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## CONTENTS

	Page
Free Enterprise and Planning	1
Price Control	11
Inflationary Trends—	
Wholesale Prices	22
Retail Prices	22
Volume of Money	23
National Income	23
Interpretation of Graphs	24

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## FREE ENTERPRISE AND PLANNING

THE political pendulum in the British democ-  
 racies of Britain and Australia is swinging  
 away from the Left. For some time there have  
 been various signs and portents that opposition  
 to Left-wing politics is increasing. It now seems to  
 be irrefutably confirmed by the municipal elec-  
 tions in Great Britain and the Victorian State  
 elections in Australia, both of which resulted in  
 the overwhelming defeat of Labour candidates.

The reaction against the Left should be a source  
 of gratification and renewed hope not only to  
 those who believe in the economic virtues of  
 private enterprise, but to all true democrats. For  
 there could be nothing so destructive of the spirit  
 and content of democracy than that one political  
 party should gain a more or less permanent habita-  
 tion of the seat of government. And the pendulum  
 has so long and so decisively pointed to the Left—  
 in this country at any rate—that not a few people  
 have thought that it would never again swing back  
 as far as the Right; that the Australian elector in  
 casting his vote in the future would be compelled  
 to choose between moderate Labour and extreme  
 Labour.



## REVULSION AGAINST CONTROLS

While the movement against the Left may be in part attributed to the natural swing of the political pendulum, it is in great measure undoubtedly due to a deep and widespread revulsion against the rigidly controlled economy, against bureaucratic interference with the personal everyday freedoms of the individual, and to the fear of the omnipotent and omnipresent State. In fact, it is by no means beyond the bounds of possibility that the next few years may sound the death-knell of socialism in the British communities, that is of socialism in the form we have come to know it in practice as involving an ever-increasing centralisation of power and authority in the State and an ever-diminishing measure of personal liberty for the individual.\* This, of course, may be the over-confident prediction of an organisation whose basic tenet is that in the economic sphere the public interest will best be served by the greatest possible degree of true individual enterprise. But it may not be far wide of the mark! It may be that if socialism is eventually to survive as a potent political force in the British democracies, its doctrines will have to be rethought and recast in another form. It may have to be shown that the socialist objective of conscious direction of economic affairs can be pursued by methods which do not involve on the one hand the gross restriction of personal freedom and on the other the lowering of material standards through the destruction of enterprise.

## EXTREMISM BREEDS EXTREMISM

There is, of course, a deep and an irreconcilable conflict between the extreme socialist concept of total State planning and the traditional British system of free individual enterprise. In fact, the gulf between the present-day socialist and the free enterpriser is so vast that many eminent students of politics have concluded that, unless it can be narrowed, unless some of the basic differences can be reconciled, the survival of the essential forms of political democracy is, at the least, highly doubtful. The socialist theorist has never quite been able to explain how the totally planned economy is consistent with

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\* This does not, of course, mean that there will be any vital alteration in the policy of State ownership of certain public utilities, which is supported by all shades of political opinion.

free and regular democratic elections. Where there is a fundamental divergence between conflicting political beliefs—such as there is between Communism and democracy; and possibly between extreme socialism and democracy—the danger of civil strife is ever-present. The November crisis in France is a grim reminder. If total planning can only be established, and once established can only be perpetuated, by a dictatorship of the Left, then the political party which pursues it must expect to arouse that kind of opposition which would feel compelled to work for a dictatorship of the Right. Extremism breeds extremism. If democracy is to survive in the British nations, then there must be both the possibility, and the actuality, of compromise between opposing political beliefs. But there can in practice be little or no compromise between the total planning envisaged by some present-day socialists and the free competitive system upheld by the representative non-socialist.

## CHANGE IN SOCIALIST POLICY

Should the political swing now occurring lead the socialist to moderate his aims and to modify his methods so as to place less emphasis on the State and more on the individual, then we can confidently look forward to a better and more constructive period in politics, in economics, and in industrial relations. A few socialists are already beginning to recognise the necessity for this change of policy and viewpoint. For instance, in a recent statement, Captain Raymond Blackburn, a British Labour M.P., said:

“An entirely new approach is needed. Where private enterprise is doing a good job we must help it all we can. We must proudly acclaim its achievements instead of sneering at those who are successful. It is an odd paradox that the success of socialism in Britain depends in large degree upon the efficiency of private enterprise. Direction of labour would create a most dangerous situation within the Labour Movement.”

But despite individual instances of this type, there is no certainty that the socialist movement as a whole will be prepared to concede the need for a reshaping of socialist beliefs and methods. Whether this will be done will largely depend on the attitude now displayed by the non-socialists. An un-

## FREE ENTERPRISE AND PLANNING (continued)

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comprising, extremist stand by the upholders of private enterprise would unquestionably serve to make the socialists more rigid and obstinate, and less inclined to reconsider their traditional policy and objectives. It would also serve to prolong the present mutually destructive and uncompromising political and industrial conflict. It may be argued that public opinion may become so hostile to controls and planning that the socialists will be forced to remould their policy, regardless of what the forces of the Right might do. But this argument overlooks an obvious fact—namely, that the state of public opinion over the next few years will in large measure be determined by the attitude of the non-socialists. An over-confident and violent reaction to more extreme Rightist ways of thought as a result of the recent political indications would, in due time, and it would not be a very long time, bring about another violent reaction to the Left; it might even entirely halt the swing of the political pendulum now taking place. It is, therefore, of the utmost importance that private enterprise, both in its own interest and in the wider interest of the nation, should continue to press forward with progressive policies, and continue to clarify its own mind on the economic and social problems of the day.

One of the most vital of these problems is that of government planning. If the typical socialist has been over-ready to embrace total planning, the typical free enterpriser has probably been over-ready to reject all forms of planning by the State. It may therefore serve a useful purpose to attempt to re-state in broad terms the limits and the kind of State planning which the supporters of free enterprise might legitimately uphold without sacrificing any of their fundamental beliefs and ideals.

### STATE MUST PLAN

It needs to be said at once that there must be planning by the State. Too many people still think of the political conflict in terms of black and white, in terms of unrestricted free enterprise versus total planning. But this is an unrealistic oversimplification. To reject total planning is not to reject all planning. When a government decides to construct a new

arterial road or a new railway, it is planning. When it embarks on a long-range programme to increase the supply of electricity or water or coal, it is planning. When the State grants a tariff to a new industry, or increases the tariff applicable to an old, it is planning to encourage the development of that particular industry. When the State lays down in factory acts minimum conditions of sanitation, lighting, ventilation, and so on; prescribes minimum standards of cleanliness and purity in the handling and content of food supplies; sets up tribunals or other agencies which have power to determine the minimum wages to be paid or the maximum hours to be worked in industry; subsidises industries suffering from the temporary affliction of bad seasons or establishes home consumption prices for others dependent on export markets; in all these cases it is planning. Through companies acts, laws relating to monopolies, restraint of trade, patents, bankruptcies, and a hundred and one other things the State plans and lays down the rules under which private enterprise is to be conducted.

All these functions and many others were performed by the State in most of the democratic nations before the 1939-45 war without the proponents of private enterprise feeling that there was any fundamental encroachment on their own rights and liberties. Today not even the toughest individualist or the most ardent advocate of "laissez faire" would raise any serious objection to these forms of planning.

## NEW AVENUES OF STATE PLANNING

To these elementary functions of the State—the setting of minimum standards of employment, of quality of goods and other essential commodities, the control of tariffs and of international trade, the provision of community services and planning of utilities not suited for private enterprise, the drawing up and administration of the legalistic framework, the broad rules, under which private business is to be carried on—may be added several other major responsibilities which are now generally regarded as the undisputed province of governments. If any genuine supporter of free enterprise still doubts whether these additional functions—shortly to be mentioned—should be conceded the State, he would be well

## FREE ENTERPRISE AND PLANNING (continued)

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advised to rid himself of his misgivings once and for all. The cause for which he stands will be far better served if the State does undertake these responsibilities than if it neglects them.

### WORK FOR ALL

In the first place, the State must aim to ensure that work is available for all who genuinely wish to work. In the current economic jargon it must plan to maintain a high and stable level of employment. The total volume of work available cannot be left to the blind forces of chance. There are no grounds at all for the mystical belief, still held by some people, that private enterprise left to its own devices will ensure that at all times there is work for all those who seek work.

There is, of course, room for endless disputation on how much and what kind of planning will be necessary for the State to achieve success in this aim. The various facets of this dispute, which is by no means yet settled, cannot be discussed in this article. But the free enterpriser should be prepared to recognise the necessity of two things.

First, the Central Bank, as the appropriate State authority for the purpose, should have the power to determine the broad shape of credit and monetary policy. This involves the power to influence the volume of bank advances, the level of interest rates and rates of foreign exchange. It does not involve the monopoly power—inherent in the 1947 Banking Act—to discriminate between bank customers on political or personal, rather than on business, grounds and to exercise final and absolute financial control over their affairs.

Second, the State should plan its investment in public utilities and public works in such a way as to maintain the total of capital investment, including private investment, at a level conducive to maximum employment. This implies a larger field for State investment than was generally the case before the war, and it also implies that private enterprise as a whole should make available full and accurate information in regard to its own plans for capital expenditure. It does not imply that the State should restrict, except under abnormal

conditions, the capital expenditure of private industry, nor that it should decide the directions in which that expenditure can be made. On the contrary, private enterprise would be completely justified in insisting that, since it is the means of providing the greater part of all employment, the State should be at special pains to encourage its development and expansion in every way.

## MINIMUM STANDARD OF SECURITY

Another major field for State planning, which is now, with few exceptions, recognised as desirable by all parties and all shades of political belief, is that of provision by governments for the unemployed, the aged, the sick and all those who for reasons beyond their own control are unable to provide adequately for themselves. This in brief is a guarantee by the State to all responsible citizens of a minimum standard of economic security and well-being. In many democratic countries during the war, the State undertook a vast and comprehensive expansion of social expenditure to meet this need. The standard of security provided is of course limited only by the wealth of the community. As the wealth of the community increases it must be expected that the standard will be improved. It is, of course, not possible to lay down precisely the standard which any community can afford, but since these services must be paid for at least partly out of the proceeds of taxation, and, in effect, involve a transference of income from the wealthier to the poorer sections of the community, the standard should not be raised so high as to become a serious drag on enterprise and ambition. The free enterpriser should have no objection to reasonable and adequate social services of the kind instituted during the war, either on moral or economic grounds. In fact, from the economic standpoint there are good grounds for the belief that the redistribution of income brought about by the new social security will help to stimulate consumption and thus to increase the demand for the products of private industry. This does not, of course, imply that there is any solid basis for the continuance of taxation at the present high levels, which are inconsistent with the

## FREE ENTERPRISE AND PLANNING (continued)

fullest expression of free enterprise and, moreover, unnecessary in view of the buoyant condition of government revenues.\*

### "PLANNING FOR COMPETITION"

A third major sphere in which State planning is necessary is that of providing conditions under which individual enterprise has the fullest scope and can function most effectively in the interests of the community. Private enterprise is much more than a matter of private ownership. The very essence of private enterprise is free competition. Free competition is not automatically assured by the State leaving the businessman to his own devices. Human nature has an undeniable tendency to seek the easy course and, in a multitude of ingenious ways, businessmen in all countries have sought to curtail the normal workings of competition. These activities are not by any means always necessarily against the public interest; but they can be, and governments have felt compelled, by legislative enactment and in other ways, to exert some control over monopolistic trade practices. Thus in Australia we have the common law relating to restraint of trade and various statutes in the States directed to the same end. The U.S.A. has probably gone further than any country in the attempt to protect competition through legislation such as the Sherman Anti-Trust Act, the Clayton Act and the Federal Trade Commission Act. The Americans have a phrase for all this, "planning for competition," and there is no genuine believer in the American free enterprise system who opposes planning of this type. Australia is young industrially and it is very probable that monopoly and monopolistic practices have not been carried to the same extent as in the older industrial nations. Nevertheless, at some time in the near or distant future it may be necessary for governments in Australia to take more far-reaching steps than have yet been taken to protect and encourage free competition.

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\* The methods of financing social security are important. The individual should be entitled to social security as a "right" not a "charity"; and in return for that "right" he should be required to make a direct contribution related to the benefit he would be entitled to draw from a social insurance fund. This principle is only partly observed in the existing methods of financing social security benefits.

## SOCIALIST PLANNING

For full employment, financial stability, social security; for the preservation of conditions of free and fair competition, the State is compelled to plan, and no progressive representative of private enterprise will object to that. But socialist planning goes much further. The socialist is not satisfied merely to attempt to determine the total size of the national income, or to put it the other way round, the total volume of production; he wishes also to determine the kinds of production to be undertaken. He is not concerned to encourage the expansion of private enterprise by protecting the right to compete and by providing scope for adequate rewards, because he visualises a vast enlargement of the area of public enterprise. He is not content to prevent excessive profits through the use of the tax weapon; he wishes through price-control to determine the rate of profit over the greater part of industry. He is not satisfied to determine how the national income will be distributed among different individuals; he wishes, by planning in detail the kind and quantities of things to be produced, to decide in effect how those incomes will be spent. He desires not merely to provide work for all, but through detailed controls over finance, materials, and production, to decide the kinds of work which all shall do. The preference of 20,000 employees to continue in the employment of the private banks must be brushed aside if it conflicts with the aim of the socialist to set up a State banking monopoly.

Now it is to controls of these kinds—controls over the prices he shall charge, the profit he shall make, the quantity of materials he shall use, the nature and extent of capital investment he shall be permitted, the goods he shall produce and the manner in which he can dispose of them—that the free enterpriser takes, and is justified in taking, the strongest exception. Not that he would contest the right and the need for the State to employ these controls in times of national emergency such as war, when all economic resources must be concentrated on the single objective of a maximum war effort. Nor would he object to the need of some measure of control to cope with the abnormal conditions of the economic aftermath of war, where there is a fundamental disequilibrium between supply and demand. The large majority of business-

## FREE ENTERPRISE AND PLANNING (continued)

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men today, for instance, would almost certainly be prepared to concede the need for some degree of price-control, of materials allocation, of the rationing of some forms of consumption. The businessman's criticism is directed not at the need for controls, but at the unnecessarily detailed extent to which the controls are carried, and at the slow-moving inefficiency with which some of them are administered. But more important than these criticisms is his fear that these controls are regarded not by the Government as a temporary measure, but as a permanent and necessary feature of an economy of total socialistic planning. This fear is well-founded. The Government has left the community in doubt as to the exact intentions in regard to the future of controls, and it is important that these doubts should be dispelled one way or the other by a clear unequivocal statement of Government policy.

If private enterprise is to serve the public interest, the area in which the businessman will be allowed to operate must be clearly marked out, and within that area he must be free to do his own planning and to make his own decisions, and he must be rewarded in proportion to his ability and industry.

