An Unpromising Prospect

No year in the last thirty has opened so unpromisingly, indeed so ominously, as 1975. Clearly Canberra is in a state of confusion about where the economy is headed. Some people fear an economic cyclone that would lay waste the economy causing widespread hardship and the dislocation of plans and expectations. For the first time since World War II the dreaded word “depression” is being heard, with disturbing frequency.

With unemployment over a statistical 300,000 (the real figure is fortunately very much less), the Australian Government is undertaking a reflationary operation. This includes the $12\frac{1}{2}\%$ devaluation of September last year, the easing of restraints on lending and on capital inflow, small reductions in income and company tax, additional financial assistance to the States, and import quotas to stimulate production and employment in the motor car, textile and possibly other industries.

These measures have been attacked either because of their alleged inadequacy — the tax reductions for instance — or because it is believed that they will further fuel the inflationary fires — the devaluation and import restrictions for example — already burning out of control. A much more alarming criticism, however, is that while the reflationary measures could
relieve unemployment later in the year, they are likely to lead to an even more serious inflationary crisis in 1976. This, in turn, could precipitate a total collapse of confidence and unemployment of critical social proportions. With unemployment mounting week by week, however, no Government, whatever its colour, could refrain from embarking on a policy of reflation.

There must nevertheless remain grave doubts about the success of the attempts to reflate the economy while the business community's confidence in the Government is so palpably lacking. This want of confidence, which is now total, is scarcely surprising. From the moment it assumed office in December 1972, the Labor administration has left no doubt that it has been out “to get” private enterprise. Its success in this purpose is indeed largely responsible for the spate of problems now on its plate.

The private sector has taken such a mauling, both verbally from senior Ministers (Mr. Whitlam, Mr. Connor and Mr. Cameron in particular) and from Government policies on wage increases, taxation, mining, capital inflow, prices and other matters that business confidence has been destroyed. There have also been mutterings from Dr. Cairns and Mr. Cameron that it is “the system”, not the Government’s policies which are responsible for the ills of the economy. The implications of statements of this kind are perhaps even more demoralising to business enterprise and investors than the abject failures of the Government in economic management.

The net effect of the Government’s policies has been to reduce and transfer corporate income to individual wage and salary earners and recipients of social welfare on such a scale that the capacity and willingness of businessmen to invest in the future have been virtually destroyed. The consequential decline in new employment opportunities and the recent rapid rise in unemployment have brought about an almost unbelievable change of attitude — at least on the surface — on the part of the Government toward the private sector. After kicking the dog around for two years, the Government is now “tickling its tummy”. It is surely the quintessence of irony to
see the President of the Labor Party, Mr. Hawke, who must accept some responsibility at least for the current economic stagnation, now arguing that the restoration of profitability is an essential part of the cure for unemployment. Until a few months ago, he was repeatedly claiming, quite fallaciously, that business earnings were appropriating a larger and larger share of the national cake, leaving a diminishing portion for the wage-earner.

The key to the employment problem lies, more than anywhere else, in the revival of confidence in business board rooms and executive offices. Much more than small reductions or concessions and easy credit will be necessary to infuse life into the ailing private sector, to restore its “animal spirits”, the intangible on which Lord Keynes placed so much stress. Big investments are made and large projects undertaken, not just or mainly because money is available, but because of an optimistic, confident assessment of future prospects for the business, trade or mine. Assessments are influenced not only by economic and financial calculations based on cost-benefit analyses, but also by the long-term political and industrial outlook. The almost uninterrupted record of economic growth in the 1950’s and 1960’s was due as much to the confidence of investors and business enterprises in continued political stability as to the generally favourable economic climate. (Indeed there were a number of quite serious mistakes in national economic management.) The great expansion of the second half of the 1960’s had its genesis in unexampled mineral discoveries, but it is an interesting question whether these new-found resources would have been developed under a Labor administration, with its pathological hatred of the “multi-nationals” and of overseas money.

Apart from misgivings about the political intentions of the Labor Government, the greatest obstacle to the recovery of business confidence is the fear that eventually inflation could get completely out of hand. It is believed, with good reason, that uncontrollable inflation would lead to an economic collapse with disastrous effects on the value of investments and the financial viability of many companies. Inflation has reached the point where the future has become hazardous and
unpredictable. While these conditions continue, it is unlikely that many businesses will be sufficiently bold to make firm long-range plans.

The first, the prime task of the Government is to demonstrate that it has a credible policy for bringing inflation under control. No one believes that it has such a policy. Only a plan which provides a convincing guarantee that annual wage and salary increases will be brought back to 6 per cent or under will restore confidence.

The one “counter-inflationary” proposal in the Government’s locker at the moment is the linking of wages to price changes. Indexation has now been under public scrutiny for over 12 months. When first suggested as a means of curbing inflationary cost increases, it was acclaimed with almost unseemly enthusiasm by many people, not least by the majority of academic economists. But, in fact, indexation also tended to be looked upon favourably by the opposition parties, by most of the press, and even by some businessmen, so much so that its eventual introduction came to be regarded as a foregone conclusion.

But with maturer consideration, many people began to have second thoughts. In the last two or three months, public confidence in indexation as a means of slowing cost inflation has waned, almost to vanishing point. Only the Government (who may already be regretting its impetuous adoption of the idea) and the trade unions are now firmly wedded to it. Many economists are perceptibly wavering, both the Liberal and Country parties have belatedly come out in flat opposition, and the press now seems to have turned against it. The best that has recently been said for indexation is that, under certain conditions (the main one being that the unions will be prepared to severely limit their wage claims — which no one really believes anyhow) indexation might result in a slightly slower rate of cost inflation.

From the beginning the I.P.A. has made no secret of the fact that we regard indexation as a monstrous stupidity, that its introduction would be tantamount to a decision not to cure but
to live with inflation. The fate of indexation now rests with the Commonwealth Arbitration Commission. The Commission carries a formidable responsibility; its determination could make or break the Australian economy.

One thing is crystal clear: there is no way of bringing inflation under control while wage costs continue to escalate at somewhere between 20 and 30 per cent a year. If indexation could work at all, it could work only in the long run. But in the long run, anything can happen. In the next 12 months to two years, indexation, on simple mathematical calculations, would ensure an inflation rate of close to 20 per cent, at best. But by that time, the damage would be done. People do not wait for the long run. Unless inflation had perceptibly slowed in 12 months, faith in indexation would have vanished and confidence in the economy would have plunged to rock bottom.

Unless, too, there is a substantial improvement in profit prospects, there can be no lasting recovery in employment. Access to easy money holds little attraction for business unless a satisfactory return on sound investments is a reasonable possibility. But indexation would virtually rule this out. Every increase in prices would be followed almost immediately by a comparable increase in wage costs, and industry would be "locked in" to its present dismal profit ratios. The Prime Minister and senior Cabinet Ministers have now conceded that a turnaround in employment is dependent on an improvement in "profitability". How is it proposed that this be done? That appeals for wage restraint fall on deaf ears is borne out not just by Australian experience, but by that of all other countries which have relied on voluntary wage discipline. This is not because wage-earners in general and the moderate majority of union leaders are irresponsible, but because it needs only one "bad boy" to snatch more than his fair share of the cake and everyone else will forget their manners and rush the table to grab what they can for themselves. This is the story of the last three or four years — what has come to be called the "leapfrogging" process. If there is to be any hope of arresting the price spiral, this free-for-all must be terminated.
Any Government which is serious about solving inflation cannot escape from imposing a temporary ceiling on annual income increases. There is simply no other way open to it. Political parties shy away from this step because they fear it will be totally unacceptable to the community and will lead to an intensification of industrial unrest. Perhaps they are under-rating the moderation and good sense of 90 per cent of the Australian people. They should try a little leadership. If the issue were frankly put to the people, the alternatives clearly defined — on the one hand, rapid inflation, unemployment, arbitrary injustices on the weak, with the fearful danger of eventual total economic collapse, and, on the other, the return to sanity and stability, the guarantee that everyone, subjected to the same restraints, would be treated equally, the end to runaway cost and price rises, the restoration of confidence and the resumption of steady economic growth and all that that means for employment prospects and improving living standards — if the issue were put in these terms, is there any doubt that the overwhelming majority of Australians would get behind their leaders? What the people clearly want is an end to the present uncertainty, the slowing down of inflation and a return to full employment.

It will be argued that the Commonwealth Government has no constitutional power to impose a ceiling on incomes. However, the ceiling could be introduced by agreement between the States and the Commonwealth and thus with the full moral and, presumably, legal authority of all Australian Governments. The Governments could issue an instruction to all wage-fixing tribunals, and to employers and unions, that this ceiling was not to be exceeded in wage adjustments. Those employees who had fallen behind the general run at the date of the introduction of the ceiling — that their “relativity” was out of line — could put their claim to the relevant wage-fixing body. In addition, companies could enter into an undertaking with the Government that, except in justifiable circumstances, their dividend rates would not be increased during the period of the ceiling. Any increase in profits would be ploughed back into the company for purposes of productivity improvements, expansion of operations and improved working conditions.
Along with the imposition of a ceiling on annual income rises, the functions of the Prices Justification Tribunal should be recast. The Tribunal was established as an instrument to assist in restraining inflation. Experience has shown it to be, in this respect, a total failure. More than that, the Tribunal has contributed to economic stagnation and rising unemployment because of wrong-headed concepts of industrial profits in a period of soaring costs. Nevertheless, if the people are to be persuaded to co-operate in a ceiling policy on incomes, they may need to be assured that, so far as possible, profiteering will be prevented. This should be the task of the Tribunal. It could investigate cases where profits are believed to be excessive on its own initiative, or on a reference from a Government or any other responsible body.

To make a ceilings' policy more acceptable to the people, rates of personal income tax should be re-cast to ensure that wage and salary increases would benefit mainly the recipients rather than Government revenues. A further and substantial reduction in company tax to 40 per cent or under is also desirable to help restore profitability to the point where business is encouraged to undertake new investments. Both these measures, of course, would need to be complemented by restraints on expenditures in the public sector.

The central purpose of economic policy at the moment must be to reinvigorate the private sector. This requires a re-birth of confidence and the restoration of profitability. In turn, these depend on a general belief that the national Government has a convincing policy to counter inflation, and that it is prepared to acknowledge, in practical terms, the vital role of private enterprise in the promotion of economic well-being.

Will the Labor movement be prepared to recognise in the future that the improvement of social welfare and the health of private enterprise are inter-linked, that the latter is a condition of the former?
The Corporations & Securities Industry Bill 1974

The Bill is a quite extraordinary piece of legislation. In size, and also to some extent in content, it could not unfairly be described as a monstrosity. The Bill creates a 5-man Commission on which it confers virtually unlimited powers to intervene in the affairs of public companies and Stock Exchanges. No right of appeal through normal legal channels against the decisions of the Commission is provided for in the Bill. There is no limit to the information which the Commission can demand from companies and Stock Exchanges. The legislation takes an unprecedented, indeed revolutionary, step in empowering the Commission to appoint one of its officers to participate at meetings of boards of Directors or shareholders.

The Bill prohibits members of the Stock Exchange from acting as Directors of public companies. The Commission can suspend trading on the Stock Exchanges, without appeal and without the need for reasons to be given to the Stock Exchange or to Parliament. Numerous other provisions of the Bill are of a quite arbitrary and dictatorial character. In short, the Corporations and Securities Industry Bill would open the way to bureaucratic prying and interference in a strategic part of the private sector which already has to contend with a surfeit of bureaucrats meddling in its affairs. It should be comprehensively re-drawn.

The Corporations and Securities Industries Bill 1974, introduced into the Senate by the Attorney General in December last year, passed the House of Representatives in February. This large and highly controversial piece of legislation has yet to run the gauntlet of the Senate.

The Bill is the outcome of the Report of the Rae Committee established by the Liberal-Country Party Government in March, 1970, to investigate the operations of the Australian securities market following the feverish stock exchange boom and speculation in mining shares of 1969/70 in which tens of thousands of people participated, often with disastrous financial consequences. The professed intention of the Bill is to protect the public from abuses of the kind that accompanied the boom.

It is only right to say that many, although far from all, of those who lost money in the mining boom were the victims of their own foolish indiscretions, their desire "to get rich quick", and their personal failure to check properly on the bona fides of companies to which they entrusted their savings. They were an easy prey for unscrupulous promotors and manipulators.

The Rae Committee noted that it "is seriously concerned about the inadequacy and ineffectiveness of the present regulation of the Australian securities market, of related activities of public companies, and of the corporate managers of some investment companies and investment activities". The Committee went on to say that it had "discovered numerous instances of improper practices ... considerable evidence of insider trading manipulation and other abuses in the stock market". The Rae Committee also criticised the frequent and serious failure to provide accurate and timely information. The Committee concluded that there was need for legislation to meet the two objectives of promoting an efficient capital market and protecting the investing public. Its main recommendation was the establishment of a Commission to regulate the securities industry and administer public company law.

The Bill is concerned with two major areas:
The purposes of the Bill are to be achieved through the establishment of an administrative authority to be known as the Corporation and Exchange Commission (C.E.C.). The Commission is to be comprised of a Chairman and four other members appointed for a seven-year period. Most public companies will be required to register with the C.E.C. The Commission will have powers to make rules and, in practice, through Government, to issue regulations covering a multitude of matters. The Bill also requires the C.E.C. to promote the establishment of a national stock market.

The C.E.C. is empowered to demand a wide range of information from public companies and from stock exchanges and can specify information and data to be contained in prospectuses issued for the raising of money from the public. It has the right to appoint one of its own officers to attend and to participate in meetings of directors and shareholders of registered companies. The decisions of the Commission cannot be challenged in the Courts and appeals can only be made to an administrative Tribunal to be created by legislation. Among the duties of the Commission, specified in the Bill, is the promotion of Australian ownership of industry. There are special sections in the Bill dealing with Investment Companies and take-overs.

At present the operations of companies and stock exchanges are regulated by State laws embodied in the various companies and securities Acts. The Corporations and Securities Industry Bill would mean, in effect, a massive transfer of power over companies and stock exchanges from the States to the Federal Government.

Potentially, there would now be four sources of law by which the affairs of business will be governed in Australia. These sources are, first, the Corporation and Securities Bill itself; second, regulations made by the Government under the Bill; third, rules made by the Commission; and fourth, relevant State law. The consequent confusion confronting business will be enormous and is exacerbated by two further factors. First, clause 18 of the Bill provides for the Commonwealth legislation to override State laws. It is not clear whether companies which register with the C.E.C. have to register with State authorities as well; nor whether prospectuses registered with the C.E.C. also have to be registered with the State authorities. The second factor is that in general the Commission may make rules with respect to matters which may also be governed by regulation. Such rules are valid until regulations are made which are "inconsistent" with it. This only seems to add to the tasks of business in ascertaining what law at a particular time governs a specific subject matter.

Nobody will deny the need for measures to ensure the more efficient operation of the capital market and to guard the investing public against unscrupulous promoters and speculators. However, there must be grave doubts whether the proposed legislation in its present form is the most desirable way of meeting these important objectives.

On the basis of past experience (for example, the Prices Justification Tribunal) there is a manifest danger that the bureaucrats appointed to administer the Bill will interfere unwisely in the operations, economics, and profitability of public companies in such a way as to do
more harm than good. In the long run such interference could lead to a re-definition of the purposes and obligations of public companies by outside people without practical experience of the complexities of company administration.

The most disturbing aspect of the legislation is the quite extraordinary, one might say dictatorial, powers granted to the proposed Corporation and Exchange Commission. Industry, already overburdened with bureaucratic controls and interference with its activities, will now have to contend with a new instrumentality armed with unlimited authority to demand information and against whose decisions there is no right of appeal through normal legal channels. The Commission could be composed of men unfamiliar with the day to day problems of business and yet responsible for the regulation of the activities of companies registered with it.

There is virtually no limit to the information which the Commission could require from registered public companies and from the stock exchanges. In all the information demanded by the Commission, whether routine periodical reports or otherwise, the Commission is empowered to prescribe whatever detail and data it wishes. For instance, the Bill contains a clause authorizing the Commission to receive reports relating to "the operations of the corporations". These reports must contain such information as the Commission prescribes. This clearly means that there is no detail of a company's activities than can be withheld.

It may be argued that the Commission must have these powers if it is to carry out effectively the tasks for which it is established. However, one can be justifiably concerned at the time and energy which companies may have to expend in satisfying the Commission's appetite for information, time and energy which could be far better used in promoting the affairs and more efficient operation of the company.

A much more alarming aspect of the provisions relating to information is the danger of divulging matters of a confidential nature concerning a company's activities. For instance, the Commission has power to make rules with respect to the issue of a prospectus, prescribing the documents to be lodged with the prospectus and the precise matter to be included in the prospectus itself. A prospectus, however, is a public document and a company might thus conceivably be forced to reveal information of advantage to competitors. Unless the Commission is comprised of men of exceptional discretion and understanding, the dangers of such powers are manifest.

A similar invasion of accepted concepts of privacy and secrecy is also made possible by the provisions relating to members of stock exchanges. Section 86 of the Bill provides for a register showing the interests of dealers in securities in registered public companies. It is unarguable that information of this kind is essential for a body concerned with the abuse of insider trading. But the register is to be open for public inspection. This infringement of privacy might be overcome by limiting the right to inspect the register to the Commission or to persons authorized by the Commission. It should be noted that broking firms now notify clients of any interest they may have in securities they recommend.

The Bill prohibits stock exchange members from acting as directors of companies listed on the exchanges. The purpose here, of course, is to prevent what could be an undesirable conflict of interest. But this restriction on members of stock exchanges could not only be
detrimental to their own personal interests, but also to the most efficient conduct of business and thus the interests of the community. In a sense, it amounts to an infringement of the traditional right of the individual to apply his talents to the best advantage in pursuit of a livelihood. Also many stock exchange members are equipped with a special kind of experience which is of value in the deliberations of company boards — just as lawyers and accountants, for instance, act on boards as non-executive directors because of their specialist qualifications.

The Bill, incidentally, discriminates rather illogically against members of stock exchanges because it permits other dealers in securities to sit on company boards. If there is a conflict of interest in the case of the former, why is it absent in that of the latter? It might be argued, too, that directors, other than dealers in securities, could also be faced with conflicts of interest especially where they are directors of a number of companies whose business is competitive.

It would surely be possible to make less drastic provision to ensure that the abuse of insider trading is effectively prevented. To a large extent insider trading has already been covered in recent State legislation, and indeed other provisions in the proposed Bill are designed to ensure that a dealer-director will not abuse his special position.

An even more questionable feature of the Bill is the section permitting the Commission to appoint an officer to attend meetings of Boards of Directors or of shareholders or debenture holders of registered companies. The officer is not merely to be an observer but is entitled to express his views. This is an extraordinary provision not only because of the confidential nature of many of the matters discussed at board meetings but also because it conflicts with the formal structure of companies. The only people strictly entitled to attend a board meeting are those representing the shareholders — that is the owners of the company — or those invited to attend meetings in order to assist the directors in their work. What, it might be asked, would be the reaction of Trade Union officials, if Governments were able to insist that one of their representatives should sit in on their discussions? The question has only to be asked to be answered. In business circles this clause of the Bill has come to be known, not without justification, as the “spy” provision.

The tremendous powers conferred on the C.E.C. are not balanced by any right of appeal against its decisions through customary legal channels. An aggrieved party is denied the right of access to the courts and thus is dealt with under the concept of natural justice. The only channel of appeal against the decisions of the Commission is to an Administrative Tribunal to be created under the Act. The precise composition and functions of the Tribunal have yet to be defined.

A pertinent example of the dangers inherent in the powers of the C.E.C., and the denial of access to the Courts, arises out of Sections 60 and 61 of the Bill. These sections empower the Commission or the Government to suspend trading in specific securities or in all securities. There is no appeal against such a suspension and where the suspension is executed by the Government there is no need for reasons to be given to the stock exchanges or to Parliament.

The criticisms we have made of the Bill do not, of course, mean that the serious abuses revealed by the Rae Committee and the recommendations of its Report should be ignored. No right-
thinking person would deny the responsibility of the Government to take strong action to guard against a recurrence of the kind of situation which developed during the mining boom of 1969/70. But the Bill, in its present form, has manifest dangers and in many cases provides for quite unwarranted bureaucratic interference in the operations of individual companies and of financial and securities' markets.

Business has already to contend with a surfeit of bureaucrats meddling in its affairs and this new Bill, unless drastically revised, will make confusion worse confounded.

The Commonwealth Government has blatantly seized the opportunity presented by the need for the better regulation of security markets, in particular the prevention of insider trading, to greatly extend its control over the private sector of the economy.

The Bill should be comprehensively redrawn so as to strictly define, and impose limits to, the powers of any body created to administer its provisions, and to overcome the legal confusion to which the Bill would inevitably give rise in its present form. The amended Bill should also take account of existing and recent State Laws, and recent amendments made by Stock Exchanges to their own rules, both designed to give better protection to investors than existed at the time of the 1969/70 mining boom.

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Cecil McKay — It Wasn’t All Sunshine

In the review of “Cecil McKay — It Wasn’t All Sunshine” by Marjory McKay in the October-December “Review”, we omitted the name of the publisher. This is “The Hawthorn Press Pty. Ltd.”, 601 Little Bourke Street, Melbourne, 3000.
New Members of I.P.A. Council

Two leading businessmen, Mr. L. W. H. BUTTS, C.B.E., C.St.J. and Mr. R. A. SIMPSON, have accepted invitations to join the I.P.A. Council.

**Mr. L. W. H. BUTTS, C.B.E., C.St.J.**

Mr. Butts is a consultant to Morris Fletcher & Cross Solicitors, Brisbane. He was President of the Law Council of Australia 1954/55. He is a Director of R. M. Gow & Co. Ltd., Chairman of the Queensland Board of Colonial Mutual Life Assurance Society and a member of the Queensland Board of Elder Smith Goldsbrough Mort Ltd. Among his other interests Mr. Butts is a Director of the Elizabethan Theatre Trust and Deputy Chairman of the Council of Griffith University.

**Mr. R. A. SIMPSON**

Mr. Simpson is a Director of several companies including Simpson Pope Holdings Ltd., Brighton Cement, Adelaide Rope and Nail, Onkaparinga Textiles, Australian Innovation Corporation and Colonial Mutual Life Assurance Society (S.A. Board). He is a member of the Australian Universities Commission and of the Council of Flinders University. Mr. Simpson is also a member of the A.A.E.C. Advisory Committee and a member of the Council, Chamber of Commerce and Industry, S.A.

It is anticipated that these gentlemen will form small committees in Brisbane and Adelaide to assist in promoting the work of the I.P.A.

In Western Australia a very active I.P.A. Committee was established last year under the Chairmanship of Mr. L. C. Brodie-Hall, an I.P.A. Councillor who is the resident Director of the Western Mining Corporation in Perth.
Every Man His Own Architect

The Institute believes that Australia is at a great turning point in its history.

In the next decade or two we will either proceed irreversibly along the socialist road or we will reaffirm our faith in traditional Australian values — values which have their roots in our early history — of individual enterprise and self-reliance. The issue will be decided not so much by political parties as by the people themselves.

If we choose the former we must be prepared for Government to take a bigger and bigger part in the direction of our lives. This would be a momentous decision. All Australians should think carefully where they stand.

The I.P.A. has always insisted that the individual person is all-important, that Governments exist to serve the people, not to rule them.

There is much more than economics involved in this transcendent issue. It touches the very depths of our natures. It concerns the extent to which we want to stand on our feet as individuals and be responsible for shaping our own lives by our choices.

One of the great minds of the present century, the British philosopher, Macneile Dixon, has presented the issue confronting us in graphic terms, in an inspired piece of writing. The following is extracted from his book "The Human Situation". It was written in the 1930's but is totally relevant to our present dilemma.

There is a wealth of meaning in almost every sentence. The piece is not one to be read lightly or hurriedly but to be re-read, studied, contemplated and discussed.

"Men cannot get along without religion. If one is abandoned another is adopted. And all our humanitarianism, all our philanthropy and welfare work are efforts to fill the great spiritual void left by the decay of faith, drab substitutes for the older creed. The spirit of man craves a friendly God, and you give him economics. He asks for immortality, and you say, 'Be content, here is beer and bacon'.

IPA Review—January-March, 1975
Since there is nothing beyond the present to be hoped for, let us make the only lives men will ever know less pitiably wretched. As the tide of religion has receded, the tide of this creed, the only alternative, it seems, has correspondingly risen. Miracles, once the province of the Church, will now be performed by the State, which will provide a heaven on earth, here and now. I am not to be understood as decrying humanity, kindness, philanthropy. These are no new things. They were not discovered yesterday. It is the gospel that is new. These things have always existed, and will continue to exist. There was plenty of kindness in the world, before it was set above the Olympian gods, above truth, and freedom and justice, before emotionalism was placed upon the throne of Zeus and took the wheel of the universe. In the new Garden of Eden, when we enter it, there will be good roads and water supply, unlimited picture houses, unstinted soft drinks, excellent sanitation, and humane slaughtering, the best of schools and wireless installations for everyone, free concerts and lectures for all. There will be no far horizons and invincible hopes. We shall cease to think of birth and death, of the infinite, of God, and the sublime secrets of the universe.

I am not much in love with these sixpenny Utopias. Men have other thoughts than these — thoughts that wander through eternity, and projects unattainable in time. How childish to think that the world’s griefs are all of economic origin. Our world planners have great designs for the filling of empty stomachs. Let them ponder the more intricate problem — the filling of empty hearts.

The troubles of the world have been assigned to a great variety of causes. The giant or dragon to be slain is differently pictured in different generations. In one age monarchs are declared the public enemy, in another the aristocrats, in another the bourgeois class, or the capitalists, the bankers or the Jews. The millennium is not yet, however, in sight.

And under whose leadership are we to advance towards it? There is never any lack of seedy reformers who suppose themselves entrusted with a divine mission for the betterment of the human lot, “sky-blue idealists”, as Carlyle called them, kind hearts and muddy understandings, “potato” philosophers,
who see their way to provide beef and beer, or preferably beef without beer, for everyone from East to West; the grass-green enthusiasts, who in their mind’s eye see men over all the earth sitting for ever at their cottage doors, festooned with ivy and honeysuckle; who are persuaded that if wars should cease, gambling be put down and love-making rendered respectable, if men in their more energetic moments were given a ball to play with, a harmless woolly ball, God would be better pleased.

Even morals become a nightmare when we reflect upon its self-appointed representatives. What sort of world would it be in which Wesleyanism or Anglicanism ruled the scene? In which throughout its breadth and length not a soul ever kicked over the social traces, in which there were no idlers, or spendthrifts, or jesters or Sir Fopling Flutters? Does anyone in his senses really wish for an undiluted respectability throughout eternity? A perfectly ordered world is not, though it may be to yours, to everyone’s mind. Some would prefer a disorderly as vastly more interesting, and a risky life as better worth living and infinitely more attractive. Must we look forward to wholly conventional lives, all alike, on the model of a colony of ants, in standardised buildings, with hot water provided, lifts and electric light, where all men think the same thoughts and pursue similar ends? If this be what is promised us, then indeed the life of all our blood

Is touched corruptibly, and the pure brain,
Which some suppose the soul’s frail dwelling-house,
Doth by idle comments that it makes
Foretell the ending of mortality.

Science has worked wonders in our time, and may be confidently expected to work still greater wonders. The Utopian architects, as might have been anticipated, have turned to her genius for assistance and encouragement. If science be permitted to take matters in hand no bounds can be set, Professor Haldane assures us, to human progress. Diseases will, of course, be banished. Men, he predicts, ‘will be able to think like Newton, to write like Racine, to paint like the Van Eycks, to compose like Bach. They will be as incapable of hatred as St. Francis’. Man’s life will probably be measured by thousands
of years, 'and every moment of his life will be lived with the passion of a lover or discoverer'. One can see it will all be very wonderful. Professor Haldane is man of science, the grand manner of the prophets sits well upon him, and I have no kind of claim to challenge his forecast of what science can perform. It may be that the Professor Haldanes of the future will be able to manufacture any kind of men to order, cynics or saints, chess-players or engineers, poets epic or lyrical, or any brand of humorist, philosopher, Adonis, or Admirable Crichton to suit the requirements of society.

And what more could you want? Well, shall we say, for one thing, justice, a small matter which this programme does not include? Would you in possession of this heaven upon earth be content to forget the past sufferings of human kind? Would a happy lot for men and women to be some day born obliterate or compensate for all that the previous generations have endured? Do not these humanitarian schemes overlook, with a singular inhumanity, the millions who have perished without even a glimpse of the glories to come? They are of no account. Yet what have the new-comers done to deserve the felicity denied their predecessors, and will they be of any greater account when their day, too, has come?

Oh dreadful thought, if all our sires
and we
Are but foundations of a race to be, —
Stones which one thrusts in earth, and
builds thereon
A white delight, a Parian Parthenon,
And thither, long thereafter, youth and maid
Seek with glad brows the alabaster shade
Not caring that these mighty columns rest
Each on the ruin of a human breast, —
That to the shrine the victor's chariot rolls
Across the anguish of ten thousand souls!

The thoughts of our well-meaning reformers appear to be directed to one end only, the cessation of strife, and the consequent cessation of effort, for which there will no longer be any need. But how false it is to suppose that human beings
desire unending ease, unthreatened safety, that their summum bonum is cushioned comfort, a folding of the hands to sleep. That way madness lies. What then is left to occupy their interest and attention? They desire rather difficulties, such is their nature, difficulties to elicit their powers, to keep them alert and wakeful. They wish to be alive. In the absence of resistance to desires, desires decay, and an intolerable, an appalling tedium invades the soul.

Whose lives do we read with interest and admiration? The lives of men lapped in comfort from the cradle to the grave? Or of those who in the face of odds have accomplished their ends, good or bad? When the soul of man rises to its full stature, with what disdain does it regard the sweetmeats and the confectionery. In their anxiety for human welfare, in their collectivist schemes, the sentimentalists have overlooked the individual man. They submerge him in the sea of their universal benevolence. But who desires to live in the pauperdom of their charity? Every man desires to be his own architect, and the creator of his own design, the sentimentalist himself among the rest. And the last and greatest insult you can offer to the human race is to regard it as a herd of cattle to be driven to your selected pasture. You deprive the individual of his last rag of self-respect, the most precious of his possessions, himself. If you treat him as a thing, an inanimate object, which can be pushed hither and thither, if you treat him as one of a drove of oxen, you take away his birth-right, and for his loss nothing can compensate him, not all the soothing syrups and honeys of the world.

To its eternal honour Christianity has stood steadfastly for the sanctity of the individual. To imprison the human spirit is the unpardonable sin, the attempt to make men automata, to force them into the same mould. No means will ever be found to induce human beings finally to surrender themselves, either body or soul, to a dictated felicity, to satisfactions chosen for them, whatever vulgar Caesars rule the world. And upon this rock all forms of regimentation, of standardised existence will eventually shipwreck.

Every type of compulsion is hateful, always has been, and always will be hateful, as long as men are men. Was this free-
dom about which the poets have raved since the world began, for which men have died in millions, worth the bones of a single soldier? Have you ever asked yourself why men have fought for liberty? Not for amusement. Freedom they must have, whether they know or not what to do with it, freedom to choose cause or party, order or disorder, the good or the bad, to steer each his own vessel to the port of his desire. Take away his choice, and you make of him, for all your benevolent intentions, a chattel or a slave. There is a rebel in every man; men will revolt and demand again their freedom. As Dostoievsky expressed it, when everything is smooth and ordered and perfect, 'in the midst of this universal reason there will appear all of a sudden and unexpectedly some commonfaced, or rather cynical and sneering gentleman, who with his arms akimbo will say to us, “Now then, you fellows, what about smashing all this reason to bits, sending their logarithms to the devil, and living according to our own silly will?”' And he will have followers in their thousands. Men desire the strangest and, in their neighbours’ eyes, the most incomprehensible, the most irrational, the most preposterous things.

The astonishing thing about the human being is not so much his intellect and bodily structure, profoundly mysterious as they are. The astonishing and least comprehensible thing about him is his range of vision; his gaze into the infinite distance; his lonely passion for ideas and ideals, far removed from his material surroundings and animal activities, and in no way suggested by them, yet for which, such is his affection, he is willing to endure toils and privations, to sacrifice pleasures, to disdain griefs and frustrations, for which, rating them in value above his own life, he will stand till he dies, the profound conviction he entertains that if nothing be worth dying for nothing is worth living for.

The inner truth is that every man is himself a creator, by birth and nature, an artist, an architect and fashioner of worlds. If this be madness — and if the universe be the machine some think it, a very ecstasy of madness it most manifestly is — none the less it is the lunacy in which consists the romance of life, in which lies our chief glory and our only hope.”
Inflation — Everybody’s Responsibility

Thoughtful people are gravely disturbed as Australia drifts deeper into the inflationary morass. There seems to be little leadership at government level and an almost total absence of restraint in many vital areas of the economy.

In order to obtain a better public understanding of the problem the I.P.A. published in September, 1974, a special booklet “INFLATION — Everybody’s Responsibility”.

This has been designed for wide distribution among people in all walks of life, especially among industrial and office employees, and for use by students and teachers. There have already been requests for over 200,000 copies. This is an exceptional reaction.

We have received orders from about 300 companies for employee distribution. These orders varied from 50 to 5,000 copies. In addition 23 companies contributed to the cost of sending some 5,000 copies to schools for use in economics classes.

Three companies, Associated Pulp and Paper Mills Ltd., BH South Ltd. and Western Mining Corporation, have been so impressed with the value of the inflation booklet that they have sent a copy to each of their shareholders at the time of posting their Chairman’s Addresses or reports. We hope that other companies will follow these examples.

Extracts from the booklet have been printed in many newspapers and journals and we have been very gratified by the many favourable comments received.

Australia and private enterprise are facing severe challenges. The I.P.A. hopes that companies will help to achieve the widest possible distribution of the booklet. $100.00 will pay for 400 copies to be distributed to employees or classes in schools.

Success in the battle against inflation depends on the strength of public resistance to it. In Sir Roland Wilson’s words “Every citizen must become a soldier.” “INFLATION — Everybody’s Responsibility” would be a valuable handbook for the “soldiers” knap-sack.
"The Corporate Finance Crisis"

by

SIR JOHN MARKS, C.B.E.

The author is the Chairman and Managing Director of Development Finance Corporation Ltd. and Chairman of F. & T. Industries Ltd., as well as a member of other company boards. He is a Commissioner of the Electricity Commission, N.S.W., and a member of the Council of Macquarie University.

The progress made during the five years ended 1969 made me confident that the Australian people were well on the way towards attaining the highest standard of living in the world, but in recent years the growing number of demonstrations, confrontations and protests would have made most of us aware that something had gone wrong because every section of our society appears to be dissatisfied with, or angry at, something or someone.

Some of us may have been aware that our policies and attitudes could only lead to a painful day of reckoning, but I suggest that very few of us could have anticipated that we would be debating a "Corporate Finance Crisis" before the end of 1974.

As a trading nation our economy must be affected to some degree by world economic conditions, but our economy is quite different from those of less fortunate countries with whom we are being compared as an excuse for our current economic problems. We do not, as yet, have to import substantial quantities of oil; we are self-supporting in food, minerals and most raw materials; and we had a secondary industry capable of meeting, if necessary, the greater part of our requirements for manufactured goods. We are indeed a privileged nation and when one considers the vastness of our continent, its abundant wealth of resources and the opportunity we have of developing projects which would provide self-satisfying and rewarding employment, it is a sad state of affairs that we are now contending with growing unemployment, and unless policies and attitudes are changed promptly many people will be cruelly displaced from their life-time trade.

The health of the body corporate is not in good shape. Escalating costs have taken away export markets and, worse still, destroyed its ability to compete successfully against imported goods. Other disturbing symptoms are its inability to cope with high interest rates or conserve its working capital from the rapid erosion that is taking place on account of inflation.

Make no mistake about it: the continuing existence of our corporate structures and for that matter our free enterprise system are being threatened by inflationary policies and attitudes.

Continuance of the current rate of inflation would cut savings in half in approximately four years and this, in effect, means that a company to maintain current levels of production would, before provision for taxation, require sufficient earnings in two years to replace its present total investment in productive plant and current assets.
Inflation can be likened to an insidious form of tax which if not checked will socialise our free enterprise system and inevitably take away from our people their freedom of choice on selection of goods and even selection of their employment.

This leads me to stress that realism in accounting is a vital national need as is the creation of wealth. If a company fails to provide properly for replacement of fixed assets and, indeed, stock, before striking a figure for profits; or if the Government takes away in taxation a proportion of so-called profits which were never really profits at all; in either case the nation is eating the seedcorn and deluding itself into thinking that it is making adequate provision for investment when it is doing no such thing.

There are also dangers in inadequate pricing which prompts the thought in my mind to enquire whether the Prices Justification Tribunal in fixing prices gives any consideration at all to the necessity of preserving a company's capital from the erosion that is currently taking place.

Many economists have expressed their views on demand inflation, cost inflation and adequate warnings have been given that if Government endeavours to check inflation by placing too much reliance on monetary measures, the least difficult to handle in a political sense, our country will surely suffer stagflation which has already destroyed the economies of other nations.

However, for some time I have been convinced that the problem of inflation in the developed world is a political and social problem, rather than an economic one, because with our democratic way of life we have been far too prone to enquire why the Government doesn't do this or the Government doesn't do that which has led to growing Government expenditure financed by growing taxation and the creation of additional credit. The Government, in providing additional social services, has been a major contributor to demand inflation because it has placed an additional demand on our national resources beyond what could be prudently made available from the level of productivity achieved. I suggest the Government has also been a major contributor to cost inflation in that far too little attention has been paid to the additional national overhead that it has placed on the shoulders of our productive enterprises, both primary and secondary.

Figures available on final Government consumption expenditure indicate that in the early '60s the Government share represented 13% whilst four years ago it represented 17% and last year it had climbed to 19.4%. In money terms the Government annual consumption expenditure has climbed from $1,323 million in 1959/60 to $6,869 million, an increase of no less than $5,546 million. The figures quoted cover Government consumption, not Government capital expenditure, so I suggest that you ponder on the so-called "free" services which are now costing the community $132 million per week, or to put it another way, every man, woman and child over $500 per annum. You may then have a better appreciation of the heavy load that is being carried by our real producers.

Where I, for one, believe that those in receipt of income should make a fair contribution towards providing adequate social services to the aged and less fortunate in our community, I look forward to the day when our electorate begins to appreciate that certain personal requirements can be more economically
provided from their own personal savings, enhanced by lower taxation, than being provided by Government which, like any other enterprise, must cover overhead items in costing out services provided.

Continuance of current policies only increases the propensity to spend whilst reducing the propensity to save, hence the "Corporate Finance Crisis" because savings are inadequate to create investment funds which are so necessary to provide our people with rewarding employment. No doubt we will one day hear that Government participation is necessary to meet industry's capital requirements. Unless we take urgent steps to change the trend this will surely be the case because our capital market will be destroyed by Government having taken the nation's savings with the thought that it can invest them more wisely than those who have provided the wherewithal.

Without wishing to appear over-cynical, I fear that we may be providing many people with education of a type for which no suitable employment will be available. We have already enjoyed health facilities equal to most nations, but I doubt whether the health of the nation can be improved to an extent that people can happily live without shelter, because our housing industry, like other valuable industries which were developed for the nation's welfare, is now being rapidly dismantled by unrealistic attitudes and policies.

Australia is fortunate in having highly competent people in senior positions in our public service and if the policy decision is made to reduce national overhead I have every confidence that our Treasury and senior public servants in other departments will, if given the opportunity, evaluate the cost and worth of many services that have been built up during the years and we will be on the way towards reducing the excessive tax burden that is stifling the initiative and productivity of the nation.

The taxpayer is entitled to receive greater protection from the whims and fancies proposed by numerous misguided social reformers. Unfortunately there is no tax price tag attached to political promises, or for that matter in electoral campaigns are our people informed that their acceptance of some of the political promises made could create economic conditions that lead to socialisation and further denial of their freedom of choice.

Those who have travelled overseas have sighted numerous instances of how the so-called "welfare state" has destroyed personal initiative, the enterprise of the nation and lowered the standard of living. Do not let it happen in Australia. The sands of time are running out fast and there is an urgent need for our people to understand the dangers that confront them.

The initiative and competitive efficiency of the corporate structure are what have provided the world with the good things in life as well as the money from employment to buy them and it is essential that our people are made aware of what our free enterprise system has achieved. The industrialist does not want unemployment if only because the success of the free enterprise system is dependent upon having a prosperous work force to create an adequate market for the goods produced. National overhead carried by productive enterprises has increased substantially by the apparent desire to centralise Government
at the National Capital and it has become painfully obvious that our economy and people have suffered unnecessarily by decisions made too far away from the realities of the market place. We now have evidence that it was the action of union leaders which prompted Government to reverse decisions that had created unemployment and hardship for our work force and to pay more attention to the welfare of our corporate structure.

Upon reflection you will appreciate that the requirements of industry and competent union leaders are very similar; namely, they are seeking productive enterprises that can afford to pay rewarding remuneration to our work force. It is no accident that a higher standard of living exists in those countries where union leaders support the free enterprise system instead of pursuing the socialist track which leads to disaster.

Our future demands that business, both large and small, must strive to regain the spirit of independence that has contributed so much towards the development of Australia. I suggest that instead of requesting the Government to do something, the enlightened industrialist should strive to obtain a better rapport with the enlightened union leader because like corporations the other wealth producing sections of the community are being bled white by inflationary policies and excessive taxation.

The very survival of our corporate system and for that matter free enterprise is dependent upon restoring a climate which is rewarding to people who are prepared to work harder and to those who save to provide funds for investment in productive enterprises.

The socialist will argue that if he ceases to create sufficient credit for his welfare programme or retrench his people engaged in soul-destroying pastimes such as unnecessary frustrating supervision or conducting a paper warfare, unemployment will be increased. What utter nonsense in a country like Australia which is not over-populated and has such abundant wealth of resources to be put to use for the benefit of the world.

Prior to being starved for funds by the National Government, our State Governments were accustomed to calling for competitive bids to create public works which improved our infrastructure and productivity. The socialist does not favour the competitive system nor would he consider granting incentive by the provision of a personal tax credit, similar to an investment allowance to a corporation, to encourage some social benefit such as people owning their own home. This approach to our problems would only tend to thwart his political ambitions.

Stagflation and growing unemployment will be with us whilst present Government policies continue and there is an urgent need to reduce Government consumption expenditure to make available a greater proportion of funds for the productive sector. There is also an urgent need to establish more appropriate priorities of what is expected of Government, both Federal and State. I have the greatest respect for the sound common sense of the Australian people if the important issues involved are presented to them in a proper fashion.