of equipment, to ensure that these levels would not be exceeded. This could increase building costs and slow growth as conventionally conceived. But the rate of improvement in welfare would not be slowed: the increased cost of building would be offset by decreased noise.

In future, the cost of community resources such as water, air and landscape will rise. Fresh air and clean water have always been regarded as virtually free and inexhaustible and have therefore been exploited accordingly. The Paper points out the obvious, that "any resource will be grossly over-used if its use is unrestricted and no charge is made for it". In a few years fresh air, clean water and unmarred landscape will be valued as environmental assets owned by the community. If business pollutes these resources, then it must pay, and so the concept of social or environmental costs emerges. These costs may be borne by the producer, in the form of a Government tax or licence fee. But, and this point cannot be stressed enough, the producer will have to pass the costs on to the consumer, so that the consumer must eventually pay. In this way the market price of goods will come to reflect the full costs to society, which will include these relatively new "social" costs.

In effect, the Treasury sees the market place (and not the Government) as the determinant of how much the community is prepared to pay for environmental control. That is, by his own choice in the market the individual shows how much he really cares about pollution and is prepared to pay for its reduction.

The White Paper demonstrates that the problems of pollution will be more susceptible to solution in a growing economy than in a stationary one. "Growing economies", it says, "will accommodate the required diversion of resources more readily than stationary ones". In the former, technology and other resources are expanding. "This expansion enables people — either through their own choice or through decisions made by their governments — to exercise an option to improve their welfare in one of a number of ways".

The Treasury Paper ridicules the notion, which has recently gained increasing credence — that, at the present rate of consumption, the world's reserves of minerals and sources of energy will be exhausted in a few decades. This idea, which was emphasised in the renowned report of the Club of Rome is, as the Treasury points out, derived from a comparison of present known reserves with their prospective rate of use. But known reserves are a very different thing from actual reserves. Additional resources and new substitute resources are certain to be continually revealed by exploration and by new technologies. The notion that known reserves "can provide evidence of impending scarcity of particular minerals is a fallacy of the crudest kind".

The Paper points out that an inventory of the world's resources of iron ore in 1939 would not have included any of the massive reserves of the Pilbara in Western Australia. In so far as these bodies were known to exist, they were not then regarded as economic, and therefore, no doubt, thought to be useless. "The extension of knowledge about the world" says the White Paper "has not only confounded past predictions of resource scarcity but has been in directions which make predictions less and less defensible as time
There has been a great deal of talk recently about an impending "energy crisis". But dramatic advances in technology are continually transforming all our conceptions about potential resources — for instance, what of the future of nuclear power, solar energy or even tidal energy? It is not beyond the bounds of possibility that the traditional fossil fuels as a source of energy will, in due course, become completely out-moded. And even with conventional raw materials the Treasury Paper cites several examples which must discomfort the Doomsday brigade:

— the total natural resources of most metals may be about 1 million times as great as present known reserves;
— if scarcity of resources were a problem then the prices would have risen; in fact, they have decreased as a proportion of total production costs;
— at the current rate of consumption, only 2 per cent of the world's known coal reserves will have been consumed by the year 2000;
— if shale oil can be developed, oil reserves would increase 700 times.

The Treasury Paper deals convincingly with other arguments that have been raised by opponents of economic growth, namely — the production of "useless" things or what is technically known as "conspicuous consumption"; the emphasis on private affluence at the expense of public squalor; the treadmill of the rat-race in quest of higher income and community status; the contrivance of superficial wants through mass advertising.

It would be a pity, however, if the Treasury Paper were to lead to a denigration of the conservationist lobby. The environmentalists may have pushed their views to unrealistic, even untenable extremes, but they have served a valuable purpose in directing public attention at evils which need to be eradicated. It would be a mistake to suppose that the White Paper has dismissed their claims as of no account. What the Treasury has tried to do is to demonstrate how the threat to the environment can be most effectively repelled.

No summary can do justice to this brilliant Paper. Admittedly, the Paper does not make light reading. Sentences have to be studied rather than just read, if their full impact is to be grasped. The authors have clearly been at pains to avoid the slightest looseness of expression and to achieve the maximum degree of precision in the statement of difficult principles or propositions. This they have achieved admirably.

Over the last ten years or so the Treasury has produced a number of White Papers all of which have the hallmark of a quite uncommon economic insight and intuition. This latest essay is no exception. Indeed, in many respects it surpasses its predecessors.