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A CHANGE OF EMPHASIS

OVER the last few years the main emphasis of economic policy has been on the need for increasing production. And this emphasis has, under the circumstances of these years, been rightly directed. For practically all countries of the world, certainly for all the active participants in the war with the possible exception of the United States, the war not merely brought about a vast lowering of standards of living, through interrupting the production of peace-time goods, but greatly reduced the potential producing power of those countries. Capital equipment was impaired through excessive use or inadequate replacement, the construction of homes and of buildings practically ceased, public amenities and government works for peace purposes, from roads to reservoirs, were virtually negligible. The entire resources of great communities were devoted to the single overriding compulsion of winning the war.

At the end of the war there was thus an urgent need by consumers for all kinds of consumption goods, by industries for new plant and equipment, and by governments for developmental projects and public works. Moreover, this need was backed by a plenitude of purchasing power. The economic situation was, in straight economic terms, one of a tremendous excess of demand over supply and the supreme need was, therefore, to increase supply with the utmost rapidity.



BELATED RECOGNITION

In some countries, the primacy of this need was very belatedly recognised, and in these countries recovery from the economic inroads of the war proved a distressingly slow process. Australia was one. In fact, in government and trade union circles in this country hardly one word was heard at the end of the war about the urgency of increasing production. The emphasis was rather on the expansion of social services, on the provision of full employment when full employment was in any case assured by post-war economic conditions, and on the avoidance of inflation by continuing the mechanism of controls made necessary by the economic circumstances of the war. There was a widespread desire, which the Government did little to dispel, to gather the fruits of victory almost before the orchards had been planted.

It can, however, be said, with truth, that the employer organisations were not slow to recognise that at the end of the war production would be the great economic problem of the moment. Indeed, the I.P.A. is able to take some pride in the fact that it was probably the first organisation in Australia to insist on the pivotal importance of production, and in the part that it played in achieving wide recognition of the need for expanding output by every possible means.*

At that time—in 1944—we believed that we were on sound ground in stressing that production should be the supreme concern of statesmen, industrialists and economists. That we were justified was proved subsequently by the broad acceptance of policies of high production by the democratic countries throughout the world.

A SHIFT OF EMPHASIS

The emphasis must now, however, be shifted. If production should have been indisputably at the top of the list of economic priorities in 1944, and even as late as 1948, it should no longer be in 1949. It should still be high on the list, but it can no longer claim an undisputed right to the first place. *The supreme problem of economic policy in Australia, and*

*See I.P.A. booklet, "Increased Production" (First published 1944).

indeed in all the democratic nations, will, for the next three to five years, be, not the problem of increasing production, but the problem of maintaining employment, the problem of turning the economic ideal of permanent full employment into an economic reality. The maintenance of employment should now be the first concern of governments, businessmen and economists. This does not, of course, mean that increased production is no longer of importance. It is still important—vitaly so! There are still acute shortages of many kinds of badly-wanted goods and services and of badly-needed capital developments. It is still, and always will be, a universal economic truth that higher levels of living can be reached only through higher levels of production. Moreover, the task of maintaining employment in Australia will be rendered incomparably easier if production and productive efficiency can be raised.

WHY ?

Why, then, the change of emphasis? The reason is that the continuance of high or full employment can no longer be taken for granted, as it was possible to do in the years immediately following the war. It is now no longer possible, and it is certainly no longer wise, to regard full employment as an automatic consequence of economic and business conditions. The reason lies in the changing economic background. The sellers' market, which has dominated the economic scene since the end of the war, is now giving place to a buyers'. In one country at least—the United States—the switch-over has already been nearly completed. In others it is well under way, and there are signs that the transformation is commencing in Australia. We must face up to the fact that the post-war inflationary boom is beginning to exhaust itself and that deflationary influences may shortly be in the ascendancy in many countries. What does this mean in practical terms? It means increasing competition, increasing pressure to find markets for many goods, and, in some industries, increasing difficulty in maintaining employment at present levels.

There is not one economist of any repute who does not accept the inevitability of some recession, in the near future, from the buying boom which has prevailed since the end of the war. The great question, and one upon which few are

prepared to be dogmatic, concerns not the certainty of recession, but its magnitude, the great query whether this time a recession from unhealthy boom conditions will degenerate—as it has done so often in the past—into economic depression with large-scale under-employment of men and resources.

"DEPRESSION TALK"

To say this is not to indulge in the dangerous and deplorable pastime of "depression talk." Let it be said here, and with every possible emphasis, that there are very solid grounds for believing that, given a reasonable amount of economic judgment and political nous, there will be no serious depression in this country within the next decade. But not to look economic facts straight in the eye is the height of foolishness; and one thing which should not be overlooked is that all the signs point to the near-certainty of recession from present boom conditions, and that a healthy recession carries with it the danger—even though a remote danger—of unhealthy and unwanted depression.

THE ULTIMATE CALAMITY

A depression of any proportion would be the ultimate calamity for private enterprise as well as for the community as a whole. *And it would be a calamity not so much from the economic point of view, not so much because of declining sales and falling profits or of the number of bankrupt businesses, but because of the profound political repercussions it would certainly have on the economic system under which business is carried on.* If there is one thing certain it is that, in the political temper of these times, the people are in no mood to put up with another large and prolonged dose of unemployment. They would certainly cast around for a scapegoat, and just as certainly they would demand drastic economic changes. No matter what government was in office at the time, the burden of their blame would, almost without question, fall at the door of the free enterprise system. They might not stop—quite probably would not stop—at demanding far-reaching modifications to the free enterprise system. They would in all likelihood demand that this system be finally

abandoned and replaced by an entirely new one. *They would be in the mood to stake their fortunes on some new unproved vessel rather than continue to travel in one they felt—albeit wrongly—had so often let them down.*

Of course this would be an utterly wrong judgment and an utterly illogical decision. If large-scale unemployment were to occur again in this country, it would by no means be largely due to the shortcomings of private enterprise. It would be mainly due to the incapacity of governments to handle the complex problems of the modern economic world, and to the fact that the community as a whole, and not just the business man, had not yet learned that a free society will work very imperfectly unless there exists a high standard of social and moral responsibility; that there can be no real stability, economic or otherwise, in a world of unstable and irresponsible human beings.

THE SOCIALIST HOPE

The socialist of course would deny this. He would argue, without any semblance of backing from the highest economic authorities, that it was impossible for the state to plan successfully for full employment under a system based predominantly on private enterprise. There is good reason to believe that some socialists would not be altogether averse to a recurrence of unemployment. They know that such an eventuality, disastrous as it might be for those people they profess to serve, would give a powerful impetus to the acceptance of socialist doctrine by the people; in fact, might almost guarantee the final victory of socialism and the final overthrow of free enterprise. A booklet, which has just come into our hands, entitled "Towards a Socialist Australia" (issued by the N.S.W. Fabian Society) states quite bluntly: "A depression will probably occur within Australia within five years. Widespread disillusionment will then turn many people to socialism if education of the electorate is begun now. . . . If the foundations are laid now, Australia will be ready by the next depression for the first instalment of socialism." One may disagree with the economic prognosis in this statement, while conceding that, *if it proves to be correct*, the political prediction is probably justified.

THE PRACTICAL DEDUCTION

The practical deduction, therefore, so far as private enterprise is concerned, stands out clear and unmistakable. Private enterprise and its leaders should now give definite evidence that they are prepared, and preparing, to do everything in their power to contribute to the avoidance of depression and unemployment in this country, as overseas prices recede and the world boom gives place to world recession. They must show their complete awareness of their responsibilities to the nation in this matter, and the first step in the recognition of these responsibilities is to place the objective of full employment in the first place on their list of economic priorities.

Regardless of what other sections of the community may do, regardless, for instance, of whether the Commonwealth Government's own handling of the overall economic position is open to serious criticism, or of whether the trade unions themselves act in irresponsible fashion by endangering economic stability through pressing for impossible increases in wages, private enterprise should take steps to ensure that its own house at least is in order. If Australia should, within the next five or six years, fall into another depression—as some socialists predict and hope—then at least private enterprise should see that its own record is as far as possible above reproach and that its conscience is clear. This is the path not merely of economic rectitude, but of political wisdom and expediency.

WHAT CAN PRIVATE ENTERPRISE DO ?

What, then, can private enterprise do?

Much study has been given in recent years, particularly by employer organisations in the United States, to the steps which private businesses might take to provide stability of employment for their workers. The proposals which have been evolved, however, relate mainly to the alleviation of seasonal unemployment, and can contribute little towards the cure or prevention of large-scale unemployment ensuing from cyclical depressions. The enthusiasm which first greeted guaranteed employment or guaranteed wage schemes, as a contribution toward the solution of cyclical unemployment,

has somewhat waned as the practical limitations and difficulties of these schemes have become clearer. There is probably little to be gained by pursuing enquiry in these directions. Now is the time to recognise unequivocally that only the national government is in a position to control and administer those policies which can prevent large-scale cyclical unemployment. The responsibility must, in the nature of things economic, rest largely with governments. *The important thing to comprehend, however, is that the government cannot carry out its task effectively without the ready co-operation of private business, and other sections of the economy, especially the trade unions. Private enterprise's great contribution to the maintenance of employment must be largely directed at seeing that this co-operation is not lacking.*

There is no reason why co-operation should be of the negative kind; there is no reason why private enterprise should wait to be told what to do. On the contrary, there is every reason, economic and political, why private business should be positive and enterprising in the co-operation it offers and the contribution it makes. Just as private enterprise, over the last five or six years, has been foremost in agitating for high production, over the next few years it can be foremost in endeavouring to keep the full employment objective well to the fore in the minds of the public, the press and politicians.

A CONFERENCE WITH THE GOVERNMENT

The leaders of private business might well suggest to the Commonwealth Government that they should meet the leaders of the Government in conference at an early date to discuss the changing economic position and the anti-recessionary measures which may be necessary over the next few years. They could offer the Government full co-operation in any reasonable steps, which it might have in mind in controlling recession and maintaining spending. They could also require from the Government a clear statement of what it would require and expect of private business in the event of threatened unemployment. One thing which would certainly be required of business, and indeed is necessary at the present time, is the willing provision of information about sales trends, stocks, projected capital developments and so on, information



which the Government needs to be able to plan intelligently for high employment. This is a field in which there is a great deal of room for improvement by private business.

One possibility that might be explored by private industry is the establishment of employment equalisation funds, which might be regarded as funds earmarked for use in time of business recession as a temporary stop-gap to enable a smooth changeover of employment from declining industries to government works. This might eliminate the necessity of precipitate "sackings" of the kind which took place in the 1929 depression. If these funds were built up at the present time while business revenues are generally buoyant, they might conceivably make an important contribution to business and employment stability if the occasion should arise. Business leaders, if they found such an idea practicable, might suggest to the Commonwealth Government that they are ready and willing to undertake the provision of special funds of this nature, if the Government will co-operate to make the scheme financially practicable by making such funds free of tax.

This idea, is, of course, only put forward as a possibility. The important thing at the moment is for private business to give every evidence of its desire to assist in the solution of the problem of cyclical unemployment and to assist the Government's plans to work smoothly. *If leaders of private enterprise would take the initiative now in suggesting to the Government the need for a conference between themselves and members of the Government, such a step would help greatly to win public acclaim for private enterprise and to forestall criticism that otherwise might be levelled later on.*

There is far too much at stake for the future of the community, as well as for the system of free enterprise, for business to be half-hearted or lukewarm about this matter. When the social and political implications of a depression in Australia are considered—unlikely as a depression may be—then it will quickly be realised that free enterprise should grasp the present opportunity to assume leadership in the most vital and intractable economic problem of modern times, the provision of security of employment for all decent men and women.

