A STRANGE inertia seems to be over the national capital as the storm-clouds gather. Perhaps it has its roots in a feeling of hopelessness, that little can be done to restrain the rapidly rising price movement which is now beginning to look almost out of control. The inertia seems most pronounced where one should least expect to find it, namely in the Government itself: particularly as every quarterly mark-up in the Consumer Price Index must be bringing it closer to the unpleasant prospect of electoral defeat.

True, the December rise of 3.6 per cent seemed to produce a flutter in the Government dovecots. Sweeping tariff cuts in the electrical appliance industry were announced a day or so after the publication of the dismal tidings. Also, the Government seems to have been encouraged to proceed with its intention to disinter the quarterly cost of living adjustments. (After a period of 20 years one would have been justified in thinking that they were dead and safely buried for good and all.) But there is, as yet, no sign of any convincing, coherent policy to deal with a situation which has now become full of menace. Rather, the Government is persisting in hitting in desperation at the inflationary monster with any stick to hand in the faint hope that it will turn tail and retreat.

Unfortunately, the cost of living proposal that the Commonwealth Government put to the Commonwealth Arbitration Commission seems certain to anger and inflame the beast rather than subdue it. "Those whom the Gods wish to destroy, they first make mad". The Gods must harbour a particular antipathy for the Government, for the restoration of price-wage adjustments — wage indexation as it is now picturesquely called — surely smacks of economic lunacy. The Commission, however, may save the Government from itself by rejecting such an unwise proposition.

Unless the Government has a change of heart, and acts in the next few weeks
with decision and courage, there seems a strong probability that inflation will continue at a rapid rate, with little or no abatement, throughout 1974. Experience shows that once prices are rising very steeply — and prices are now moving up on a sharper incline in Australia than practically any other Western country — they acquire a strong self-perpetuating momentum. With the unit of currency purchasing less every day, everyone, not excluding Parliamentarians, naturally want more units. In addition, more and more people join the ranks of the worldly-wise who realised earlier on that there is no sense in holding an asset which is shedding value at an alarming rate. Thus, an increasing proportion of the community begin turning their money into durable goods and property. People buy things now which they hadn't intended to purchase for another 12 months or 2 years (because they will be dearer) or perhaps not at all. Businesses push ahead with construction and capital projects now, knowing that they will cost a great deal more if delayed till next year. Demand soars and shortages appear at the precise time when they cause the most embarrassment. Rapid inflation thus exacerbates both the cost-push (income increases) and the demand-pull forces which are the immediate causes of all inflations. Thus inflation feeds on itself.

All sections of the community, however, are not in a position to turn money into goods. Some must remain liquid in order to live from day to day; they have little or no surplus to build defences against rising prices. This is true especially of the bulk of the million or more people in retirement. Inflation pushes them to the wall and nobody but themselves seems to give a damn. (Many who lived on their own savings become partially or fully dependent on social welfare funds at further cost to the community.)

Australia is now in the inflation zone of extreme danger. Throughout the community there is a growing feeling of insecurity, confidence is declining and an element of acute alarm, akin to fear, is beginning to appear. This situation has in it the seeds of political, economic and social crisis. Indeed, should inflation fail to slow perceptibly fairly soon, certainly by the latter half of the year, the storm clouds now gathering ominously could burst in a deluge which would overwhelm the Government. It seems incredible that the Government is, at present, apparently blissfully unaware of this mounting threat to its survival.

The Australian people have been extraordinarily patient and long-suffering in face of the futile efforts of the Commonwealth Government — the previous as well as the present administration — to contain inflation. But in recent months there has been an ominous change in the public mood. The people are no longer in the state of mind to tolerate political dissimulation, or lack of frankness and courage. They have had their fill of the plethora of words about inflation poured out by this and the preceding Government. They are not sympathetic toward protestations from Canberra that inflation is mainly due to outside influences beyond the Government's jurisdiction. Nor are they greatly interested in the counter-inflationary measures in which the Government takes such pride. They are now concerned only with results and will not be appeased until they see inflation cut back to a tolerable pace.

In short, the people are demanding leadership from the Government and they are shrewd enough to be able to distinguish real leadership from pretences such
as the income-prices Referendum. In spite of the signs writ large in the opinion polls, the Government has not yet caught up with this profound change in the public mood.

When confronted with a national crisis democracies have shown themselves to be not incapable of sacrifice and self-discipline. But the people must know what is expected of them and they must have confidence that their Government is honestly doing its best to cope with the situation. Our belief is that the people are ready to play their part in the fight against inflation and will respond to courageous, imaginative, self-denying action by the Government.

But what is courageous, imaginative self-denying action?

The Government should start by discarding the conventional thinking about the method of approach to the modern disease of chronic inflation. In the main, the treatment consists in applying restraints through the monetary and fiscal channels, supplemented from time to time by direct control over prices and incomes. Experience surely shows by now that this has failed in every developed country.

No doubt monetary, fiscal and other measures have helped to reduce the rate of inflation below what it would otherwise have been. But this is small cause for satisfaction when inflation continues to accelerate — as it has done in most countries in the last six or seven years — and is now racing merrily along at a bat close to, or in excess of, 10 per cent a year.

There is, perhaps naturally enough, a deeply ingrained belief on the part of Governments and experts that there is no other means of tackling inflation than through monetary and budgetary policies and direct controls over incomes and prices. (If inflation does not yield to these measures, then what is left to do but bow before it and resign oneself to the inevitable?) This is the conventional wisdom, but the situation to which it is applied is no longer conventional.

The reason for the failure of orthodox counter-inflationary policies seems to lie in the fact that we are asking them to do the impossible. Today's world is not the world of the 1930's or even of the 1950's, when the enforced reduction of lending by the financial institutions, higher interest rates, increased taxes and the moderation of public spending had a noticeable impact on the level of economic activity and of prices. Today, the effectiveness of the conventional weapons is largely nullified by reason of the fact that a new set of inflexible economic, social and political attitudes makes it impossible for them to do their job effectively.Politicians, economists, the media, and the people generally have come implicitly to accept certain parameters, unalterable premises, as governing our economic and social policies. The parameters virtually guarantee the continuation of inflation. Unless they can be changed, then inflation may be destined to be an endemic part of the economies of the advanced Western democracies.

What are these parameters?

Five can be easily distinguished:

(1) Employment policies of “more jobs than job-seekers”.

(2) The massive, and always increasing, spending by governments on education, health, social welfare, public transport, urban and pollution problems and other services under pressure from the community, but for which the community is not prepared to release the necessary resources.

(3) The universal expectation of large
yearly improvements in personal living standards.

(4) The goal of maximum immigration at any price.

(5) The accepted idea that the responsibility for curbing inflation is solely that of Government, and has nothing to do with the people.

These parameters, these in-built attitudes, constitute the political, social and economic framework into which the conventional fiscal, monetary, and other anti-inflationary measures must fit. In such an environment the measures are doomed to fail. Instead of being in charge of the situation they become, in effect, the servants of the parameters. They cannot dare alter them — at least not to any material degree. But the parameters themselves make it certain that inflation will continue virtually untrammeled.

If inflation is to be defeated, the parameters must be altered. But can they be? Let us look at them more closely.

(1) It is contended that the people will not settle for anything less than a statistical 1 to 1.5 per cent unemployment. But is this really so?

Current community attitudes toward the level of employment are largely a product of the continuing and inexplicable neglect of governments and of the media to explain the facts behind the figures. A fraction of a per cent increase in unemployment leads the media to cry woe and to damn the government supposedly responsible. Neither the government nor the media have bothered to show that a 2 per cent unemployment figure does not mean that around 100,000 people are suffering serious hardship because of their inability to find work. No government and no newspaper has explained that the unemployed are a changing group of people and that a large proportion are out of work often for less than one or two months. Nor has it been pointed out that some one-fifth of those unemployed are, for a variety of reasons, near unemployable. Nor that approximately another fifth are people changing jobs and are unemployable of their own volition. Full and proper interpretation of the unemployment statistics would almost certainly bring about a change in community and government attitudes towards employment policy.

An alarming fact about the unemployment statistics was recently revealed in two articles by economist Peter Samuel in "The Bulletin". ("The Bulletin", 12th and 19th January.) In these articles, based on official investigations, Samuel has suggested that well over half of those registered with the Commonwealth Employment Service are not, in fact, genuine cases of unemployment. He deduces that a large proportion of those receiving unemployment benefits are not entitled to them. These revelations, if widely known, would surely lead to a radical change in government and community attitudes towards unemployment (as measured by official statistics).

If it were widely known that genuine workers have been paying tens of millions of dollars in taxation for benefits to people not entitled to them, community attitudes towards unemployment (as measured by official statistics) would surely alter dramatically.

Another important point which should be made clear to the public is that the hardships being imposed on unprotected sections of the community by inflation, greatly outweigh any disability incurred by a small number of people genuinely unemployed. Those who are honestly seeking work and unable to find it should, however, be protected by the community.
These matters have apparently been regarded by politicians and the media as too hot to handle. A little courage and a greater effort to discover and disclose the truth on the part of both may be all that is needed to bring about a salutary change in current thinking.

(2) A second parameter guaranteeing the continuation of inflation is the tremendous, almost irresistible, pressures — often from groups with vested interests — on governments to remedy deficiencies in services such as education, health, social welfare, public transport, urban problems and the rest. This results in a level of public expenditure far above what the community is prepared to pay for.

Here again there is a breakdown in communication between government and the community. Governments have not attempted to explain to the people that to spend more on schools may mean less for roads, railways, hospitals or something else. Nor have they endeavoured to explain that everything governments spend must come out of the people's pockets — in other words if governments spend more, people will be left with less to spend on their everyday personal needs. Governments are leaving the impression that deficiencies in community facilities can be rapidly rectified without any noticeable impact on personal living standards.

(3) What of the widespread notion that everyone is entitled to a substantial improvement in living standards every year? This has been called "the society of rising expectations". Expectations are rising so fast at present, that they are far outstripping the capacity of the economy to meet them. Inflation is the inevitable result. It is not so long ago when most people would have accepted a 3 or 4 per cent increase in their annual incomes as fairly satisfactory. The modern fashion among an increasing part of the community is to think in terms of 10 or 15 per cent, or even more, although production per head is growing at only about 3 per cent. People are not interested in finding out where the other 7 to 12 per cent is to come from, nor do Government spokesmen pose this question.

The present widely excessive demands are largely attributable to the fear by each section of the community — politicians included — that they will get left behind in the race unless they stake their claims high: that they will be the "suckers".

It is also now assumed that in any adjustment of wages or salaries, everyone is entitled to be fully compensated for the rise in living costs in the preceding 12 months. If prices rise 10 per cent then wages or salaries must rise 10 per cent plus. But previous increases must have been too high, otherwise prices would not have risen by such a large amount. The subsequent inflation is the means by which the level of real incomes is restored to what the economy can afford.

(4) A reduction in the migrant intake has come to be regarded as almost a fall from grace. The general aim seems to be to bring in the maximum number of migrants in blatant heedlessness of the economic and social pressures which this imposes.

One of these pressures is inflation. It is all done in the sacred name of economic growth, but the kind of growth which cannot be had without inflation is surely not the sort of growth the community
The Gathering Storm (continued)

really wants. Today, the urge to maintain a huge immigration programme is probably much stronger among politicians, and certain sections of business, than among the people themselves. The idea that when there are "more jobs than people" (i.e. inflation) the remedy is to be found in importing workers is an economic fallacy. Of course, bring in some specially qualified people, but do not encourage the non-specialist flow too.

(5) The idea that the responsibility for curbing inflation belongs to Government alone (in Australia, to the Federal Government alone) and that no special contribution is required from State Governments, Municipal Authorities and, above all, the people themselves is one that governments have done nothing to dispel. They might acquire a little humility.

Governments should be prepared to tell the community that they are quite powerless to slow or stop inflation unless the community joins in the fight. Of course, they will need to tell the people precisely what they (the people) must do, the responsibilities they must accept and the disciplines they must impose on themselves if the battle against inflation is to succeed.

A government that is serious about hobbling inflation must set about changing the in-built expectations and presumptions of today's society. We believe they can be changed. But courageous, intelligent leadership of the highest order, the kind of leadership that no Australian Government has displayed in recent times, will be required.

The stakes are high because the stability of our Australian society is at issue. But the opportunity for inspired leadership is correspondingly great. The government that grasps it will merit the respect and, more, the admiration of a grateful people.

### CONSUMER PRICES

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The A.I.D.C.—A Financial Octopus

The proposed changes in the Australian Industry Development Corporation could, conceivably, present the most serious threat to the private business sector since the abortive attempt of the Chifley Government to nationalize the trading banks in 1947. But, whereas the latter was an impulsive decision made by an angry Prime Minister, the “new” A.I.D.C. is clearly the product of much calculated planning over a long period.

Since there is no clear financial need for the establishment of such a Heath Robinson monstrosity — for that is what it is — one must conclude that the Australian Government views it as an instrument for translating Labor ideology into practice by enlarging the area of government control over the economy. Even that, however, might not, for many people, be a decisive argument against its formation. What should be conclusive is that the central purpose of the A.I.D.C. (that of severely limiting the inflow of overseas risk capital and “buying back” existing foreign ownership) runs counter to the best interests of the Australian people. Notwithstanding the current wave of economic nationalism, it is as simple as that.

There was never much of a case for forming the A.I.D.C. in the first place. There is no case at all for the extensions now proposed. The existing A.I.D.C., facetiously known at the time of its formation as the “McEwan Bank”, had a strictly limited function. The purpose was to obtain the full benefits of overseas capital whilst preserving ownership and control in Australian hands — a purpose which many would believe to contain an inherent contradiction.

The new A.I.D.C. is a different species of animal altogether. Apart from its emphasis on the primacy of Australian ownership, about the only resemblance it bears to the present organization is its name. The Bills now before Parliament — the A.I.D.C. and the National Investment Fund Bills — transform the character and immensely enlarge the powers and purposes of the organization. The present A.I.D.C. is, comparatively speaking, a financial midget. Up till June last year, its investments totalled only $115 m.; overseas borrowings amounted to $29 m. and local to only $13 m.

The limitations on the operations of the existing A.I.D.C. were clearly designed to prevent it from encroaching on the territory of the private financial institutions. Its activities are restricted to the mining and manufacturing fields. These are now expanded to include transport, distribution, the development and use of natural resources and any related activities. In other words, they virtually embrace the entire economy. The present A.I.D.C. must raise its moneys principally by borrowing overseas; local borrowings must receive the insignia of approval of the Reserve Bank. The new Bills give the A.I.D.C. virtually unlimited access to private sources of
domestic capital, and enable it to raise money by every conceivable means from the issue of shares and special fixed interest “bonds” to debentures and commercial bills.

Under the present legislation, the A.I.D.C. is precluded from managing or controlling any company for which it provides financial sustenance. If it holds an equity, it must divest itself of such holdings as soon as practicable. It cannot initiate an investment proposal; it can only provide assistance when requested to do so.

All these restrictions are swept away by the new Bills. Indeed a major function of the new A.I.D.C. is not merely to furnish finance for Australian companies, but to engage or participate not only in enterprises of a developmental nature but in operations of any kind whatsoever. In other words, the new institution is to be financier, investor and entrepreneur — a top-heavy vessel, unlikely to prove seaworthy. To carry out all these functions efficiently, the proposed A.I.D.C. would need an army of financial and managerial wizards.

The new institution appears to have virtually no boundaries to its activities. It could, in fact, develop into a gargantuan financial and business octopus with tentacles stretching into every nook and cranny of the Australian economy. As well as providing finance for a new iron ore venture, it could launch and operate a nationalized project such as a thousand million dollar pipeline grid; or even another plant to manufacture motor vehicles. Incredible as it may seem the last-mentioned has been canvassed in Government circles.

Thus it would be wrong to think that the two Bills provide for a logical or natural development of the functions of the present A.I.D.C. What they really do is pull down the present modest structures and replace it by a huge, ill-balanced colossus.

This new development, shocking as it may appear to many, should not have come altogether as a surprise. The birth of the “McEwan Bank” — conceived in sin as some people thought — was perhaps the one thing done by the Liberal-Country Party Coalition which was greeted gleefully by the then Labor Opposition. In his Address-in-Reply Speech in 1970, Mr. Whitlam said, “Under a Labor Government, the Industry Development Corporation will be used for democratic socialist purposes and the Act which establishes this Corporation will be amended to secure those purposes.” The Liberal Government could hardly claim that it was not warned. The chickens have come home to roost with a vengeance.

The A.I.D.C. and the National Investment Fund Bills together mean that virtually all available avenues of domestic savings — in addition to its overseas borrowings — can be drawn upon to provide financial fodder for the new monster. The institution would be able to obtain domestic borrowings through normal money market channels, as well as raise equity capital. It can also issue securities on its own account to be credited to a National Investment Fund. And, as well as private savings the new institution will have access to public moneys through Revenue and Loan Appropriations for so-called “national interest” projects.

All this might be less questionable if the proposed Corporation had to compete for its funds on a fair and equal
basis with the existing financial institutions. Unfortunately this may not be so. In evidence before the Senate Committee, Sir Alan Westerman, Executive Chairman of the A.I.D.C., said that there had never been any thought of compulsory acquisition, but then left in the air the hotly disputed question of the appropriation of 10 per cent of the funds of the Life Companies. He did not mention that the proposed $1,200 deduction for moneys contributed to the A.I.D.C. would place the organization in a highly favoured position compared with all other financial institutions except the Life Offices. A further special inducement to invest in the A.I.D.C. is that for every $100 subscribed, the Government is proposing to add an extra $10. This means, in effect, that the investor of $100 in A.I.D.C. would receive a return based on $110. The A.I.D.C. could be favoured still further by the suggestion of freedom from the onus of Stamp Duty, both State and Federal.

The evidence of Sir Alan Westerman before the Senate Committee was clearly designed to allay fears (in business circles at least) of any threat to the existing financial institutions from the operations of the restructured A.I.D.C. He said that the proposed A.I.D.C. would extract from the domestic capital market no more than a few hundred million dollars a year, and compared this with the total assets of the Life Companies ($7,000 m.) and the Building Societies ($3,000 m.). The comparison, of course, is not valid. It should have been made with the total yearly net addition to funds of the Life Companies (in 1970/71, $632 m.) and the annual addition to Building Society funds (in 1970/71, $386 m.). Sir Alan conceded, however, that the assets of the A.I.D.C. would build up in time. They certainly would. An annual addition to A.I.D.C. funds, of, say, three, four or five hundred million dollars would mean that in a couple of decades, the A.I.D.C. would approach the present size of all the Life Companies combined — not insignificant, and not bad for a 20-year old infant.

Spokesmen for the A.I.D.C. have also suggested that a few hundred million dollars is insignificant against total savings of around $10,000 million. But most of this figure is made up of compulsory savings through taxation and charges in the public sector, undistributed income of companies, depreciation and overseas capital inflow and is thus, virtually unavailable. Private domestic savings — the only readily available pool — amounted in 1971/72 to $3,000 million. From what Sir Alan Westerman has said, close to one-sixth of these savings could be channelled into the A.I.D.C.

While representatives of the Government, and the Executive Chairman of the A.I.D.C. have “played down” the magnitude of the role envisaged for the new institution, the nature of the legislation must surely suggest that they have in mind a quite dominant position for it in the Australian financial and industrial structure. If the Bills were passed in their present form, the re-designed A.I.D.C. could do virtually anything from starting up and running a company on its own account to the organization of superannuation funds.

The proposed “Divisions” of the National Investment Fund also carry the rather arrogant implication that the A.I.D.C. will possess a financial acumen denied to existing custodians of the people’s savings. There would be a Division, for instance, to provide a convenient means of keeping the savings of ordinary people in step with inflation.
Another Division will be designed for young people wanting "capital growth". (It is not clear why this understandable ambition should be the prerogative of the young.) If the A.I.D.C. could manage to achieve these and similar objectives, it would certainly not want for support. Everyone would be jostling to get aboard the financial bank-wagon. There would be a wholesale transference of savings from existing institutions to the tender care of the financial geniuses of the A.I.D.C.

A central underlying concept of the Bills is that Australian savings are not at present being used to the best national advantage. The Life Companies, for instance, have come under strong criticism from representatives of the Government for putting millions of dollars into high-rise city office buildings instead of into national resource projects. (The Companies have replied by pointing out that over $500 million of their funds have been invested in the development of Australian resources.) A major purpose of the Bills is thus to divert domestic savings, and consequently decisions as to their use, away from the private financial institutions, into the A.I.D.C. The assumption is that investment funds would be applied more in the national interest by government bureaucrats operating in an unfamiliar field than by organizations with an experience that goes back, in some cases, over a hundred years.

This has a strongly socialist ring. Outside of essential community and defence services, we are on dangerous ground once we abandon the strictly financial criteria for determining the pattern of investment. The Life Companies, to take an example, must surely be guided by the paramount need to obtain the best possible financial return on their investments, consistent with providing the maximum security for the moneys entrusted to them. At least the millions of people who have put their savings into life insurance would surely think so.

Whatever may be the current feeling among the Australian people on foreign capital (and the tide is at present flowing strongly in the direction of economic nationalism) it is, nevertheless, true that if the policy of restricting overseas investment is pushed too hard, the consequences could be quite serious, and, in the long term, even disastrous for this country. Development would be seriously inhibited and the standard of living of the ordinary Australian, which after all should be the central consideration, would be much lower than it could have been. We can satisfy our desire for Australian economic autonomy if we wish, but only at considerable sacrifice.

All this was brought out quite clearly in the 1972 Report on Overseas Investment of the Australian Treasury. This remains the only authoritative, comprehensive investigation of the economics of overseas capital. It is quite incredible that the Report has had apparently so little impact on subsequent events and on thinking in some circles in Government and Business and also in the Media. The great drama of development of the last 10 years — which has transformed the Australian economy and enlarged incalculably its future prospects — is quite largely attributable to foreign venture capital, enterprise, technology and sophisticated managerial know-how. Now, for some perverse reason, we seem about to cut ourselves off from these estimable benefits. Overseas investors are hardly likely to queue up for the privilege of putting money at the disposal of the
A.I.D.C. when they can have little or no say in how it is used.

The explicit ‘raison d’etre’ of the A.I.D.C. is based on a false economic premise which, nevertheless, seems to be gaining increasing credence. In particular, the concept of “buying back the farm”, made so much of by the Minister for Overseas Trade and Sir Alan Westerman, is palpably absurd. It cannot be done except at enormous cost. Probably it cannot be done at all; for a persistent policy of “buy back” could mean that Australia would have to become a net exporter of capital.

There are several huge projects for Western Australia at present in the wind, which between them might require capital funds of some $3,000 million. A major part of this money would have to come from overseas sources. Are we to forgo such developments in order to conform with policies of “buy back” and of limiting overseas participation?

The function of transmuting foreign into Australian ownership is likely to loom less and less large in the operations of the A.I.D.C. as time goes on — partly because “buying back” on any scale will prove to be impractical, and partly because we will discover, through painful experience, that economic nationalism is a luxury in which Australia simply cannot afford to indulge. If the Bills are passed, the A.I.D.C. would, thus, very probably become increasingly involved with what we believe to be their real intended purpose: namely the large-scale diversion of domestic savings from the control of private enterprise to the control of government, and thus the expansion of government in the economy.
International Comparisons
Beware of Limitations

PeoPle often wish to compare their way of life, living standards, and social conditions with those of other countries. It may be a businessman flying into a strange city, a statistician attempting to pinpoint national strengths and weaknesses, a student told to find out something about a country he knows little of, a tourist trying to avoid making a fool of himself, or even a sophisticated world citizen seeking the country that best offers his idea of the "good life".

One aggregate measure or even a number of individual measures cannot, of course, accurately determine the "well-being" of a community. There is no way that a money measurement can be placed on some of the more pleasant things in life a particular country may offer. For example, the profusion of matchless beaches in Australia, the unequalled opportunities for sporting and outdoor recreations, the unique attractions of the Australian bush are intangibles that defy branding with a dollar value.

Statistical indicators are useful, but their limitations are considerable and should always be borne in mind.

International comparisons of standards of living usually take Gross Domestic Product per person as a starting point. G.D.P. can loosely be described as the mark-up value of the amount of goods and services coming onto the market. This measurement usually shows Australia well placed. Figures released recently by the O.E.C.D. are no exception.

Income is distributed among the people. Nor do they take into account the quality or type of goods and services available for purchase. Even so, the figures have importance as a general indicator.

The absolute size of an economy, as measured by the G.D.P., is also widely used to assess the location of economic strength or power. In this respect Australia is still in a very minor league compared with the larger countries.

1971 PER CAPITA INCOME
(Converted into $US at Current Exchange Rates)

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<tr>
<td>Australia</td>
<td>3,170</td>
</tr>
<tr>
<td>Japan</td>
<td>2,150</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>2,430</td>
</tr>
</tbody>
</table>


If we examine the rates at which various economies are growing, we find the following: (see table page 13).* These figures may be taken as a rough comparison of economic progress, but do
not compare improvements in human well-being. A country such as Japan which achieves a high growth rate may do so at the expense of the intangibles, for example, pollution, congestion and environmental degradation, that are difficult or impossible to measure. Even the figures themselves do not provide an accurate indication of comparative economic efficiency. The starting point selected in this example gives a war-ravaged country such as Japan an "advantage". However, from the figures shown, Australia does fare quite well compared with the U.K. and the U.S.A. but poorly compared with Japan.

It is easy to see why Japan always looms large in discussions of the future centres of economic power. If anything like these rates were continued in the future, Japan would "overtake" the United States in G.D.P. per capita by 1978.*

On the other hand, on the basis of present growth rates, by 1985 the United Kingdom would be near the bottom of the economic ladder in the European Economic Community — ahead of only Italy in terms of per capita income.

Other sets of published figures show that the effect of the U.S. dollar devaluations has been to depose the United States from the top spot on the ladder, behind Sweden and West Germany. If and as the dollar recovers, the United States will return to the more realistic position. This illustrates that international statistical comparisons should generally be treated with reservation. It must be stressed that the measurements of G.D.P. itself, of G.D.P. per head at constant prices, or the rate of growth, give only very general and imprecise indications of economic progress in different countries.

Many people have, in fact, reacted against G.D.P. because it was not as accurate as they were first led to believe, or because it did not place a market value on so many intangible items that they themselves hold dear. "How can it" they ask, "be a measure of economic growth or standards of living, when it has such obvious limitations?"

This confusion about the purpose or role of G.D.P. has arisen because people expect too much from a mere statistical aggregate. G.D.P. is defined in the Australian National Accounts in terminology that takes a professional economist or statistician to understand.*

Anyone who studies the Australian National Accounts and has read the Statistician's "ifs, buts and maybes" will quickly realize that G.D.P. has serious limitations. For example, many Government services are not sold and so do not come onto the market. They are therefore valued at their cost — the wages paid. Again, there is no attempt to include the contribution of housewives — a notable omission in this age of women's liberation.

In Australia, such have been the misconceptions that have arisen about G.D.P., that economists have been forced to protect their flanks from attacks by environmentalists, scientists and others who claim that G.D.P. is the economists' God. These critics have set

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*A "Japan's Revenge" by Hakan Hedberg.

<table>
<thead>
<tr>
<th></th>
<th>Percentage Increase in G.D.P.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>9.8</td>
</tr>
<tr>
<td>Australia</td>
<td>4.7</td>
</tr>
<tr>
<td>Canada</td>
<td>4.5</td>
</tr>
<tr>
<td>United States</td>
<td>3.7</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>2.8</td>
</tr>
</tbody>
</table>

International Comparisons (continued)

about to destroy the false God and there-
fore, they no doubt hope, the prophets
and their arguments. However, even at
the height of its popularity, the limita-
tions of G.D.P. as a measurement of
growth was recognized by economists.
The Treasury White Paper on Economic
Growth (published 1973) has this to
say: "... the measures of trends in
the market value of output ... cannot
be taken as a comprehensive and un-
ambiguous measure of change in total
welfare." Because some people may
think that this reflects a turnabout from
previous views, it should be pointed out
that this statement was in support of a
1965 Treasury Paper which said, "... like all tools of trade, estimates of G.D.P.
are meant for a particular job and they
do it as well as can be expected. Diffi-
culties arise only where they are used for
jobs for which they are less well suited." A job for which G.D.P. is not particu-
larly well suited is as the sole measure-
ment of economic growth.

There have been other measures to
determine the economic pecking order of
countries. A year or two ago, "The
Economist" (London) computed an in-
teresting social index that included
diverse measurements such as the pro-
portion of dwellings with baths, deaths
from road accidents, murders, divorces,
and about 10 others. With these
measurements Australia fared very well!
The end result of these calculations is
still only a very generalized indicator of
comparative well-being.

Because of the lack of any comprehen-
sive measure of economic growth, Pro-
fessor Samuelson, the eminent American
economist, has advocated a Net Economic
Welfare indicator. This would presum-
ably include, for example, some of the
measurements included by "The Econo-
mist", as well as the traditional economic
indicators, and others which will be men-
tioned below. The net figure would be
derived by deducting from the total a
figure for, say, high pollution or ruined
environment.

Whether or not some all-encompassing
super-statistic which will measure the true
"well-being" of a community will ever
be produced is doubtful. At the moment,
people who wish to make international
comparisons must thus choose from a
wide range of statistics. One of the most
valuable is the amount of time needed
at work to buy everyday goods.*

Some of the following measures are
less immediately relevant to the average
citizen but can nevertheless be important
for general comparisons.

One is the contribution of agricultural,
secondary and tertiary industries to
G.D.P. Agriculture, which has always
been important to Australia, makes up
about 8 per cent in the United States, 7
per cent in Japan and 30 per cent in
Turkey. It is the strength and growth of
the agricultural and secondary sectors of
the economy that increases the options
available to the community, not least of
which is an expansion of the "tertiary"
or service sector.

The United States derives 64 per cent
of its total production from this tertiary
sector, Germany 44 per cent, and Aus-
tralia 50 per cent. The table on page 15
shows some comparisons.

Another comparison based on similar
lines is the percentage of the work force
involved in these three broad sectors of
economic activity (see page 15).

A surprise in this table is that more
than 17 per cent of Japan's work force
is engaged in agriculture — double Aus-
tralia's figure. The two extremes are the
United Kingdom with 2.9 per cent and

*See "Prices and Earnings around the Globe", 1974. Published by the Union Bank of
Switzerland.
Turkey with 71.5 per cent. The two agriculture columns show that 8 per cent of Australia's work force contributes about 8 per cent of total production. For Japan 17 per cent of the work force contributes only 6.5 per cent of production; and for Turkey 72 per cent of the work force produces 30 per cent of production.

The level of dependence on trade with other countries is also of interest. Australia relies heavily on international trade, especially for the agricultural sector; exports of wool, beef and other primary products continue to dominate our trade statistics. The table below shows the reliance of some countries on international trade.

Most of the E.E.C. countries derive more than 20 per cent of their G.D.P. from international trade. While the percentage figures of trade/G.D.P. for the United States and Japan are very low at 5.9 per cent and 10.7 per cent respectively, this is because of the huge size of their economies. The United States is, in fact, the world leader in international trade with nearly $40 billion entering the world markets, nearly ten times the Australian figure.
Another indicator on the external side of our economy is the level of our international reserves. During 1973, in terms of imports, Australia had the largest reserves in the world. Although flattering, this was not necessarily a good thing as it meant we were not buying imports that could have increased our standard of living.

Some of the more novel measures of standards of living also show Australia in a good light. See table below:

However, such measures as the number of cars and T.V. sets can be misleading. For example, the number of cars takes no account of the miles of sealed roads, the traffic jams and the pollution. The T.V. indicator takes no account of the standard of programmes presented. The high animal protein figure may mean we are becoming fat and prone to heart attacks. The number of doctors per 1,000 persons ignores the standard of medical services or the fees charged.

Population figures can also provide interesting comparisons. Australia has only a tiny population compared with other nations and, statistically, is one of the least densely populated countries in the world.

One of the most noted aspects of Australia's population is its large-scale immigration programme, which, however, is not unique. Most developed countries seek workers, especially those

<table>
<thead>
<tr>
<th>Animal Protein grams/person/ day</th>
<th>Doctors per '000</th>
<th>Electricity Net Consumption Kwt/head/year</th>
<th>Telephones per '000</th>
<th>Cars per '000</th>
<th>T.V. per '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>69</td>
<td>1.18</td>
<td>4224</td>
<td>312</td>
<td>311</td>
</tr>
<tr>
<td>Germany</td>
<td>57</td>
<td>1.54</td>
<td>3797</td>
<td>225</td>
<td>219</td>
</tr>
<tr>
<td>Japan</td>
<td>29</td>
<td>1.12</td>
<td>3330</td>
<td>251</td>
<td>85</td>
</tr>
<tr>
<td>Sweden</td>
<td>57</td>
<td>1.24</td>
<td>7396</td>
<td>537</td>
<td>284</td>
</tr>
<tr>
<td>Turkey</td>
<td>?</td>
<td>0.36</td>
<td>231</td>
<td>16</td>
<td>4</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>56</td>
<td>1.18</td>
<td>3944</td>
<td>267</td>
<td>209</td>
</tr>
<tr>
<td>United States</td>
<td>73</td>
<td>1.65</td>
<td>7661</td>
<td>587</td>
<td>434</td>
</tr>
</tbody>
</table>

Source: O.E.C.D. Observer, April '73.
with skills, for their labour force. However, the impact of 85,000 migrants a year on an economy and work force the size of Australia’s, is as great, or even greater than that of the half million immigrants going to West Germany.

Despite the fact that Australia has a statistically low population per square kilometer, as most Australians live in urban areas we share with other countries the problems of the big cities. Australia is, in fact, the most highly urbanized country in the world. Research by the Department of Urban and Regional Development shows that migrants are the main cause of increased urbanization in Australia.

The consequence of this overpopulation in the cities, in terms of the standards of public transport, roads, sewerage, etc., are all too apparent.

There are other indicators which do not show Australia in a flattering light. For example, in 1971, only two countries in the world exceeded Australia in the number of man-hours lost in strikes. The productivity of Australia is embarrassingly low. The level of alcoholism and drug dependence in the community, even by international standards, is high. The amount Australian industry devotes to research and development is small compared with other industrialized countries.

Evidence of some dissatisfaction is that 55,000 people permanently left Australia in 1972. There may be no better indicator of our world standing.

On the whole, statistics suggest that Australia compares favourably with other countries. But perhaps it’s worth bearing in mind that we have also been favoured by the intangible of “good luck” more than most countries.

### URBAN POPULATION: PERCENTAGE OF TOTAL

<table>
<thead>
<tr>
<th>Country</th>
<th>1950</th>
<th>1970</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>72</td>
<td>88</td>
</tr>
<tr>
<td>Japan</td>
<td>37</td>
<td>84</td>
</tr>
<tr>
<td>Germany</td>
<td>72</td>
<td>82</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>78</td>
<td>80</td>
</tr>
<tr>
<td>United States</td>
<td>64</td>
<td>75</td>
</tr>
<tr>
<td>Canada</td>
<td>61</td>
<td>74</td>
</tr>
<tr>
<td>Turkey</td>
<td>22</td>
<td>31</td>
</tr>
<tr>
<td>Sweden</td>
<td>55</td>
<td>66</td>
</tr>
</tbody>
</table>

Source: O.E.C.D. Observer, April '73.
Australia in the Energy Crisis

by

DR. LEWIS G. WEEKS

Dr. Weeks is a world figure in oil exploration in which he has spent more than 50 years of his life. As a consultant to the Broken Hill Proprietary Company, he played a major role in the discovery of the Bass Strait fields.

From 1935 to 1958, he was the Chief Geologist of Standard Oil (N.J.). Since 1958 he has been a consultant to governments and companies throughout the world.

He is now Chairman of Weeks Natural Resources Limited, a company incorporated in 1971 with exploration interests in a number of high potential oil properties.

The effects on individual nations of the current worldwide petroleum energy trauma, commonly referred to as a crisis, vary at present from critical to inconvenient. Far more important to any nation and its people are the crucial effects that are certain to accrue, not tomorrow but over the years and decades ahead, depending on the steps taken, or not taken, to meet them. Too often, popular confusion and misunderstanding are aggravated by equal confusion or misrepresentation of political self-interest origin.

The following will give a quick perspective of the world energy situation. Over half of all the coal produced in the world to date has been mined since 1940. Half of all of the oil produced has been taken from the earth since 1963.

Europe's petroleum needs have more than quintupled since 1950. While it is predicted that the giant new fields of the North Sea will produce 2 to 3 million bbls. of oil per day by 1980 and perhaps 6 to 7 million bbls./day by 1990 these large local supplies will take care only of the increase in demand in the major North Atlantic countries, and that but temporarily. Over half of Europe's energy supply will still have to come from elsewhere. This situation is also critical in the U.S., and extremely so for Japan.

There has been an energy consumption increase in the U.S. of approximately 100% in the past decade. With but 6% of the world's population, the U.S. uses 36% of the world's petroleum. Oil and gas supplies 76% of U.S. energy needs. Oil today equals in tonnage all other items in international trade. In the
1970's the world will consume more petroleum than in the prior 112 years of the petroleum industry. In Europe and Japan the consumption of energy has been growing at three to five times the rate of population increase!

World oil production has more than doubled in each of the past two decades, to reach 55 million barrels per day in 1973. If it only just doubles in each of the next two decades, a minimum of 2000 billion barrels of new oil must be added to meet the production demands up to 1990 and leave only a very modest reserve. So great is the accelerating demand for energy that we can truly say that the years of the petroleum age are finite, and the years of abundant supply at supportable prices are relatively few. The age of the fossil fuels has been correctly, as well as aptly, described as "but a moment in the total of human history".

Some 60 to 65% of the world's ultimate oil resources will have been produced within the lifetime of individuals now in their twenties. It is significant that, as a result of the accelerating demand and the greatly increased finding efficiency, the time required to find and develop the main crop of fields in newly opened basins has decreased from the one time several decades to a relatively few years, and in most basins the period of all-out production supply is but little longer.

World oil production will probably reach its peak very early in the 21st Century; however, it will not fulfill demand beginning long before that. Indeed, we see a foreshadowing of this shortfall already. After its peak, petroleum will begin a slow decline, lasting for over a hundred years, contributing less and less to the world's energy needs, as the energy gap widens.

As a result of the worldwide exploration explosion of the past 15 years, large new petroleum reserves have been found in several parts of the world. These are the Alaska North Slope and the Canadian Arctic, the North Sea, the West Siberian Lowlands, northern Africa, Nigeria, Persian Gulf, offshore Indonesia, and Australia. While these will provide large additional supplies, they are not adequate to fill the burgeoning needs of the countries most dependent on them. In most cases they will do little more than meet the increase in demand, and that for only a few years.

More and more of the petroleum of the future will be coming from the subsea. Whereas the current proved reserves of the land are nearly 4 times those of the offshore the undiscovered potential resources are more nearly equal.

This brings us to the question of how great are the subsea petroleum resources, how are they distributed, and who owns the petroleum rights out under the deeper waters or areas out from the coast, many of which areas are now becoming of interest for petroleum. The 1958 Geneva Convention, one of several negotiated at United Nations conferences on the Law of the Seas, set up certain rules with respect to subsea resources which were agreed to by many of the world powers. These rules raised more problems than they solved. Anyone who has sat in on a U.N. debate on this matter probably soon realized that there are about as many views as there are member nations. All of the world nations, including the landlocked states, demand a share of the subsea resources.

Early in 1973 the writer received requests from the United Nations for an assessment of the ultimate potential subsea petroleum resources of the world. It was requested that the assessment be
divided between all of the major sea bottom physiographic features and also landward and seaward of each of the four most commonly proposed boundaries between national and international domain and jurisdiction, these being: two hundred meters of water depth, 3000 metres of water depth, 40 miles out from the coast and 200 miles seaward from the coast.*

Quantitative assessments of the potential petroleum resources of all the world’s basins and countries, and for the world as a whole were initiated by the writer in the late 1930’s. The estimates were published three times in the 1940’s and several times since. They were presented at U.N. Headquarters in 1949 when the writer served as a delegate to the U.N. Conference on the Conservation and Utilization of Natural Resources. At that Conference incidentally, and on various occasions since 1949 attention was called to the finite nature of the petroleum age and the inevitability of inadequate supply, a fact that can now be appreciated.

What about competitive energy sources? No other source of energy is readily available to replace petroleum, and none will be in any important degree in at least the next two decades. Petroleum is the most efficient and versatile of all nonhuman energy resources. It is the raw material for hundreds of petrochemical products, from cosmetics to clothing, to plastics and construction materials. It is unique not only by reason of its unexcelled convenience as a fuel and its wide use versatility (being irreplaceable for its major uses), but above all it is unique in respect to cost. If this were not true the world would long ago have concentrated on some one or more of the other energy and raw material sources.

Are there other large potential sources of hydrocarbons? Some additional oil can be obtained from the reservoirs by various means of secondary recovery. Petroleum of a type, a pseudo-petroleum, can be processed from heavy oil sands (such as occur in large quantities in Canada, Venezuela, the U.S. and other places), from oil shales (abundant in the U.S., Brazil, U.S.S.R. and many other countries), and from coal in numerous parts of the world, including Australia.

The world’s heavy oil sands contain on the order of 1.5 trillion barrels of heavy oil. Oil shales of very widely varying degrees of richness carry equal or greater quantities of a pseudo-petroleum, the total depending on how deeply into the vast amount of lower grades of shale man can economically delve. The oil is extracted from the shale by heating. Coal represents even greater quantities of energy in terms of BTU.

Other sources of energy include: water power, tidal and geothermal (internal heat of the earth) energies, solar energy and nuclear power. All of these are inorganic sources, utilizable mainly for industrial power through the medium of electricity, rather than for air and ground transport. All except nuclear power are of relatively small and local potential as compared to petroleum.

The delay in the development of substitute energy sources is due mainly to unsupportable costs, but also to their

*The purpose of the assessment is to serve as a basis for U.N. deliberations on division of ownership of these resources, deliberations that have been proceeding at various European centers and at U.N. Headquarters in New York for some years. In response I set forth my estimates in a comprehensive 25-page document, together with 16 tables, plus maps. A revised version of this document will be presented in March, 1974, to the Southwest Legal Foundation, Dallas, Texas, and published later by Matthew Bender, Publishers, New York.
limited use versatility, making them non-competitive with petroleum in both respects. When oil was selling for U.S. $2.00 a barrel it was commonly predicted that shale oil might begin to be competitive when the price of conventional oil reached U.S. $3.00 a barrel. However, as we have stressed, costs generally have risen very much faster than has the price of crude; yet with the inevitable greater price increases to come, we may be nearing the time when substitute energy sources become competitive. This assumes that any substitute energy source can be developed on a scale adequate to insure for it unit costs that are competitive and economically supportable.

The most likely near future prime energy source supplement to petroleum will probably be nuclear power, first through the perfection of the breeder reactor and then, later on, hopefully, though possibly some decades off, by nuclear fusion. The raw material supplies for fusion are without limit so far as man’s needs are concerned, and it presents no pollution problems. Nuclear fuel will not move motor cars as we know them. Its energy as in the case of that of the sun and other inorganic sources, will be applied mainly in the form of electricity.

Potentially, where does Australia stand in regard to energy? To go back to the beginning — geologically, the Australia continent once formed part of an ancient, approximately six times larger continent. In the course of time this "mother continent" fragmented into several portions and these subsequently drifted apart. The rocks which make up the present Australia have a greater average age than that of the world’s other continents. This means that Australia has somewhat less than most of the other continents of the younger kinds of rock in which over 90% of the world’s oil and gas is reservoired.

Because of the country’s relatively lower average incidence of potential petroleum resources, together with their wide scattering in areas and under conditions of somewhat difficult accessibility, the costs of finding, developing, transport and marketing of the gas and oil will be comparatively high. These facts mean that it is more important than in almost any other major region of the world that the cost be maintained at the lowest possible level.

It is, of course, axiomatic that nothing is a resource unless it can be developed and utilized economically. Anything which operates to discourage endeavour, whether it results from politics or inefficient operations, can only materially reduce the size of the nation’s energy resources; also it will certainly increase the overall cost and reduce the resulting utility or benefit of whatever products reach the market and the people. The history of petroleum operations in a hundred countries worldwide is replete with clear examples of the comparatively inferior results of government directed operations.

For the foregoing and other basic economic reasons, Australia especially needs to give reasonable encouragement to development of her petroleum resources by private industry. Industry, ever resourceful, has a long and proven history of pioneering in the research and engineering development, and in all of the fundamental scientific aspects that are required, hopeful always and generally successful in meeting the marginal situations.

Oil and gas supplies are maintained by tremendous efforts by geologists, who have a long tradition of tried and proven experience in the intricate art of oil finding; and certainly no less important is the judicious use of money on the part
of seasoned and genuinely responsible management.

It can be readily understood why it is difficult for government operations to be truly successful. Some "succeed" as the result of special privileges or through taxes paid in to offset inefficiencies and inadequate understanding of this highly technical industry. Furthermore, government operations do not have to pay out the huge sums annually for taxes. Taxes today take the greater fraction of the income of privately run industry. Moreover, the huge tax revenues that would not be coming from the oil companies could under government operation only be obtained by increasing the taxes of other industries and private businesses, as well as the taxes of individuals. Today, for example, U.S. oil industry taxes total more than two times the combined return to its employees and its stockholders. But, a still greater burden on the people and the nation's economy would be the much higher cost of the oil and gas and the very great number of other products, if developed by the government.

In spite of the immense and constantly rising costs, the petroleum industry's record in maintaining the prices of its products to the public is unparalleled. Few indeed, outside of that industry, have any real appreciation of the costs involved in developing the large number of products supplied by it. Let us look at some. Hundreds of millions of dollars are exacted by governments in huge lease bonuses, plus millions more in annual rentals and taxes. These huge sums must be paid in at the outset just for the right to explore. This tendency of many governments shows no limits.

Scores of millions are spent in exploration for the hidden oil reservoirs. A single exploration well may cost several million dollars, and worldwide offshore drilling has one chance in 35 of finding commercial oil. When a field is found, further scores of millions are spent in development drilling of many other wells. Following this, additional scores of millions are required for the production and oil gathering pipelines, ocean going tankers, stabilization plants, etc. The Alaska pipeline will cost $4 billion. Then 100 to 200 million dollars or more may be spent on a refinery to manufacture the products, and more millions on marketing them. A great many millions are budgeted by companies for their own and other research laboratories. After all this, the citizen can buy a gallon of gas out on some remote highway for but a fraction of what he would pay for the same amount of so-called mineral water, which supposedly came from a spring.

Someone has truly said that "no gratitude emanates from the selfish". Up until two or three years ago the price of a gallon of gasoline in the U.S. was little different from that of 1920, if one subtracted all of the taxes that government has added. These include not only the 30% or more at the pump but also the many hidden taxes that the oil company and others must pay, the cost of which must be added to the price of the gasoline, etc. Nevertheless, in spite of the background, in no country of the world is the normal price of gasoline as low, or in most countries anywhere near as low as in the U.S. The average American can purchase three to four times as much gasoline with one hour's wages as he could 50 years ago. With respect to practically nothing else can the same comparison be made.

To mention one of countless examples, a loaf of bread, one of our principal food items, which the writer can recall had once been selling for decades for four or
five cents, now, due to selfishness-based inflation, costs 8 to 10 times as much. Moreover the loaf of today is less than half the former size, and from the flour used to make it the greater part of the vital nutrients have been removed. Bread to which a minor part of the nutrients are returned is now termed “enriched”. This, sorry to say, is typical of a great host of other “advances” familiar to all.

No industry has contributed more to the security of the nation and the standard of living of its people, while holding down costs to the public, than that of petroleum. Yet none has suffered more misrepresentation and abuse for selfish political gain. Making a blackguard out of greatness and success and its rugged pioneering type of people has been found by politicians in some countries to be most receptive by the voters, particularly by the type of voter to whom struggle and honest endeavour are anathema.

What many people do not realize and what many politicians would never tell them, is that the imposition of more and more controls, taxes, regulations, etc., on the industry only increases the cost to the consumer of all products, and also renders it economically impossible to explore for and develop the high cost, marginal prospects, which incidentally are the only ones left in many areas of the world. It is as simple as that. As the writer is not running for office, he has no reason for not relating some of the economic facts of life he has observed worldwide for more than five decades.

A common politically inspired proposal is that the oil industry, consisting of many tens of thousands of companies, the most truly competitive industry in the world, be broken up both vertically and horizontally into still more companies, each smaller and weaker. It should be patently clear that it is only in strength and adequate flexibility that operations as formidable and complex as those required of the oil industry can be efficiently accomplished. Can anyone really believe that by destroying the primary basis for economy that is provided by financial strength and flexible integration of the various phases of the business — in other words that by removing those basic requirements — the public is going to be supplied more cheaply with the multitude of petroleum products that enter into every phase of our lives? The cost of all products would have to be considerably greater.

The recent worldwide 4 to 7-fold increases in crude and products’ prices, and the certainty of large additional increases, are destined to result in consumer price increases in Australia, because she still has to import 30% of her requirements. Meanwhile, and more important, the very inordinately low price of crude within Australia, along with other factors, can only be discouraging to domestic exploration, thereby placing another unnecessary burden on the nation’s economy. For example, approximately 50% less exploration wells were drilled in Australia in 1973 than in 1972.

One of so many examples worldwide is taken from the writer’s home country. Nineteen years ago, by authorization of the Supreme Court, the Federal Power Commission placed a ceiling on the price of petroleum gas, which already was selling considerably below its intrinsic value. As a result, private and industrial users of energy quickly turned to gas, abandoning other sources, leaving them to wither on the vine. Also, steps in the development of other new potential sources of energy, supplies of which could today be replacing petroleum for a large percentage of the nation’s current energy load, were given up as quite un-
Australia in the Energy Crisis (continued)

As the price of gas continued, over the years, to be fixed by politics rather than economics, the gas producers have had no alternative but to scrap, stack or ship abroad their drilling rigs and other equipment. Meanwhile, more and more of the country's energy reserves have had to be supplied by imports, thereby adding one more unnecessary burden on the economy and the balance of trade.

Australia's proved oil and gas liquids reserve now exceeds 2\(\frac{1}{2}\) billion barrels. Her current oil demand is about 530,000 bbls per day or 195 million bbls annually. Incidentally, at current prices for crude oil, Australia's present oil and gas production is saving the nation over $800 million annually in foreign exchange. On the conservative assumption that her oil consumption doubles every ten years, in line with the recent average for the world, Australia's annual demand for oil will approximate 420 million barrels by 1985. That would be a daily consumption of 1,100,000 barrels. However, if Australia's recent economic trend continues, as it could, the oil demand in 1985 may be more like 1,400,000 bbls per day. This likely level of consumption in 1985 is about four times that of the country's current daily production.

Assuming that her petroleum production can be maintained at its present daily rate and that the import price of oil in 1985 is U.S. $10 a barrel, a most conservative assumption, then Australia's annual cost of oil imports will be about U.S. $4 billion. On the basis of our forecast, Australia will consume nearly 4 billion barrels of oil from now through 1985. To supply all of this from domestic sources and still leave a modest inventory would call for the finding in the country of at least 12 billion barrels of oil over the 12 year period. It is quite certain that the industry needs every encouragement reasonably possible to do its job.

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Inflation is the most pernicious by-product of economic waste. It is born of many forms of greed or selfishness, which themselves have been undergoing accelerating inflation in many places. We see the causes of inflation in wages, salaries and the many forms of services. The least productive services are commonly those created and carried on by governments.

The principal inflation villain is unsupportable costs, costs that are in excess of that which is created. Disciplined fiscal management is paramount — lack of it is too readily paid for by the excess creation of purchasing media by unconscionable debt mortgaging of the future, by taxes, and, in consequence, of course, by inflation, the cruelest tax of all. Insofar as high costs are not matched by productivity, or do not create real value substantially greater than the cost, they obviously must have quite the opposite effect.

A message from St. Paul, written nearly two thousand years ago, has fiscal applications that are truer than ever today. He wrote: "We have erred and strayed from Thy ways like lost sheep. We have done those things" etc., ending with "and there is no help in us". Literally hundreds of billions of dollars have been and are being spent in the world on costs that are unsupportable and economically or morally noncreative, and of course, wasted, costs which are born in and receive encouragement from selfish motives. Mounting billions more are being demanded for expenditure on a never-ending proliferation of symptoms, which again, of course, would be wasted, symptoms which would not, could not exist if instead the basic causes were recognized, admitted and eliminated.