Has the Corner been turned?

The foundations for the renewal of enterprise, investment and economic growth, and eventually of increased employment are slowly being established.

It has long been clear that pretty well everything has hinged on the reduction of inflation — a viewpoint from which the I.P.A. has never wavered. Now, like a breath of fresh, invigorating air, has come the reduced rate of a 2 per cent increase in the Consumer Price Index for the September quarter. This was markedly less than the widely predicted increases, mostly around 3 per cent. Once again it shows how wrong the forecasters can be and what a hazardous business is the task of economic prediction.

Top Government Ministers and the senior advisers must have been pleased that the amount of the increase was so much less than their expectations. It was generally expected that the September quarter figure would reflect the "catch up" effects of the wage-price "pause" and the effect of last year's November devaluation — now largely negated by subsequent revaluations upward. That these effects would seem so far to have had a minimal influence suggest that employers everywhere have endeavoured to combat rising wage costs by stringent economies and by labour-saving investments. Thus the classical law of wages in which the demand for labour is dependent on its price, for decades rendered unfashionable by Keynesian thought, has reasserted itself since the "wage explosion" precipitated by the Whitlam administration.

What a world of difference is involved in the apparently "insignificant" figure of 1 per cent! — the 2 per cent price rise instead of the generally expected 3 per cent. Directly, it gives an encouraging annual rate of inflation of 8 per cent instead of a threatening 12. Under partial, or even full, indexation it implies
a substantially lower wage increase in the months ahead. The 2 per cent rise, partly because it has confounded expectations, has given a much needed boost to business and community confidence. It has already been reflected in a move toward a lower structure of interest rates and in some improvement in certain sectors of the market. And, politically, it could very well have been the straw that finally decided the Fraser Government to go to the people for an endorsement of its policies.

While the economy is not yet out of the wood the prospects for 1978 can now be viewed with more hope, indeed with some measure of confidence. Assuming that wage increases are kept under a tight rein, the rate of inflation in the coming year could be well down in the single digit bracket.

Whether the external value of the Australian dollar can be maintained will largely depend on export returns and on the view taken of the economy by overseas financial interests. In this respect the 2 per cent September quarter rise will certainly be a “plus”. The overseas assessment will also be influenced by the determination of whatever Government is in office after December 10 to persist with stern anti-inflationary policies of the kind which the Fraser administration has so relentlessly pursued and which are now beginning to produce the goods.

Strict wage restraint will, of course, continue to be vital, at the very least until the end of the current financial year. The holding of the wage level rests largely with the Arbitration Commission which has not so far been notably co-operative in the Government’s anti-inflationary policies. The outcome of the “work value” inquiry being conducted by the Commission for Victorian electricity workers — whilst some time in the future — will be awaited with keen interest and some anxiety. The Commission must not weaken. Whatever the decision in the “work value” hearing, it should not be such as to involve, in effect, a breaching of the indexation guidelines which the Commission itself has established.

An analysis released by the Commonwealth Treasury in October suggests that, on most methods of measurement, the purchasing power of wages, notwithstanding indexation, was higher in the June quarter of 1977 than in the same quarter of 1975 and 1976. Over a longer period, since June 1973 — which is more relevant from the standpoint of the current debate — real wages have increased very substantially. This general picture of the wage situation seems to be confirmed by a survey published in September by the Flinders University Institute of Labour Studies. The survey gives some striking figures. Since December, 1969, real wages for metal industry process workers, male shop assistants and clerks, and drivers of small trucks, have risen in the range of 33 to 40 per cent. Builders’ labourers have had a real wage increase of 49 per cent, and hospital cooks a massive 96 per cent. The Survey concludes that “it is simply untrue that the lowest paid workers have suffered a cut in living standards from inflation over the period since the end of 1969.” The Survey might have added that this comment applies only to those in employment, since many unskilled workers have lost their jobs.

The central fact is that the unprecedented increase in real wages during the 1970s has been far in excess of any conceivable productivity gains and has been the main cause behind the prolonged
economic recession and rising unemployment. The restoration of a proper balance between real wages on the one hand, and productivity on the other is the key to full economic recovery. Such a balance is necessary to a level of profitability which will give maximum encouragement to new investment, to the expansion of demand and thus to a return to full employment. Indeed, future employment prospects hinge very largely on the re-establishment of the normal relationship between wages, productivity and profits in a free enterprise economy. This was emphasised and re-emphasised in the August Budget Speech and accompanying Treasury Papers. The relationship between wages and productivity, and thus profits, has improved during 1977 but there is still some way to go before full incentives to business investment are restored. When the wage "overhang" has been corrected, the stage will be set for strong and sustainable growth in the economy.

There is, however, still a long way to go before the economy is restored to a state of robust health. The damage inflicted during 1973 to 1975 was so extensive that the process of repair and rejuvenation must be unavoidably prolonged. The main area of concern for some time yet — like all developed countries cutting back on inflation — will continue to be the high level of unemployment, particularly among young people.

However, if all goes well — that is assuming a continuation of sound economic policies and of strict wage restraint and that there are no unexpected developments of a severely unfavourable nature — employment should start to pick up during the second quarter of next year. As mentioned above, the essential pre-conditions of strong economic growth are being re-established and inflationary wage rises or for extravagant increases in government spending — the two things that are after all responsible for our present plight. Such demands must therefore, be resisted to the utmost. These should strengthen as the rate of inflation continues to fall.

Apart from that, the new personal income tax structure will come into effect in February next year. This should help to increase incentives through the economy, while higher take-home pay should lead to a general strengthening of consumer demand. The tax reductions should also pre-dispose the Arbitration Commission to moderate the size of wage increases under the indexation procedure.

Within the broad scene, manufacturing industry seems likely to continue to present a special problem. While we do not agree with the dismal picture of the future of manufacturing painted by some observers, some sections of manufacturing do seem to be faced with problems of long-term structural readjustment. Whilst employment in the manufacturing sector has fallen by close to 150,000 since 1971, a good part of this must be attributable to the general slump in activity along with the steep inflation of costs.

The sun is beginning to shine on the Australian economic landscape for the first time in some years. What the community needs now more than anything else is patience, the patience to allow the initially slow processes of recovery to work themselves out. The great danger is that these processes could be undermined by selfish or communist inspired pressure group demands for
SIR GEORGE COLES, C.B.E.
1885—1977

The I.P.A. was established in 1943 and Sir George Coles was the first Chairman of the Council. He occupied the Chair with great distinction for fourteen years and remained a member of the Council of the Institute until his death on 4th December, 1977, at the age of 92 years.

Sir George started as a retailer from small beginnings prior to World War I. After service in the AIF in the 60th Battalion, he opened a small store in Collingwood with the famous slogan “Nothing Over Two Shillings and Sixpence”. Today the large organisation which bears his name has an annual turnover of $1,300m, 44,000 employees and over 50,000 shareholders.

Sir George was a most appropriate choice for I.P.A. Chairman because he was a self made man, a successful free enterpriser, who provided a service which the community valued and trusted. For some years he served as a Director of the National Bank of Australasia.

Sir George gave generously to charities. He possessed great human qualities of kindness and understanding. He was cheerful and friendly. He was a leader, endowed with down to earth commonsense, a quality he possessed in abundant measure.

In his final address as Chairman at the I.P.A. Annual Meeting in 1957, Sir George said there was no substitute in business for “good old fashioned honesty and integrity”. He said we have a true free enterprise system “when everyone has an opportunity to get on in life, to make the most of themselves, and to feel that if they put enough honest effort into the work they do, they will reap the fruits of their exertions.”

The I.P.A. is indebted to him in ways too numerous to be recounted. His leadership, his example, and his contribution to the welfare of his country will long be remembered.
We live in an increasingly mobile society. It is not only people who are becoming increasingly footloose, it is the very structure of society itself that is becoming more and more fluid. No longer can we expect stability in our family circles, our jobs and business occupations, our religion and basic institutions, our government. A certain Professor is right in recognising the beginning of the Age of Uncertainty. We are witnessing the end of the Age of Dogma.

The uncertainty we experience in contemplating the accelerating rate of growth in technology, knowledge and changing circumstances is producing in us a state of Future Shock. For some of us the future is exciting, for others it is frightening. Despite ourselves we tend to hold on to our dogmas and beliefs in fear of the uncertain future. Our thinking remains paralysed in the present, which soon becomes the past as the future overtakes us. We remain glued to our ideas, our jobs and our business and professional operations, then wonder why we become unemployed, unemployable, frustrated and even bankrupt.

We cannot take for granted that there is any intrinsic right for institutions and businesses to continue to exist simply on the grounds that they have served us well in the past. We need to open our minds and question the structure of our society, so that we may hold on to that which is good and reject or change that which is no longer relevant. In an Age of Uncertainty there are few absolute truths — but I would venture to suggest one:— If we are sensible and wise then we will admit that the more we know, the more we realise how much more there is to know, and therefore the more we question what we think we know, and the more we listen to the questions of others.

It is, I believe, significant of the times, that we are, this week, celebrating Australia’s first Enterprise Week. For if the ideology of individual enterprise has any value at all, it lies in the absence of dogma compared with other ideologies. The Age of Dogma, I repeat, is passing, and I believe we are currently witnessing the death throes of beliefs that depend on dogma.
It is not merely that we can afford to listen seriously to the questions being raised in this Age of Uncertainty, it is the very nature of individual enterprise that requires us to do so.

I personally have a great deal of faith in our younger generation. Thinking young people all over the world are raising questions which are difficult to answer. I am raising some of these questions now not in order to reject them, dogmatically, out of hand. Nor in order to offer some facile answer based on my own dogmatic convictions. But rather to demonstrate the directions in which humanity could be moving in order to overcome our present problems and face the vast potential of the future with a measure of optimism.

1. Does this generation want to be remembered by future generations as the one which used up non-renewable world energy resources without considering what future organisations would do without such resources?

2. The Club of Rome has posed this question. Can we legitimately support a system whose success is measured solely in terms of economic growth when it is difficult to imagine how such growth can go on for ever without some limit? Is there a limit or can newly-discovered technologies fulfil the needs of tomorrow and the generations yet unborn?

3. Can the world population continue to increase without the inevitability of some major catastrophe? May I refer you to a recent speech delivered by Robert S. McNamara, President of the World Bank, in which he said, in part, “In many ways rampant population growth is an even more dangerous and subtle threat to the world than thermonuclear war, for it is intrinsically less subject to rational safeguards, and less amenable to organised control.”

4. Is mankind justified in disturbing the ecology of the environment in which we live?

5. Is an economic system valid which measures standards of living in dollars? Are we justified in excluding the qualitative human factors which add to the quality of life — factors like job satisfaction? Are we justified in demanding ever increasing standards of living without any apparent limit?

6. Some people query the activities of the multinational corporations. Others feel they are playing an ever-increasing beneficial role in expanding world trade.

7. Is the perpetual and totally absorbing industrial and political conflict capable of being resolved to the point where these questions can be asked by humanity in general in a spirit of co-operation and concern for future generations?
These questions, and many others, are being asked not only by students, young people and academics like Professors Galbraith and Schumacher, but by thinking people in all walks of life — including unionists, businessmen, and politicians. But it is a sign of our times that many people have become increasingly disillusioned with the ability of "capitalism" to answer their questions. Why?

It is a symptom of this Age of Uncertainty that we tend to rely on the dogma of a past and irrelevant age. I am personally convinced that it is this tendency in our current outlook which is contributing more than anything else to the increasingly polarised nature of industrial and political conflict. We use dogma like a crutch to lean on in case of doubt. But we have no need of this crutch. Capitalism has always managed to change with the times. With wider ownership, capitalism today bears no resemblance to nineteenth century capitalism, and the capitalism of tomorrow will bear no resemblance to the capitalism of today. This unfolding proceeds, not in an orderly way, but in forward, sideways and backward movements.

I shall make no attempt to answer the questions I have raised — much as I should like to express a personal opinion — that opportunity I shall gratefully leave to our Guest Speaker. But I will suggest this: — there can be little hope for 'a happy outcome from all our afflictions' whilst polarity in political and industrial activity continues to get worse. We are witnessing, as I have said, the death throes of dogmatic creeds (embracing all the various forms of socialism), but I am confident and optimistic that new trends and more flexible approaches are emerging throughout the world which will see us through this difficult period of transition.

Here, in this country, Enterprise Australia is to be congratulated in promoting better communications between employers and employees, and in entering into discourse with unionists. We, in the I.P.A., are very proud this year to have been working on a booklet on Productivity which was aimed at being a joint statement between unions and employers. These may be small steps, but I feel they are steps in the right direction. They are paving the way to the next major debate which is beginning to take place — the debate known to some as industrial democracy and to others as worker participation. It is in the successful outcome of this debate that we have our greatest opportunity to reduce the tensions of polarity and face the questions of the future as a united people.

We have little to fear from socialism or communism. They are surely dogmatic ideologies which belong to the past and depend on the continued existence of the class-struggle — them versus us.

We, on the other hand, have an ideology that believes in the legitimate rights and privileges of all individuals.
We must take the initiative. I would not attempt to predict the nature of industrial organisation in the future, but I do know that we are not in the business of defending any particular organisational structure simply because it may have served us well in the past.

I have posed only a few of the major problems which threaten our civilization, and have merely indicated a path we may follow as a prerequisite to finding acceptable solutions. But answer these questions we must if we are to provide a world fit for our grandchildren to live in.

I believe the I.P.A. plays an important educational and constructive role towards achieving this objective, a role that depends on the continuing support of our members who so generously provide us with the means to act.

Australia is ideally situated to lead the world in solving the inadequacies of its economic organisation. It is a country which is comparatively rich, large in area and sparsely populated. We are relatively free of racial problems and inbuilt hereditary class differences which contribute so much to the totally absorbing internal conflict of other countries.

We have, one and all, a grave and urgent responsibility to resolve our current conflicts and face the emerging problems of the future as a united people.

The challenge is ours. We must accept it. This still is the lucky country.
Annual Meeting Address

by

Mr. L. C. Brodie-Hall, C.M.G.
Director Western Mining Corporation

Private Enterprise at the Cross Roads

Mr. President, Ladies and Gentlemen,
I am complimented by the invitation to be guest speaker today. Mr. Brookes has posed some very interesting and vitally important questions for me to answer and I wish that I could pass them on to someone else to answer as adroitly as he passed them to me.

An occasion such as this is always a challenge to me. This one has prompted me to review my opinions of the relative value of Free Enterprise, to make, as it were, a cost benefit analysis of its achievements to date.

I have admired the work that I.P.A. have done over the years and was pleased to join the council in 1975 representing Western Australia. I accepted a similar invitation last year to join the Board of Enterprise Australia. I have always been a staunch supporter of Private Enterprise and I consider my own life an illustration of the extent of opportunity and the scope for its realisation that exists with the Free Enterprise System. These associations have prompted some soul searching on my part before taking the decision to question whether the Free Enterprise System is free of faults.

I recognise that the people of the Western Democracies have been able to retain a high degree of political freedom and personal liberty and also to enjoy great improvements in living standards. These are great benefits. But I also observe that the economies of the same group of countries have been moving very rapidly deeper into debt and the morals of their peoples progressively deteriorating.

This causes me to query if there is a correlation between the gain in material benefits and the decline in morality, the rapid economic growth and the great inverted pyramid of debt that overhangs the world economy and carries with it the threat of a financial collapse with disastrous social consequences.

To date, our Western Civilisation has met and overcome all previous challenges. Certainly there have been some shameful episodes which cast dark shadows on our claim to be civilised people of high morality, but we have survived and believe ourselves to be a cultured people, unselfish and sensitive to the needs of others. There is, however, a history of other civilisations which also reached peaks of cultural
and economic development and collapsed as a result of moral decline which was a concomitant of a high level of affluence and self indulgence.

The Western Democracies may, in fact, be in a comparable condition. There are indicator straws in the wind. The most significant is the present economic situation, generally referred to as an international depression but which is rapidly becoming an international crisis. It has been building up for many years but only became generally apparent in 1973 when it was attributed to the effect of the oil price increase. This was, in fact, an effect of the condition which it exacerbated, not the cause.

The economic problems are in themselves formidable but are accentuated by the sweeping social changes that have occurred during the past century, but more particularly during the post war period.

The world economy is now overhung with massive debts which are escalating exponentially. There are reliable indications that the rapid economic growth that occurred during the years 1955 to 1973 was financed on credit, that the prosperity was a false prosperity that mortgaged the future and can no longer be sustained. Equally, there are good reasons to believe that corrective moves of sufficient range and severity to be effective would meet with great social resistance generating reaction probably of a violent nature.

These are circumstances which cause me to ask whether Private Enterprise is at least partly responsible; its principle of dynamic growth achieved in this instance by consciously increasing consumer demand is a tiger which it is riding, from which it cannot dismount.

In the event that, like Hamlet's Horatio, you think that "these are but wild and whirling words" let me give you a factual basis drawn from statistics of the U.S. economy. It has been said that people use statistics as a drunk uses a lamp-post, more for support than illumination. I hope these statistics will both support and illuminate.

I have selected the U.S. Economy as an illustration because the U.S. is the great bastion of democracy and the free enterprise system, it is the major economic force in the world which exerts a powerful influence on all other economies around the world, and because reliable statistics are available.

During the boom period 1955 to 1973, total public and private debts in the U.S. grew by 350%. On an annual basis that was four times as fast as during the 1920's which culminated in the crash of 1929 and the Great Depression. It was a rapidly accelerating growth rate; in 1962 it amounted to $1 trillion, by 1970 it had grown to $1.8 trillion and by 1976 to more than $3 trillion. The 200% increase in just 14 years compares with a 40% increase in the 1920's. Between 1945 and 1965, public and private debts increased at an average annual rate of $45 billion, between 1965 and 1973, the onset of the present depression, at an annual average rate of $160 billion or four times as fast as during the previous 20 years.

In the third quarter of 1976 the direct debt of the U.S. Federal Government amounted to $620 billion; the contingent debt in overdue contributions to pension funds and guarantees of debts to government agencies is estimated at between $4 and $5 trillion.

The U.S. budget deficit for fiscal 1977 is estimated to be $52.5 billion on a budget of $400 billion, i.e., 13%.

However, the politicians have not been alone in generating an enormous
debt increase, the public sector accounts for only one quarter of the direct debt, the remaining three quarters is owed by corporations, farmers, home owners and consumers.

At the end of 1975, American Corporations alone owed more than $1.3 trillion. Of this, half a trillion had accumulated since 1970. The effect of this debt has been to increase the percentage of gross profit needed to pay interest from 15% in the early 1960's to 40% by the mid 1970's.

The liquidity of American Corporations measured as a ratio of the holdings of corporate cash plus Government Securities to current debt, declined from 65% in 1950 to 35% in 1960 to a low of 20% in 1975. In 1967, corporate earnings covered interest payments more than ten times, in 1975 only about twice. This story can be produced in most countries of the free world.

In Germany after three years of Socialist regime, public debt increased from 163 billion DM in 1973 to 320 billion DM in 1976. At the same time corporate investment in fixed marks has declined year after year. Corporate earnings amounted to 56 billion DM in 1970 and only 32 billion DM in 1975.

The same trend is to be found in American households. In 1947 about 7 to 8% of the average American family's disposable income went for debt service, by 1976 the ratio had risen to about 24%. The Australian situation is similar.

In Australia between the years 1959 and 1971 interest on consumer debt increased by 140% against an increase in household disposable income of 136%. Between 1971 and 1977 interest on consumer debt increased by 246% and on dwellings by 200% against an increase in household disposable income of 123%.

Now let me try to focus on likely causes of this massive increase in debt, having regard to the change that has occurred in social attitudes and industrial codes of behaviour.

During the past 20 years, people have grown accustomed to consume more than they produce, either by borrowing directly or by having the government provide them with additional money which the government in turn has to borrow.

Purchases can be made from savings, current earnings or by going into debt. Current earnings are usually sufficient to cover the purchase of current necessities, food, clothing, etc., with a minor proportion available for saving or debt repayment.

Earlier generations were taught and encouraged to practice thrift and financial responsibility and, in general, purchases were made in cash from savings. That meant that spending on other than daily living necessities was spread over a lengthy period, business grew at a slow but regular rate and consumers had a series of purchase goals to achieve, the attainment of which was a measure of personal success and a source of continuing incentive.

Commercialised entertainment was beyond the financial means of most people who were forced to explore their personal potential to provide less sophisticated, but more social and sociable, pleasures.

Mechanisation of production lines with the consequent performance of a series of small tasks infinitely repeated, had not advanced to the point where work no longer gave personal satisfaction. It was accepted that the necessities of life were acquired as the result of
personal effort and thrift and it was usual in most families to acknowledge God's providence by Grace before meals and religious worship on Sundays. Community, social and family bonds were firmly knitted.

On the Government side, when the economic management of the major countries was under the strict discipline of the Gold Standard it was imperative for Governments to maintain Balanced Budgets. When, as a result of an adverse trade balance, gold flowed out of the country, money was withdrawn from circulation, prices decreased as a direct result, goods again became competitive internationally and a favourable trade balance was restored. During bad times, everyone suffered, the working people, I suspect, more than others but the established structure of society was maintained and there was always a financially sound middle class to provide investment capital when required, the returns from which were quite properly higher than from gilt edged government securities. Interest rates were low.

In those circumstances, the rate at which economies grew was related more to population growth than individual consumer demand. In general, it was a period of rapid population growth and comparatively slow improvements in living standards.

Pressures from unions, whilst not inconsiderable, were tempered by the tractability of a people working in a system that did not provide, as of right, a wide range of social benefits. For decades, inflation was virtually non-existent and, although living standards were low in comparison with those of today, there was an offsetting financial stability which preserved the value of savings against future needs.

That extended period of industrial growth and social stability terminated for the Western World in 1914. Two world wars in rapid succession, both extreme examples of conspicuous consumption, destroyed the established economic patterns and social attitudes and set the stage for future developments. It is probable that extravagant domestic consumption has become the replacement to the Military-Industrial complex identified by Dwight Lloyd Eisenhower.

On the average, the population growth in the developed countries of the free world slowed down. Although the initial impetus to economic growth was derived from the Marshall Plan, in rebuilding war torn countries and satisfying the pent up back log of consumer demand, ultimately economic growth was stimulated and raised to new levels by encouraging personal desires and then satisfying the increased expectations so generated.

An era of uncontrolled credit expansion began. Interest rates soared with little effect on consumer spending but with significant effects on debt accumulation and inflation.

Private enterprise is a competitive system conducted in open market conditions. Its success lies in reaching a high level of productive efficiency and maintaining a programme of continuous growth, a process which requires aggressive marketing.

The automobile industry is the prime example of the effect of intense sales promotion coupled with credit financing. Within the favoured income brackets the target of one car one family has now been superseded by one car per person. As a result the world cities are choked with vehicles, their atmosphere polluted, public transport that could alleviate the
The situation is little used and runs at a loss to the community and petroleum, that scarce ubiquitous commodity upon which the world industrial economy is predominantly based, and future generations will depend upon for a concentrated source of portable power, is being depleted in an orgy of corporate and personal self indulgence.

The public, the main target, have been encouraged into spending habits which could only be maintained by a progressive increase in earning capacity or by credit expansion.

Union leaders, wielding ever increasing power derived from a consolidation of key unions and the increasing dependence of industry and indeed the community on specialist groups, have been able to secure a regular succession of wage increases well beyond the capacity of industry to pay and maintain, at the same time, a continuing programme of debt service and technological innovation.

The banking profession which should have been a stabilising influence, joined in the action advertising easy money. Finance houses, many of them subsidiaries of banks and major industrial corporations, sprang up around the world by thousands to the extent that finance has become one of the fastest growing and most profitable industries. The income of financial enterprises in Australia as a percentage of income of Corporate Trading Enterprises, including Public Trading Enterprises, increased from 5% in 1955/56 to 12½% in 1975/76. Income from financial enterprises increased from $56 million in 1955/56 to $591 million in 1975/76 a tenfold increase compared with a fourfold increase from $1,081 million to $4,259 million over the same period for trading enterprises. The assault on the public has been unremitting and penetrating involving every type of media. Credit made possible the instant ownership of a suite of commodities that previously took half a lifetime to acquire.

The market has now been developed laterally across the full spectrum of demand for essentials, quasi-necessities and outright luxuries and vertically through the seven ages of man.

Business now finds itself in the situation where debts accumulate and loans have to be rolled over for longer terms at higher interest rates to service the debts of years long passed.

The consumer is left with no new incentives, only the doubtful stimulus of the need to work to pay off a dead horse. Household debt is a major and increasing part of domestic expense exerting continual pressure for higher wages to enable the present enjoyment of what should be the harvest of future years. The new consumer philosophy is to want everything and to want it now.

If anyone doubts that in this philosophy lie the seeds of revolution let him consider the show of strength, the ability, the latent desire, the willingness to use force to resolve industrial disputes, which has become so evident in this country in recent years in lieu of the legal procedures created by the laws of democratic government.

I am not suggesting that Private Enterprise is solely responsible for this situation but that it has contributed to conditions which minister to human frailty. Conditions in which reward precedes effort have created in the minds of many people the belief that the world owes them a living. From that it is an easy step to the relegation of all personal responsibility to a central bureaucracy.

This situation has grown in strength by the actions of unions and governments. Excepting those who have strong com-
munist ties, union leaders in general are aware of the economic cost involved in policies that generate and sustain a high level of inflation, but they face stiff competition for their jobs and are expected by the rank and file to demonstrate their stewardship with immediate if spurious benefits. Self interest prevails, it is easier to press for a relaxation of working conditions and higher wages than to get the message across to their members that inflation, if maintained long enough, will bring the system down.

In the U.S. between 1965 and 1976, under continual pressure from Unions, the employees take increased by 136% but corporate profits rose only by 48%. I believe that comparable conditions can be identified in Australia.

Politicians are equally culpable when, as is invariably the case, they buy support by committing themselves to policies which cost more than the country can pay without going further into debt. By assuming responsibilities which should remain personal responsibilities they further weaken the moral fibre of the community. The social welfare programme of the Whitlam Government is a prime example of this.

In the end Politicians, Union Leaders and Corporate Business Leaders join in harmonising an economic part song on the theme of “more material benefits for less personal effort”.

This element of self interest, if maintained, will eventually destroy the system. It takes the benefits and ignores the costs. The immediate example is the opposition to President Carter’s Energy Bill which is aimed at reducing the rate of depletion of fast diminishing petroleum resources by penalising the drivers of very large cars appropriately nick-named gas guzzlers. Whether it is the oil or the automobile industry that is the lobby is immaterial. Self interest which transcends the welfare of either the nation state or the world state invites official restraint.

A system in which economic growth can only be sustained at the expense of continuing inflation will eventually reduce all people to a common financial denominator and take away from them the incentive and initiative which has been the motivating force in mankind’s evolution.

Science and Technology can provide the means of bringing man’s needs and nature’s resources into balance but it cannot change human nature. People of our contemporary generations are progressively throwing off many disciplinary restraints. If Free Enterprise follows the trend and condones a policy of undisciplined self interest it will inevitably fail, the flame of freedom that illuminates the democratic world will be extinguished and the whole world will decline into the state of political repression that enslaves the people of the communist countries.

Private Enterprise is not just a name for a business system. It is synonymous with Democracy, a political ideology in which people live and work in freedom. It will only remain an acceptable system if it is controlled by a code of ethics to which all sectors of the community conform. In this crowded and complex world the Laissez Faire rules of the 19th century no longer apply.

A statement made in an I.P.A. publication of August 15th, 1948, “Economics and Faith” has particular relevance. “The problem does not arise primarily from a lack of knowledge or resources to sustain human life at an adequate standard of material comfort and well-being. It arises primarily from our
incapacity to live properly and nobly. It does not concern so much provision for his bodily needs as provision of sustenance for his soul. It is not so much a matter of livelihood as of life itself."

In this age of materialism which is corrupting our souls and bankrupting our resource bank, how do we learn to live within the physical resources which providence has placed at the disposal of all humanity and not, as our actions seem to indicate, for extravagant use by privileged few.

If the hierarchical ranking reflects as it should the relative degrees of ability of people to recognize a problem and find the correct solution to it, and the honesty and determination to resolve the problem, then the lead should be given by those that lead the community in Politics, Labour Relations and Business.

In a moral struggle there is no greater inspiration than example.
Multinationals and the Nation-state

"Nationalism has never been as powerful as it is today, but it is fighting a losing battle. The forces of nationalism have never been so strong, but they are struggling to survive. . . . . . . . So my paradox is that while nationalism is so strong it is fighting against its impending modification or destruction. These manifestations of nationalism in fact signal the onset of its death-throes."

Professor J. B. Condliffe, K.C.M.G.

Tensions between nation-states and the multinational corporations have been mounting in recent years, but this has not always been the case. In the 1950s and 1960s U.S. companies were rapidly expanding their activities overseas and most foreign countries were quite receptive towards them. In 1975 U.S. investment abroad had reached $7,300 million, but though still rising the pace has slowed considerably and Daniel P. Moynihan, then U.S. Ambassador to the United Nations, was fighting a defensive action when he said in that year, "Combining modern management with liberal trade policies, the multinational corporation is arguably the most creative international institution of the 20th century."

Today the multinational corporations are besieged with proposals of restraint. Much of the criticism levelled against them is associated with corruption, waste, inequities in distribution of rewards, pollution and degradation of the environment. But these evils are not the hallmark of the multinational enterprise; they are endemic in the U.S.S.R. and Eastern Europe where multinationals are virtually barred, and prominent in other countries where they are restrained. Very little evidence has been put forward to suggest that multinationals are any more guilty of such accusations than national enterprises whether state or privately owned.

Criticism along the above lines acts like a smoke-screen to hide the real cause of tension between multinational corporations and the nation-states which lies in the growing world-wide trend towards interdependence. National leaders see the international power of multinationals as a threat towards national goals of independence, stability, egalitarianism and protection.

Interdependence may continue to increase, without the contribution of multinationals, through such activities as international trade, licensing and borrowing, but multinationals are seen as the epitome of the trend towards greater interdependence and leaders tend to look for policies which hold the multinational in check. Although the affiliate enterprise is set up under the legal framework of the host country and is responsible to the national government which sets the rules under which it is allowed to operate, national leaders worry about the affiliate's responsibility to its foreign owned parent which may or may not be in the interests of the host country. Nationalisations by developing countries, according to a recent United Nations study, have doubled from an average of 45 per year during the 1960s to 93 per year in the 1970s.

Even so, multinationals are growing

in both size and numbers. Europe and Japan may have been slow in following the example of U.S. overseas expansion in the 1950s and 1960s, but even developing countries like Mexico, India, Brazil and Taiwan are now spawning their own multinational corporations.

**The North-South Conflict**

The tensions between multinationals and nation-states are similar from one country to the next, but they tend to be on a higher level in developing countries. In order to promote their own local and foreign markets, developing countries are seeking to establish a stronger bargaining position against the multinationals by taking joint action through various international agreements. The Organisation of Petroleum Exporting Countries (OPEC) is a prime example — though in itself a further manifestation of interdependence.

With hindsight, as Gurney Breckenfeld has pointed out, the initial phase of rapid expansion of the multinationals in an atmosphere of relative goodwill came to an end about 1971 when OPEC was the first to show convincingly that it could impose its own terms on industrialised nations of far greater economic and military strength. This period coincided with changes in political and economic circumstances which would in any case have resulted in a decline in the rate of growth of multinational activities. U.S. companies moved overseas in the 1950s to overcome high tariffs and other barriers to American exports. They continued to do so in the 1960s to take advantage of cheaper and more dedicated labour. The overvalued American dollar made it cheaper to buy assets abroad, the world economy was buoyant and expanding and prices were stable. Few of these conditions have existed since then, and with the advent of a prevailing world-wide climate of economic difficulties the nation-states have looked to their own interests and questioned the role of the multinationals.

The actions of OPEC and the effect it is having on the international oil companies of the industrialised world is well known, but there are other developments among the less developed nations which are less publicised and, perhaps, more significant. The Group of Seventy-Seven which represents the developing nations at the United Nations has — despite their many and varied political differences — established a common front on multinationals. So far their joint antagonism is limited to a list of demands:

(a) Capital, technology and access to markets should be provided by the industrialised countries on easier terms.

(b) Recognition of the inherent right of the developing countries to preferential terms in access to technology.

(c) Industrialised nations should finance a fund for the stabilisation of commodity prices.

(d) Developing countries have a right to remain free to pursue national objectives.

These demands have resulted in a number of projects through various organs of the United Nations to impose codes of conduct on multinationals operating in developing countries. One step towards this end was taken in 1975 with the setting up of the Centre for Transnational Corporations which provides technical assistance to developing countries faced with difficult problems in regulation or bargaining.

Although industrialised countries have

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2 "Multinationals Under Fire": Saturday Review.
similar worries in dealing with multinationals their antagonism is resulting in a different approach to the problem. In 1976 the Organisation for Economic Co-operation and Development (OECD) adopted a set of guidelines which member governments “jointly recommended to multinational enterprises operating in their territories” which can be summarised as follows:

(a) More information to be published on global operations.
(b) Avoid practices that might have anti-competitive results.
(c) Provide tax information to national governments of operations in other countries.
(d) Adopt practices in industrial relations in the interests of host countries.

The code is voluntary and non-enforceable, but there are those who see this as a cautious evolutionary step towards reconciling the conflicting needs of the industrialised nation-state and the multinational. Most developing countries are unlikely to adopt this line in the short-term, but if the number of international regulations were to increase in key areas, like commodity agreements on raw materials, tension would be likely to decrease with a consequent easing of the North-South conflict.

Some developing countries, like Brazil, Mexico, Iran and India are changing rapidly and will increasingly be supporting the kind of policies adopted by the industrialised nations. It would involve a lessening emphasis on nationalistic goals of autonomy, but some industrialised nations are already setting the pace in this respect — notably the Scandinavian countries, Netherlands and Singapore.

Further, since U.S. multinationals enjoy advantages associated with sheer size and diversity they will inevitably produce some countermeasuring response — initially from Europe which some financiers believe has already demonstrated a particularly marked decline in the growth of U.S. investment. Assuming that such a countermeasuring response were to develop, there is dramatic potential in European bargaining power to accelerate the development of enforceable international rules and regulations which would further ease global tensions.

The greatest stumbling block to this development is the existence of state-owned multinationals and the possibility of more emerging. Such state-owned enterprises as British Petroleum, Renault and Volkswagen are tolerated by other countries because of their relative autonomy and lack of centralist government control. But there are other state-owned enterprises under centralist government control which put national interests before international interests and have the potential to wreck any emerging umbrella of global regulation. They are capable of very abrupt changes in trading patterns which are not dictated by the elementary laws of economics and are prone to continuing operation at high levels of production in the face of a softening in world demand.

Such is the effect of government controlled interventionist policies, and in this respect the late arrival of communist countries on the multinational scene cannot be ignored.

The East-West Conflict

Leaders in both the East and the West are becoming increasingly disillusioned at the way scarce national resources needed at home are being squandered overseas on investments which have little lasting economic benefit. Pressures are building up in both the U.S.A. and the U.S.S.R. to cut aid to those Third
World countries which fan the contest between them by threatening one side that they will turn to the other.

Countries on both sides of the iron curtain are experimenting with new forms of economic and commercial relationships that may have far-reaching consequences.

The U.S.S.R. has traditionally structured its joint ventures with the West on a contractual basis without shared equity ownership and there is no immediate prospect of any change in this approach. It is in some of the other communist countries where significant changes are taking place. A number of consortiums incorporating capitalist and communist interests are operating in developing countries. In general they are enterprises conceived on the basis of equally divided equity, a balanced board of directors, and jointly appointed management. Maximum efficiency and profits are their governing criteria.

Yugoslavia pioneered this approach in 1967. Rumania followed in 1971, and Hungary, Poland and Czechoslovakia in 1972. Although new and experimental, East-West enterprises of this nature are beginning to make their presence felt. Hungarian and Czechoslovakian enterprises have joined with Austrian firms to supply thermal power stations to Lebanon, India and Egypt. A French and Czechoslovak consortium is delivering textile plants to Iraq. Morocco has taken delivery of West German equipment with Hungarian technology.

Samuel Pisar has coined the phrase, "the transideological corporation", to describe these enterprises and he sees their development as the inevitable outgrowth of unfolding East-West economic co-operation.

"Solutions to the immense practical, legal and economic problems that stand in the way," says Pisar, "are being improvised by negotiators from both sides of the ideological barrier . . . . In the wake of East-West détente, no higher task awaits those who are dedicated to the quest for world peace through trade and law."

There will be many in the West who do not share Pisar's optimism and who would regard communist participation in transideological enterprises with a high degree of suspicion — especially in view of earlier comments on the potential of centralist and interventionist governments to wreck any progress towards enforceable regulations. Is this just another sly communist move to infiltrate the system only to break it at some appropriate point in time?

On the other hand, Indonesia, Egypt, Ghana and Peru, among others, have had to pull back from their highly centralised systems in recent years in order to allow their economies to operate. In pulling back, they have allowed foreign-owned enterprises to operate inside the national structure with consequent loss, to some degree, of national independence. The West need not underestimate its own strength. Communism may well find itself locked into a system of international business enterprises embodying codes and laws which are contrary to its own ideology and which may have a potent and irresistible influence in changing the character of the internal activities of communist countries.

Whilst these trends may represent great danger to the West, they do, at the same time, give cause for some hope.

Immediate Problems

The major factor responsible for the trend towards national interdependence


3 "The Transideological Corporation: New Hope for the Third World": Economic Impact, No. 5.
— a trend which shows no evidence of being reversed — is the increasing efficiency of communications. It is the continuing shrinkage in time and space due to technological innovations in communications which is the basis for most of the significant forces contributing to greater interdependence:

(a) Impetus for national enterprises to spread outwards from the home base.
(b) Increasing international trade.
(c) Greater flow of technical services across borders.
(d) Larger movements of international capital.
(e) Growing similarity in machinery and industrial processes between nations.

The multinational corporation is much more a manifestation of the trend towards interdependence than the cause, and widespread belief to the contrary obscures the problems which are genuinely associated with the multinational structure of enterprise and which are responsible for the tensions between them and the nation-states.

Most problems associated with multinationals are largely concerned with the fact that they are subject simultaneously to various national jurisdictions and are capable, in some areas, of operating above the level of national governments without being subject to supra-national laws or regulations. These problems affect many areas of a nation's internal policy and, as Raymond Vernon⁴ says: "The very breadth of the agenda causes policy makers to recoil":
(a) Creating jobs.
(b) Redistribution of wealth.
(c) Availability of scarce national supplies and resources.
(d) Tax revenues.
(e) Consumer safety.
(f) Protection of the environment.
(g) National security.

The problems listed are merely a sample, but they all call for a similar international approach in their solution. One common need is to disentangle conflicting national jurisdictions so that activities by one nation do not have the effect of harming others. The OECD, for example, has tried to limit the extraterritorial reach of anti-trust actions by national authorities. A second obvious need is to set up some machinery through which nations can reach agreement on the nature of appropriate action.

Developing countries are not inclined to discuss these needs. Emerging and vigorous nationalism has the effect of producing a public attitude of hostility towards multinationals and any recognition of international regulation produces new obligations as well as new rights and privileges.

The lead must come from industrialised nations, but so far initiatives have been trivial — the disclosure programme of the U.N. Centre for Transnational Corporations and the OECD voluntary code are examples which have been mentioned. Movements towards the international regulation of multinationals, however trivial they may seem, must be made with other forms of international agreements such as those which have reduced the threat of tariff wars and competitive devaluations.

We are at a stage where little more can be said with confidence than this: In the growth and continuing influence of multinational enterprises can now be seen one of the means of taking steps towards building the structure of some form of global supra-national law, with the consequent and necessary decline in nationalism as a creed and national sovereignty as a practice.

⁴ Storm Over the Multinationals: Harvard Press.

New I.P.A. Booklet: Productivity

Early next year the I.P.A. will be publishing a new illustrated booklet on Productivity.

In writing the booklet, consultations have been held with both the Australian Council of Employers Federations — now incorporated with the Confederation of Australian Industry — and the Australian Council of Trade Unions.

The booklet defines productivity and offers a brief statement about why we need to increase productivity, but its primary purpose is to outline some of the ways in which increased productivity can be achieved under the following headings:

INVESTMENT
NEW IDEAS
MARKET ECONOMY
RE-TRAINING
MAKING JOBS MORE INTERESTING
INDUSTRY UNIONS
OWNERSHIP
PARTNERS IN INDUSTRY
COMMUNICATION

The booklet represents a genuine attempt to establish the common interests of management and labour — and indeed all Australians — in a co-operative effort to achieve higher productivity.

We believe businessmen and unionists should play a part in a national effort to educate people about these matters and that the booklet should be given maximum circulation. A wide circulation will enable the I.P.A. to subsidise distribution of the booklet to schools.

CONCESSIONAL RATES

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In addition to distributing the booklet to employees, some companies may wish to post copies to their shareholders with their annual reports and also to contribute to the cost of sending copies to schools. We can arrange to send copies to private addresses of employees or union members, but postage will be extra.
Short of thermonuclear war itself, population growth is the gravest issue the world faces over the decades immediately ahead.

Indeed, in many ways rampant population growth is an even more dangerous and subtle threat to the world than thermonuclear war, for it is intrinsically less subject to rational safeguards, and less amenable to organized control.

The population growth of the planet is not in the exclusive control of a few governments, but rather in the hands of literally hundreds of millions of individual parents who will ultimately determine the outcome.

That is what makes the population threat — even more than the nuclear threat — diffuse and intractable. And that is why it must be faced — like the nuclear threat — for what it inevitably is; both a central determinant of mankind's future, and one requiring far more attention of the world community than it is presently receiving.

Last year the world's total population passed the four billion mark. On the face of it, the event was not very dramatic. It marked, of course, the largest number of human beings ever to have been alive simultaneously on the planet — and thus was a record of sorts. But that particular record is broken every year. And will continue to be broken every year long beyond the life span of anyone alive today.

Barring a holocaust brought on by man or nature, the world's population tonight — as we sit here — is the smallest it will ever be again.

How did it reach a population of four billion?

For the first 99 per cent of man's existence, surprisingly slowly. For the last 1 per cent of his history, in a great rush.

It took mankind more than a million years to reach a population of 1 billion. But the second billion required only 120
years; the third billion 32 years; and the fourth billion 15 years. If one postulates that the human race began with a single pair of parents, the population has had to double only 31 times to reach its present huge total.

At the current global growth rate of about 2 per cent, the world's population will add a fifth billion in about 11 years.

But these global totals, of course, obscure wide demographic differences between the developed and developing countries . . .

From 1750 to 1850 the developed countries grew annually by 1.5 million people and the developing countries by 3 million; from 1850 to 1950, by 5 million and 7 million, respectively; and from 1950 to 1975, by 11 million and 48 million.

It now appears that a significant decline in fertility may have at last begun in the developing countries. The data are not yet fully conclusive, but the indications are that the crude birth rates have fallen over the past two decades by an average of about 6 points, or nearly 13 per cent (the crude birth rate is the number of live births a year, for every 1,000 of population).

By major region, the decline has been 6.5 points in Asia; 5.4 points in Latin America; and 2.3 points in Africa.

Further, the decline appears to have been general and widespread. It has occurred in 77 of the 88 countries for which estimates are available.

If these indications are confirmed by the censuses scheduled for 1980, then what we are seeing here is something of historic importance. It would mean that the period of rapid acceleration in the rate of growth of the world's population has finally reached its peak and is now definitely moving downward toward stabilization.

But, as welcome as this is, the fact remains that the current rate of decline in fertility in the developing countries is too slow to avoid their ultimately arriving at stationary populations far in excess of acceptable levels. (A stationary population is one that for a long time has had a constant replacement-level fertility, and therefore also has a growth rate equal to zero and a constant age composition.)

Unless governments, through appropriate policy action, can accelerate the reduction in fertility, the global population may not stabilize below 11 billion. That would be a world none of us would want to live in.

But governments can take action, and can accelerate the process, given the resolve and determination to do so.

Governments, then, must avoid the severe penalties of procrastination, and try to hasten the process forward.

But how?

The causes and determinants of fertility reduction are extremely complex, but it appears likely that there are a number of key linkages between that reduction and certain specific elements of socio-economic development.

The factors that appear to be the most important are health, education, broadly distributed economic growth, urbanization, and the enhanced status of women.

These factors are at work in the developing world today, but their progress is too slow to be fully effective.

Without additional intervention on the part of governments, the current population in the developing world is going to continue to grow at rates very substantially in excess of those that would permit far more economic and social progress.

There are two broad categories of interventions that governments must undertake: those designed to encourage
couples to desire smaller families; and those designed to provide parents with the means to implement that desire.

The first set of interventions sets out to alter the social and economic environment that tends to promote fertility, and by altering it to create a demand among parents for a new and smaller family norm.

And the second set of interventions supplies the requisite means that will make that new norm attainable.

To create the demand for a change in family norm, governments should try to:
- Reduce current infant and child mortality rates sharply.
- Expand basic education and substantially increase the proportion of girls in school.
- Increase the productivity of smallholders in the rural areas, and expand earning opportunities in the cities for low-income groups.
- Put greater stress on more equitable distribution of income and services in the drive for greater economic growth.
- And, above all else, raise the status of women socially, economically, and politically.

To satisfy the demand for a change in family norms, governments and the international community should:
- Provide a broad choice of the present contraceptive techniques and services to parents.
- Improve the delivery systems by which parents can get the services they wish.
- And expand present levels of research seeking better techniques and services.

Both categories of interventions are necessary.

Recent studies confirm that the effect of family planning programs is greatest when they are joined to efforts designed to promote related social goals.

We know that eventually the world's population will have to stop growing. That is certain.

What is uncertain is how. And when. At what level. And with what result.

We who are alive today can determine the answers to those questions. By our action — or inaction — we will shape the world for all generations to come.

We can avoid a world of 11 billion and all the misery that such an impoverished and crowded planet would imply. But we cannot avoid it by continuing into the next quarter century the ineffective approach to the problem of population that has characterized the past twenty-five years.

Man is still young in cosmic terms.

He has been on earth for a million years or so. And our modern ancestor, Homo sapiens, for a hundred thousand years.

But the universe of which he is a part is some twenty billion years old.

And if we represent the history of the universe by a line a mile long, then modern man has appeared on that line for only a fraction of an inch.

In that time perspective, he is recent, and tentative, and perhaps even experimental. He makes mistakes. And yet, if he is truly sapiens — thinking and wise — then surely there is promise for him.

Problems, yes. But very great promise — if we will but act.

Extracts of a speech delivered at the Massachusetts Institute of Technology, Cambridge, U.S.A., on 28th April, 1977, and reprinted with kind permission of the World Bank.
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Objects  
The Institute of Public Affairs is a non-profit, educational organisation financed by business enterprises and people throughout Australia to study economic and industrial problems. It was launched in 1943. The basic aim of the I.P.A. is to advance the cause of free business enterprise in Australia. In pursuit of this aim it is endeavouring:—
1. To inform the Australian public of the facts of our economic system and to raise the level of economic literacy in Australia.
2. To work always for a full and friendly understanding between employers and employees and for good relations throughout industry.
3. To study the means by which private business enterprise can be made to operate better in the interests of all sections of the Australian people.

INSTITUTE OF PUBLIC AFFAIRS  
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We live in an increasingly mobile society. It is not only people who are becoming increasingly footloose, it is the very structure of society itself that is becoming more and more fluid. No longer can we expect stability in our family circles, our jobs and business occupations, our religion and basic institutions, our government. A certain Professor is right in recognising the beginning of the Age of Uncertainty. We are witnessing the end of the Age of Dogma.

The uncertainty we experience in contemplating the accelerating rate of growth in technology, knowledge and changing circumstances is producing in us a state of Future Shock. For some of us the future is exciting, for others it is frightening. Despite ourselves we tend to hold on to our dogmas and beliefs in fear of the uncertain future. Our thinking remains paralysed in the present, which soon becomes the past as the future overtakes us. We remain glued to our ideas, our jobs and our business and professional operations, then wonder why we become unemployed, unemployable, frustrated and even bankrupt.

We cannot take for granted that there is any intrinsic right for institutions and businesses to continue to exist simply on the grounds that they have served us well in the past. We need to open our minds and question the structure of our society, so that we may hold on to that which is good and reject or change that which is no longer relevant. In an Age of Uncertainty there are few absolute truths — but I would venture to suggest one:— If we are sensible and wise then we will admit that the more we know, the more we realise how much more there is to know, and therefore the more we question what we think we know, and the more we listen to the questions of others.

It is, I believe, significant of the times, that we are, this week, celebrating Australia’s first Enterprise Week. For if the ideology of individual enterprise has any value at all, it lies in the absence of dogma compared with other ideologies. The Age of Dogma, I repeat, is passing, and I believe we are currently witnessing the death throes of beliefs that depend on dogma.
It is not merely that we can afford to listen seriously to the questions being raised in this Age of Uncertainty, it is the very nature of individual enterprise that requires us to do so.

I personally have a great deal of faith in our younger generation. Thinking young people all over the world are raising questions which are difficult to answer. I am raising some of these questions now not in order to reject them, dogmatically, out of hand. Nor in order to offer some facile answer based on my own dogmatic convictions. But rather to demonstrate the directions in which humanity could be moving in order to overcome our present problems and face the vast potential of the future with a measure of optimism.

1. Does this generation want to be remembered by future generations as the one which used up non-renewable world energy resources without considering what future organisations would do without such resources?

2. The Club of Rome has posed this question. Can we legitimately support a system whose success is measured solely in terms of economic growth when it is difficult to imagine how such growth can go on for ever without some limit? Is there a limit or can newly-discovered technologies fulfil the needs of tomorrow and the generations yet unborn?

3. Can the world population continue to increase without the inevitability of some major catastrophe? May I refer you to a recent speech delivered by Robert S. McNamara, President of the World Bank, in which he said, in part, “In many ways rampant population growth is an even more dangerous and subtle threat to the world than thermonuclear war, for it is intrinsically less subject to rational safeguards, and less amenable to organised control.”

4. Is mankind justified in disturbing the ecology of the environment in which we live?

5. Is an economic system valid which measures standards of living in dollars? Are we justified in excluding the qualitative human factors which add to the quality of life — factors like job satisfaction? Are we justified in demanding ever increasing standards of living without any apparent limit?

6. Some people query the activities of the multinational corporations. Others feel they are playing an ever-increasing beneficial role in expanding world trade.

7. Is the perpetual and totally absorbing industrial and political conflict capable of being resolved to the point where these questions can be asked by humanity in general in a spirit of co-operation and concern for future generations?

These questions, and many others, are being asked not only by students, young people and academics like Professors Galbraith and Schumacher, but by thinking people in all walks of life —
including unionists, businessmen, and politicians. But it is a sign of our times that many people have become increasingly disillusioned with the ability of “capitalism” to answer their questions. Why?

It is a symptom of this Age of Uncertainty that we tend to rely on the dogma of a past and irrelevant age. I am personally convinced that it is this tendency in our current outlook which is contributing more than anything else to the increasingly polarised nature of industrial and political conflict. We use dogma like a crutch to lean on in case of doubt. But we have no need of this crutch. Capitalism has always managed to change with the times. With wider ownership, capitalism today bears no resemblance to nineteenth century capitalism, and the capitalism of tomorrow will bear no resemblance to the capitalism of today. This unfolding proceeds, not in an orderly way, but in forward, sideways and backward movements.

I shall make no attempt to answer the questions I have raised — much as I should like to express a personal opinion — that opportunity I shall gratefully leave to our Guest Speaker. But I will suggest this:— there can be little hope for ‘a happy outcome from all our afflictions’ whilst polarity in political and industrial activity continues to get worse. We are witnessing, as I have said, the death throes of dogmatic creeds (embracing all the various forms of socialism), but I am confident and optimistic that new trends and more flexible approaches are emerging throughout the world which will see us through this difficult period of transition.

Here, in this country, Enterprise Australia is to be congratulated in promoting better communications between employers and employees, and in entering into discourse with unionists. We, in the I.P.A., are very proud this year to have been working on a booklet on Productivity which was aimed at being a joint statement between unions and employers. These may be small steps, but I feel they are steps in the right direction. They are paving the way to the next major debate which is beginning to take place — the debate known to some as industrial democracy and to others as worker participation. It is in the successful outcome of this debate that we have our greatest opportunity to reduce the tensions of polarity and face the questions of the future as a united people.

We have little to fear from socialism or communism. They are surely dogmatic ideologies which belong to the past and depend on the continued existence of the class-struggle — them versus us.

We, on the other hand, have an ideology that believes in the legitimate rights and privileges of all individuals.

We must take the initiative. I would not attempt to predict the nature of industrial organisation in the future, but I do know that we are not in the business of defending any particular organisational structure simply because it may have served us well in the past.

I have posed only only a few of the major problems which threaten our civilization, and have merely indicated a path we may
follow as a prerequisite to finding acceptable solutions. But answer these questions we must if we are to provide a world fit for our grandchildren to live in.

I believe the I.P.A. plays an important educational and constructive role towards achieving this objective, a role that depends on the continuing support of our members who so generously provide us with the means to act.

Australia is ideally situated to lead the world in solving the inadequacies of its economic organisation. It is a country which is comparatively rich, large in area and sparsely populated. We are relatively free of racial problems and inbuilt hereditary class differences which contribute so much to the totally absorbing internal conflict of other countries.

We have, one and all, a grave and urgent responsibility to resolve our current conflicts and face the emerging problems of the future as a united people.

The challenge is ours. We must accept it. This still is the lucky country.
Report of Chairman of Executive and Editorial Committee

Mr. W.A. Beattie, M.A. (Cantab.), B.A., L.L.B., M.A.I.A.S.

I am pleased to say that the I.P.A. publications continue to be well received. The "I.P.A. Review" circulation is now 22,000 copies per issue. During the past year we have published several articles on the need to take strong, decisive action against inflation. These articles have been well reported in the press.

Other important articles have been concerned with Investment in The Life Offices and Company Profits. It is clearly of vital importance that the people who work in industry should have a proper comprehension of the important function of profits and their size, especially those made by the larger companies which are so much in the public eye. In the interests of better industrial relations and a better work effort the I.P.A. feels it is important that every possible step should be taken to correct many popular misconceptions which surround this subject.

In the last twelve months we have been fortunate in having obtained some outstanding contributed articles for the "I.P.A. Review":

- "Socialism and Science" by Nobel Prize Winner Professor F. A. Hayek who was our guest speaker at this meeting last year.
- "Love Thou Thy Land" by Professor J. B. Condliffe, which is a most readable article, full of scholarly wisdom.
- "The Uranium Debate: Some Economic Aspects" by Professor Heinz Arndt. This article created remarkable interest. Professor Arndt's article was republished in several journals including the A.N.U. Reporter. The I.P.A. also reprinted it as a special pamphlet and 8,000 copies were distributed among a wide cross section of the community, including a large number of university students.
- In our last issue we published an article by Eugene Falk "Helping Small Business". This is a very important article because it is concerned with the enterprise of men with little capital, often only an idea, who started small businesses, worked hard and prospered. These are the men who helped to build Australia. It is their contribution we should remember in this "Enterprise Week".

During the year there has been a steady increase in the circulation of "Facts" which has now reached 65,000 copies per issue. "Facts" has been published every second month for the last twenty-five years. Since its inception in 1952 over 7,500,000 copies of "Facts" have been distributed. The bulk of the "Facts" circulation is among employees over the whole range of Australian industry. It is read by executives, foremen, tradesmen, apprentices, shop stewards, clerks and typists. Some companies take 1,000 or more copies for employee distribution. "Facts" is used by teachers and students in 1,200 schools.
It is also sent to libraries, members of parliament, public servants, newspaper editors, and trade union officials.

The I.P.A. believes that "Facts" has a key role to play in educating people about free enterprise, taxes, inflation, wages, costs, prices, the need for good profits, the importance of higher productivity, and how living standards can be improved.

Over the years the I.P.A. has received many inquiries for "Facts" to be published in a foreign language edition. This year the Institute has conducted research into the most effective way of communicating with the migrant community, and we have concluded that the best method of reaching New Australians is through the columns of the ethnic press. We have recently concluded negotiations with "Il Globo", an Italian weekly newspaper with a national circulation of 40,000, to publish an article from "Facts" every week. If this experiment proves successful it is intended to approach other foreign language newspapers with a similar proposal.

In each of the last four years the I.P.A. has published a special booklet for wide distribution among people in all walks of life. The booklets were about profits, free enterprise, and inflation. Over half a million copies were sold altogether. We are about to publish another special booklet on the need for higher productivity.

Improved productivity is the answer to many of Australia's problems. It is urgently needed in the battle against inflation and it is vital if Australian industry is to become competitive on home and overseas markets.

We are hopeful that there will be sufficient agreement on the final text for the booklet to be issued with a joint supporting statement from the A.C.T.U. and the A.C.E.F. We shall be relying on companies to purchase copies for wide distribution among their employees and also to contribute to the cost of making copies available free of charge to schools. We hope that a number of companies will see fit to mail copies with their periodic reports to shareholders.

It is now being increasingly realized that much of the criticism of free enterprise is due to lack of understanding, arising from the failure to educate the people about the great contribution of business to the development of their country and to the provision of better living standards for all. Too many people are extraordinarily ignorant of the way in which the free enterprise system operates, and of the contribution it makes to Government revenues and thus to the improvement of Government services in the fields of housing, education, health and welfare.

By supporting the I.P.A. and helping us to distribute our literature to a wider audience, companies have an opportunity to remedy these deficiencies and thus help to establish the free enterprise system in public esteem. Needless to say, education in these matters must be continuous if it is to achieve worthwhile results.
Owing to inflation the cost of every item needed to maintain the Institute has increased. Printing and postage costs are a major concern. It will be necessary for us to increase our income by at least 20 per cent this year. We therefore ask all our old and valued supporters to maintain and if possible increase their annual contributions. We shall be looking also to many other companies which are not subscribers. All businesses, and especially companies listed on the Stock Exchanges, have a big stake in our economic system. We believe they should shoulder some of the responsibility for economic education on behalf of free enterprise. You can each help by suggesting firms, societies, or individuals who you have reason to believe might become contributors.

THE SPREAD OF THE INSTITUTE’S INFLUENCE

The “I.P.A. Review” has a national circulation of 22,000 copies per issue and “Facts” has now reached 65,000.

I.P.A. publications are read at all levels of the community:

- Executives and Managers
- Factory and office employees
- Press, radio and television
- Educational
- Professional
- Members of Parliament
- Government administration

The following table shows the approximate distribution of our regular publications among these sections of the community.

<table>
<thead>
<tr>
<th>No. of Copies</th>
<th>Review</th>
<th>Facts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Executives and Senior Staff</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Factory and Office Employees</td>
<td>2,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Press, etc.</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>Schools, Universities, Libraries</td>
<td>6,200</td>
<td>10,000</td>
</tr>
<tr>
<td>Professional — lawyers, doctors, clergymen and community organisations</td>
<td>2,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Parliamentary and Municipal</td>
<td>700</td>
<td>700</td>
</tr>
<tr>
<td>Public Service</td>
<td>350</td>
<td>350</td>
</tr>
<tr>
<td>Sundry Names</td>
<td>5,000</td>
<td>6,000</td>
</tr>
</tbody>
</table>

The influence of the Institute in all these areas is confirmed by numerous letters of appreciation and by frequent reference to I.P.A. views by the media.

There have been many suggestions over the years that the I.P.A. should publish “Facts” in foreign languages in order to extend our message to the non-English speaking migrant communities. This year we undertook research into the feasibility of foreign language editions of “Facts” and asked our subscribers to fill in a questionnaire to establish the market. As a result we have decided that our objective
of raising the standard of economic literacy in migrant communities may be most effectively achieved by contributing material to respected ethnic newspapers.

Following negotiations with "Il Globo", an Italian newspaper with a national circulation of 40,000, we now have a weekly column headed "Facts" which carries the Institute's name. Much of this material will also be published in English in our own bi-monthly publication, but the emphasis will be on providing material which is of special significance to Italian migrants. If this approach proves successful we shall also be approaching Greek, Yugoslav, Turkish, and other ethnic newspapers.

We wish to thank the many supporters who responded by filling in the questionnaire, and we trust that our subscription list will be extended to those companies with predominantly migrant workforces keen to support our new work in migrant communities.

Today when the free enterprise philosophy is being questioned and business is the target for much uninformed criticism there is great need for a bigger distribution of I.P.A. publications among teachers and the youth of Australia.

If the I.P.A. succeeds in giving the citizens of tomorrow a better understanding of the market economy and the economic principles basic to Australia's welfare and progress, it is fair to say that the community will derive great future benefit. But this kind of economic education is clearly long term and a continuous task.

There are over 1,200 State and Independent schools on the I.P.A.'s mailing list. The fact that this list has been built up over thirty years, entirely by requests from teachers, is a tribute to the objective educational character of the Institute's work.

Most schools request multiple copies of the I.P.A. publications for class use. The following is a list of some of the schools which regularly receive a substantial number of copies of the "I.P.A. Review" and "Facts".

<table>
<thead>
<tr>
<th>Name of Schools</th>
<th>&quot;I.P.A. Review&quot;</th>
<th>&quot;Facts&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Altona North High, Vic.</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Canberra Grammar, A.C.T.</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>Coburg Teachers College, Vic.</td>
<td>-</td>
<td>50</td>
</tr>
<tr>
<td>Dandenong High, Vic.</td>
<td>12</td>
<td>140</td>
</tr>
<tr>
<td>Dickson High, A.C.T.</td>
<td>75</td>
<td>50</td>
</tr>
<tr>
<td>Fort Street High, N.S.W.</td>
<td>75</td>
<td>150</td>
</tr>
<tr>
<td>Melbourne High, Vic.</td>
<td>240</td>
<td>100</td>
</tr>
<tr>
<td>Methodist Ladies College, Vic.</td>
<td>270</td>
<td>50</td>
</tr>
<tr>
<td>Melbourne C. of E. Grammar, Vic.</td>
<td>90</td>
<td>40</td>
</tr>
<tr>
<td>Parramatta Marlst High, N.S.W.</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>Prahran High, Vic.</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Scotch College, Vic.</td>
<td>100</td>
<td>5</td>
</tr>
<tr>
<td>The Scots College, N.S.W.</td>
<td>100</td>
<td>30</td>
</tr>
<tr>
<td>Sydney Boys' High, N.S.W.</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Sydney C. of E. Grammar, N.S.W.</td>
<td>100</td>
<td>50</td>
</tr>
<tr>
<td>Sydney Technical College, N.S.W.</td>
<td>-</td>
<td>60</td>
</tr>
<tr>
<td>Taylors College, Vic.</td>
<td>300</td>
<td>100</td>
</tr>
<tr>
<td>Teachers College Sydney, N.S.W.</td>
<td>50</td>
<td>50</td>
</tr>
</tbody>
</table>
THE INSTITUTE OF NATIONAL AFFAIRS, P.N.G.

The I.P.A. extends its warm good wishes to this new organisation which has an important part to play in establishing the role of private enterprise in the future development of Papua New Guinea.

The I.N.A. held a seminar in Port Moresby on Foreign Investment in August, 1977. This was the first major function since its inception.

I.P.A. COMMITTEES AND BRANCHES

During the past three years very good progress has been made in establishing I.P.A. branches in other states. This has helped to expand the mailing list for the "I.P.A. Review" and "Facts" and has greatly increased the effectiveness of the Institute's national influence. The I.P.A. Queensland has a Council consisting of over forty distinguished community leaders. The I.P.A. acknowledges the very dedicated work of these committees and especially of their chairmen.

Mr L. C. Brodie-Hall, C.M.G.
Chairman I.P.A. Western Australian Committee.

Mr Norman Savage
President Institute of Public Affairs (Queensland).

Mr R. A. Simpson
Chairman I.P.A. South Australian Committee.

SPECIAL BOOKLETS

In addition to its regular publications, the I.P.A. publishes each year a special booklet on an important subject about which people in all walks of life should be well informed.

In the last four years the I.P.A. has published booklets on the following subjects:

<table>
<thead>
<tr>
<th>Year</th>
<th>Title</th>
<th>Circulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973</td>
<td>&quot;Profits and Prices&quot;</td>
<td>62,000</td>
</tr>
<tr>
<td>1974</td>
<td>&quot;INFLATION&quot; — Everybody's Responsibility</td>
<td>200,000</td>
</tr>
<tr>
<td>1975</td>
<td>&quot;Free Enterprise&quot;</td>
<td>126,000</td>
</tr>
<tr>
<td>1976</td>
<td>&quot;What Went Wrong? How To Put It Right!!&quot;</td>
<td>130,000</td>
</tr>
</tbody>
</table>

The large circulation of these booklets indicates how much they have been appreciated. Most of the copies were purchased by companies for wide employee distribution. A number of companies contributed to the cost of making copies available free of charge to schools for use in economics classes. And several companies posted booklets with their periodical reports to shareholders.
NEW BOOKLET—PRODUCTIVITY

The I.P.A. is about to publish a new illustrated booklet stressing the need for increased productivity, which is urgently needed to—

* combat inflation,
* make Australian industry more competitive on home and overseas markets,
* raise living standards,
* improve the quality of life, including better schools, hospitals, and other public facilities.

The booklet emphasises that higher productivity is a job for everyone, including—

* Governments and their advisers,
* Management in both private and public enterprise,
* Trade union leaders,
* Employees and tradesmen, salesmen, machinists, clerks, indeed everyone with a job.

The Institute has had discussions with the A.C.T.U. with a view to getting a substantial measure of agreement regarding the contents of the booklet. It is believed that awareness of the need for increased productivity may be more effectively promoted by emphasising the areas of common ground between employers and the unions.

LETTERS OF APPRECIATION

Each year the I.P.A. receives hundreds of letters from people in all walks of life. A selection of extracts from letters over the past twelve months is reproduced below.

Sir Brian Inglis,
Ford Motor Company, Victoria—
The need for public education about the free enterprise system is greater now than ever before, and I congratulate you on your achievements to this end. I follow your publications with interest and hope that your educational efforts and defence of the free enterprise system meets with the success and recognition it deserves.

Mr. N. K. Angus,
Secretary, Repco Limited, Victoria—
We congratulate the Institute on the splendid publications produced on a regular basis and extend our good wishes for the future.

Mr. G. T. Grant,
The Shell Company of Australia Limited, Victoria—
We would like to take the opportunity of congratulating those people who have contributed so much toward the success of the I.P.A. programme over the years.

Mr. F. J. Doos,
Managing Director, Medos Company, Pty. Limited, Victoria—
In today's turbulent world in which the private enterprise system is under constant challenge, I believe that you deserve all the support you can possibly muster.
Mr. A. A. Harrison,
Malley's Consumer Services Pty. Limited, South Australia —
Your small, uncomplicated, compact document has such value it should reach every home in Australia.

The Honourable Vernon Wilcox, Q.C.,
Victoria —
The Institute has a long history of a real contribution in educating people and seeking a wider understanding of the free enterprise concept.

Mr. H. Schweizer,
Western Australia —
Allow me to congratulate you most heartily on the 25th Anniversary of "Facts". I have always found it to be the most concise, instructive, and well-balanced economic publication of its kind in Australia, providing a wealth of information not only in easily readable form, but also in a way which brings home the facts at a glance.

Major H. H. Yoffa,
United Service Institute of Victoria —
I have been privileged to receive I.P.A. publications for over twenty years and I have greatly enjoyed reading them. During this period they have maintained a high standard. The "I.P.A. Review" and "Facts" are circulated among members of the U.S.I. and they are greatly valued. The Institute is playing a unique role in economic education. You are doing very important work in the interest of free enterprise.

Randwick North High School, New South Wales —
Teachers at this school have found your publication "Facts" excellent in the teaching of Economics, Geography, and General Studies.

Senator Misha Lajovic,
Australian Parliament Offices, Sydney —
I do commend you on your initiative in publishing "Facts" in foreign languages. Publication of the facts as presented in your publications would be of tremendous interest to many non-English speaking Australians.

Mr. M. Slatter,
Economics Teacher, Urrbrae Agricultural High School, South Australia —
Our students are studying the current inflationary trend, however they are finding the common economic text books too hard to follow. On viewing your publication — "Inflation — Everybody's Responsibility" — we admire the presentation and the readability of the booklet. Could your organisation kindly donate forty copies.

Sister M. Paul,
St. Joseph's Convent, North Goulburn —
May the work of the I.P.A. prosper and spread and may it achieve its worthy objectives. Thank you for the wonderful service rendered to so many people, schools and organisations. You carry out quite an invaluable work.

Mr. P. A. Imlach,
Secretary, The Hospital Employees' Federation of Australia, Tasmania —
"Facts" seems to me to be an excellent paper.

Mr. J. P. Hume,
Victoria —
The recent publications of the Institute fully maintain the high standard of past years. I have always been impressed with the lucidity of expression, the logic of argument, and the perception of basic factors that has always been the hallmark of the Institute.
Mr. H. R. Schaeffer,
South Australia —
I have found your publications excellent. Keep up the good work!

Mr. D. H. Merry,
Committee for Economic Development of Australia, Victoria —
The possible publication of a joint statement on Productivity in conjunction
with the A.C.T.U. is a tremendous break-through. The I.P.A. is to be warmly
congratulated on its initiative in this matter.

Sir Edward Dunlop,
Victoria —
Thank you for your “I.P.A. Review” copy, with the interesting article by Pro-
fessor Arndt, which I read with great interest.
I feel a deep concern that strident minority voices and left-wing attitudes may
earn us all the contempt of the world at large. As an admittedly energy rich
country we can scarcely divorce ourselves from the problems of the world, nor
with any decency look to one of the nuclear giants to underwrite our defence.

Mr. Harald C. Nicolson,
Maroondah Associated Newspapers, Victoria —
I am placing on record my appreciation of the Institute’s Review which I have
been receiving and using for nearly thirty years.
In a day where ambivalence is often regarded as smartness, the Review’s thought-
ful and clear cut editorial opinion makes refreshing and stimulating reading.

Mr. L. Robert Oaks,
North Plainfield, New Jersey, U.S.A. —
Congratulations on 25th Anniversary of “Facts” — a magnificent issue!

Mr. V. K. Brown,
Economics Master, Wesley College, Victoria —
I.P.A. publications have been of considerable value to students in general and
economics students in particular. Thank you for the generous service you are
rendering to this school.

Librarian, Chatswood High School, New South Wales —
Our students are finding the “I.P.A. Review” and “Facts” of great value. Do
you have any other publications available?

Mr. T. A. Levick,
Spartan Paints, Victoria —
The Editorial on Devaluation was the most clear and concise that I have read
on this very contentious subject. I have made sure that as many of our staff
as possible have read it also. Congratulations to the Editorial Committee.

Mr. I. A. S. Jackson,
Western Australia —
Congratulations on “Facts”, a truly great little paper.

Miss W. M. Zaniewskl,
Granville South High School, New South Wales —
I have found the booklet “The Uranium Debate: Some Economic Aspects” by
Professor H. W. Arndt an excellent reference for senior secondary students.

Mr. Paul K. Martin,
Rothmans of Pall Mall (Aust.) Limited, New South Wales —
I have long been interested in the activities of your organisation and would
compliment you on the excellent standard of the various publications issued
from time to time.
FINANCIAL SUPPORT

The continued support of subscribers, particularly those which have contributed to the I.P.A. since its inception, is deeply appreciated by the Council.

The current inflation presents great problems for non-profit, educational organisations like the I.P.A. If the Institute is to be maintained in a stable financial position, income will need to rise year by year to meet increasing costs. This means both the enlistment of new subscribers and increased support from subscribers of long standing. Only in this way can the educational work of the I.P.A. be expanded where it is most needed, particularly in schools, universities, and among office and factory employees. At a time when the free business economy is coming under attack by the unthinking, the misguided and the prejudiced, it is important that the activities of the Institute be maintained at full strength and expanded.

In the last financial year we received support from 1881 contributors as follows —

<table>
<thead>
<tr>
<th>Type of Subscription</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies</td>
<td>546</td>
</tr>
<tr>
<td>Individuals and Sundry Subscribers</td>
<td>1,171</td>
</tr>
<tr>
<td>Schools (Concessional rate)</td>
<td>164</td>
</tr>
<tr>
<td>Total</td>
<td>1,881</td>
</tr>
</tbody>
</table>

I.P.A. SUBSCRIPTIONS

<table>
<thead>
<tr>
<th>Type of Subscription</th>
<th>No. of copies of each issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies — $50.00 per annum</td>
<td>I.P.A. Review: 3, Facts: 10</td>
</tr>
<tr>
<td>Individuals — $5.00 per annum</td>
<td>I.P.A. Review: 1, Facts: 1</td>
</tr>
</tbody>
</table>

The above are minimum rates and entitlements increase with larger subscriptions. Concessional subscription rates are available for teachers and schools. The I.P.A. relies in the main on the financial help of Companies and organisations which contribute larger amounts.