

PRESS STATEMENTS

Statement Issued to the PRESS on JULY 3

PRODUCTION DRIVE

Over the last three years the I.P.A., Victoria, has strongly advocated both a long-range national policy to accelerate the rate of increase of industrial productivity in Australia and also a short-range production drive to counter the low level of productive efficiency in industry since the end of the war. One of Australia's leading statisticians has recently suggested that manhour output in Australian industry today is around 10% lower than before the war and this figure agrees closely with estimates made by the Institute over the last twelve months from official statistics and from a wide range of information gathered from industrial sources. This 10% decline in productivity represents a grave weakening of the economic structure of the Commonwealth. The I.P.A. therefore supports the Leader of the Country Party, Mr. Fadden, in his advocacy of a production drive—the drive should be directed toward the goal of at least restoring the 10% loss in productivity since the pre-war years.

What are the main reasons for the low level of industrial productivity in Australia today? The Institute places the causes in the following order of importance:—

(1) The bottlenecks in strategic parts of the economy, particularly in the supply of fuel and power. The inadequate production of power is partly the result of increased industrialisation since 1939, but

largely of an insufficient output of coal. The shortage of coal penetrates to every corner of the Australian industrial structure causing serious interruptions and losses of production. A first point of attack in any production drive must be directed toward a greater output of coal.

(2) High and steeply progressive taxation, which has greatly reduced the comparative rewards of hard work, skill, ambition, risk-taking and enterprise and of those who bear the burden of responsibility. The Commonwealth Government is alone in a position to remedy this and the community is entitled to look forward to further substantial reductions in taxation at an early date.

(3) The lack of appreciation on the part of the average person in Australia of the connection between his own efforts and his own real income—for this he is not altogether to blame. If this connection could be established in the minds of the mass of the people, it would be realised that the only way to have more things is to work harder for them. No production drive is likely to achieve much success unless it is accompanied by an education campaign to bring home to the worker at the bench, in the shop and in the office, the indissoluble relationship between work and wealth. In this campaign all parties to the industrial process—governments, employers and trade unions—have important roles to play.

(4) The low industrial morale and poor relationships in industry which show themselves in strikes and lockouts, absenteeism, go-slow practices, poor time-keeping, high labour turnover and industrial indiscipline. Bad industrial relationships cannot be transmuted into good overnight but immediate benefit would almost certainly be derived from a properly organised nation-wide conference between government, employers and representatives of labour. Such a conference, because of the publicity it would attract would make it incumbent upon these organisations to state in clear terms their policies for better relationships in industry.

(5) The continuation of wartime controls and restrictions on an inefficient administrative basis and the failure to streamline essential controls to suit the needs of the post-war situation. Price control, for instance, is still unnecessarily cumbersome in detail, it discourages enterprise and tends to destroy incentive to achieve higher efficiency and lower production costs.

Unless action along these lines is taken, broad national appeals and exhortations for greater production, whether emanating from Cabinet Ministers or business leaders, are likely to be futile.

We agree with Mr. Fadden's recommendation of production targets provided

examination reveals this to be practicable. But the lack of realistic and accurate information about production in Australia is appalling and, unless corrected, would be a serious obstacle in the way of planning and of measuring the achievements of any production drive. Some of the information on production published by the Commonwealth Statistician is misleading and often this information—naturally enough—appears in the press. There is need to bring home to the public how production is progressing from month to month, from year to year, in all the main industries and in the economy as a whole. Some such index as the Federal Reserve Board's index of productivity in the U.S.A. might serve a useful purpose in the latter connection. But it would be of little use for such data to be prepared by government statistical offices unless the press of Australia were to collaborate in making the information regularly available to the public, thus arousing the interest of the people in the facts about production throughout the national economy.

Full employment can be of great economic and social benefit but if it is accompanied by declining productivity it will prove to be a dubious gain. The public must realise that there can be a depression under full employment—a self-inflicted one caused by sheer failure to produce on an efficient basis.

Statement Issued to the PRESS on AUGUST 18

NATIONALISATION OF TRADING BANKS

The I.P.A. is opposed to the nationalisation of the banking structure on the basic ground that it will further extend the deadening influence of Government bureaucracy over the genius, enterprise and talent of the people. We are making a full study of all the issues involved in this momentous matter and as soon as possible will publish a statement upon it.

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Statement Issued to the PRESS on AUGUST 27

NATIONALISATION OF THE TRADING BANKS

1. The I.P.A., Victoria, as a non-political organisation, has always striven to judge national questions impartially on their economic merits and irrespective of their political source or implications. The I.P.A. has urged on industry the adoption of advanced labour policies and has not hesitated to support labour objectives where it has believed them to be in the national interest.

2. We believe that the evidence collated in the past by Royal Commission and other expert economic enquiry, and experience in the democratic countries, have fully demonstrated that a virile competitive private banking structure is essential to the economic well-being of the Australian people.

3. The Prime Minister's announcement has evoked the usual spate of fallacious arguments concerning the supposed defects of the private banks, namely that they caused the last depression, make excessive profits, and are not really competitive. These accusations are utterly untrue and entirely unfounded. The Report in 1937 of the Royal Commission on the Banking System exonerated the private banks from all these charges. Their reiteration at the present moment is clouding the issue in the minds of the people and prejudicing a sane economic evaluation of the proposal.

4. It is a well-established and universally accepted principle that the financial and credit policies of the nation should be administered in the best interests of the whole community. The 1945 banking legislation gave the central banking authority wide powers of control over the private banking system for this purpose. These powers are indeed more than adequate to control the profits of the banks—which is in fact already being done—and to ensure that the volume of credit is regulated as to assist in avoiding the instability and insecurity of booms and depressions. On the grounds of economic security therefore there is no valid reason for the Commonwealth to resort to nationalisation of the trading banks.

5. At the present juncture precise comment on the Government's plans is impossible for the simple reason that nothing is yet known of what will be included in the legislation to nationalise the banks. It should be noticed that in making his announcement the Prime Minister did not pay the community, or the banks, the elementary courtesy of advancing one single reason for the proposed action. It is impossible to see how the individual or the ordinary bank client, be he a borrower or a depositor, can be in any way benefited by nationalisation. On the contrary, while final comment must be reserved until the exact intentions of the Government are made clear, certain palpable dangers arise from the proposed nationalisation.

6. If nationalisation means, as it would seem to mean, the elimination of any form of competition within the banking system it would and must result in the lowering of standards of everyday service to the community. The quality of service received at present from the trading banks has been built up over long years of experience and is almost wholly due to the fact that the banks compete actively, one with another, for the custom of the public. If the element of competition is destroyed under the Government's nationalisation proposals, the whole weight of experience and of the findings of theory point to the inevitable conclusion that standards of banking service to the public would decline. Any member of the public who is dissatisfied with the service received from his bank under the present system can transfer his business to another bank if he so desires—which, in practice, today frequently happens.

7. Under a nationalised banking system it may be difficult, indeed impossible, to avoid political influence in the conduct of banking business. While it is broadly true to say that under the present system a borrower requiring an overdraft can rest assured that his application will be judged entirely on its business merits, under a system of nationalised banking the danger of political or other considerations entering into the judgment of his application is obvious.

8. Since finance enters into every conceivable kind of business transaction a nationalised banking system would seem to give the Commonwealth Government, whether Labour or non-Labour, immense powers over the whole of industry and busi-

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NATIONALISATION OF THE TRADING BANKS (continued)

ness and over the individual. In fact it would give the Government powers far greater than those conferred by all the existing government controls put together, a large number of which at present operate because of National Security Regulations introduced as an emergency measure during the war. Since there would be no other available source for obtaining bank accommodation, these powers could be used to cripple and possibly to destroy the business aspirations of an individual or company. Indeed, if for purely personal reasons, the local manager of the proposed government bank did not wish to assist an individual, or had a grudge against him, it might be in the manager's power to wreck his customer's business and the customer might have no redress.

9. The dangers that emerge from the nationalisation proposal may be summarised as—

- (a) the destruction of competition and lowering of standards of everyday service;
- (b) the control from political motives of advances, overdrafts and even of personal spending;
- (c) the granting of virtually unlimited powers to the government to control the industrial and business and even the personal life of the community.

10. Although in framing its legislation it may be possible for the Government to avoid these dangers, this is extremely problematical. If legislation can provide assured safeguards against them, then all to the good. But, even if this were possible, nationalisation possesses many other inherent disadvantages. Any revolutionary change in the banking structure of the community must, while it is taking place, involve tremendous inconvenience and uncertainty to the public. Unless, therefore, there is very good reason for the change, it is totally unwarranted, especially in time of grave economic crisis and transition like the present. Moreover, a nationalised banking system under one general control would inevitably introduce into everyday banking business the cumbersome and slow-moving methods of bureaucracy. Finally no banking system can work effectively unless it possesses the full confidence of the public. There must remain doubts whether a nationalised structure would command this confidence.

