

★ *Constructive co-operation between business and government is as vital to economic welfare and progress as labour-management co-operation.*

B U S I N E S S A N D G O V E R N M E N T

Once upon a time—it seems a long while ago now—government and business had comparatively little to do with one another. Government was government and business was business, and the more government kept out of business and business out of government the better, it was thought, for everyone concerned.

They occupied and moved in two separate, almost water-tight compartments, and the points at which they touched were relatively few. The doctrine that as little government as possible was the best government possible held sway through general acceptance. It is true that in the comparatively early period of modern industrialism the state began to lay down minimum standards of protection for employees and investors. But apart from that and its participation in the great perennial issue of free trade versus protection, the role of government was, in the main, the negative one of keeping the ring as clear as possible of obstructions to the operation of free business enterprise. This general picture, with few modifications, prevailed up to the beginning of the first World War, and in the United States even for a decade after.

But all this was changed beyond recognition, first, by the Great Depression, and second, by World War II. Government from being a more or less interested observer, and occasionally an umpire, of the economic game, came right into the arena as an active and even controlling participant. Business and government were no longer separate entities moving independently in their own distinct fields of ac-

tivity. Their concerns began to touch at many points, and they found themselves to be partners in a common enterprise devoted to the objective of economic welfare—although there soon sprang up violent disagreements between the partners on the way in which the enterprise should be run.

Profound Changes.

The Great Depression wrought profound changes in the thinking of the public and of economists on the responsibilities of government in the economic field. The classical idea that the automatic forces of the free market, so long as it were kept free, would ensure the maintenance of economic stability at high levels of employment in the economic environment of the post-war world was discredited. In the United States we had the New Deal, in Australia the famous Economists' or Premiers' Plan, and in all countries governments were forced by economic circumstance and the pressure of public opinion to interfere with normal economic processes in order to promote recovery and relieve distress. Out of the depression was born "the new economics" of which the late Lord Keynes was the most notable exponent in his great work "The General Theory of Employment, Interest and Money." The old classical conceptions, which had dominated economic thought for 150 years, were subjected to critical re-examination, and the idea that governments would have to take a larger, more positive role in the stabilisation of economic conditions and the pre-

vention of unemployment became widely accepted.

And following hard upon this revolution in thought and practice came World War II when the exigencies of total war forced governments to assume, temporarily, virtually total responsibility for the direction and management of the economic mechanism. The things produced, the prices charged, the distribution of incomes, the content of international trade, the pattern of employment, and the investment of savings, were no longer decided in the main through the normal more-or-less automatic processes of the free price market, but by conscious government direction and regulation. And even after the storm tides of war had receded, government had to continue in control to clean up the vast confusion of economic flotsam and jetsam that remained, so that business enterprise could operate again with reasonable effectiveness to supply the peace-time needs of the people.

Soon there arose a violent debate on the period during which the government should remain in control in this "clearing up" operation; and allied with this was the larger question of the extent to which government should, as a permanent thing, assume responsibility for economic processes. The controversy still rages; the issue is not yet finally determined, and may not be for a long time to come.

Employment and Distribution.

Two important points on the relation of government to business have, however, been removed from the field of dispute. The first is that the level of economic activity and of employment can no longer be left to the automatic dispensations of the free price market; in all countries and by all shades of political belief these great questions are regarded, at least partly, as matters of government responsibility and determination through the weapons of

banking and credit policy, exchange rates, budgetary finance, and public works and spending. The second is that government must assume some responsibility for ensuring that all members of the community are provided with a decent minimum of food, clothing, shelter, education and health.

These questions, as we have just indicated, are beyond party division or any serious difference of public opinion. Thus in a broadcast before the last general elections in Britain, the great Conservative leader, Mr. Churchill, said:—

"The scheme of society for which Conservatives stand is the establishment and maintenance of a basic standard of life and labour below which a man or a woman, however old or weak, shall not be allowed to fall. The food they receive, the prices they have to pay for basic necessities, the homes they live in, their employment must be the first care of the state, and must have priority over all other peace-time needs." Also: "All parties are agreed that the prevention of unemployment ranks next to food in the duties of any government."

Size of Government.

Whatever may be the future area of government responsibility—we have always urged the minimum consistent with the objectives just mentioned—in the two great matters of total employment and the provision of a basic standard of living for all, the position and role of government are now established by an almost universal consensus of opinion. *This development has naturally led to a remarkable expansion in the size of government and to an entirely new set of relationships with the everyday business life of the community.* Its magnitude can be illustrated by one or two simple figures. In 1939 there were 42,000 administrative public servants in the employ of government and local government bodies in

Australia; in 1950 there were 117,000.* In 1938/9 all government revenue from taxes amounted to £125m. or £18 per head of population; and in 1948/9 revenue from taxes totalled £527m. or £68 per head of population. In ten years we have seen what almost amounts to an administrative revolution in the economic functions of government and in its relations to the business community.

Difficulties and Misunderstandings.

It is hardly to be expected that this revolution would have occurred without difficulties and misunderstandings, often amounting to antagonism, in the attitude of government to business and of business to government. Many hard things have been said on both sides. On the one hand business has, almost overnight, had many of its old-time freedoms restricted and found itself subjected to a degree of interference and direction naturally difficult to stomach. Controls and regulations, the meaning and purpose of which it does not always easily comprehend, have invaded it from every quarter. Where formerly the businessman could retain the greater part of his hard-earned profit, he now finds he must pay back the greater part to the government. Where formerly he could buy where and what he wanted, he now frequently finds he must obtain a government licence. Where formerly he could borrow money for whatever purpose he wished, he now finds that he is restricted to those purposes laid down by the Commonwealth Bank. It is hardly to be wondered at that some businessmen have come to regard government as, at best, an unmitigated nuisance, and at worst as an enemy; and government servants as an unnecessary and unproductive encumbrance on the back of the community.

* Excludes those engaged in public authority activity elsewhere indicated in the "Monthly Bulletin of Employment Statistics" under manufacturing, mining, transport and communications, building and construction, banking, insurance, law, education and health.

On the other hand, it is scarcely surprising that government officials, armed with new and unheard of authority, should at times have exercised their new powers in an indiscriminating and unsympathetic fashion. *Nor is it surprising that in a world-wide movement toward the assumption of great responsibilities by government for full employment, social security and economic stability, that the servants of government should sometimes tend to overlook the importance of the practical knowledge of the businessman and to under-estimate the cardinal significance of the business function.*

It is not, of course, suggested that these attitudes of mind are universal, or even general. There are many government officials who recognise fully the significance of the business function and who are invariably sympathetic and understanding in their dealings with businessmen. Equally, there are many businessmen who have a wise comprehension of the need for a broader scope of government direction and activity than that which existed in 1939, and who are helpful and co-operative in their transactions with government officials.

Mutual Indispensability.

It is, however, still true that there is much antagonism, much suspicion and resentment, in the general relationships of business to government. In the mixed economy of the modern world, both government and business must eventually come to recognise the indispensability of one to the other. If business is to yield its best fruits, it needs strong and wise government and the economic stability which such government can provide. If government is to achieve its great objectives of full employment and rising standards of economic security and living for all, it needs virile, confident and efficient businesses. *In the Keynesian doctrine businessmen's expectations on the future level of profits are just as important to the maintenance of full employment as*

high levels of government spending. Governments which go out of their way to engender business confidence have therefore a much better prospect of fulfilling these objectives than hostile or indifferent governments possessed of even the most sweeping economic powers. It is worth remembering that the failure of "pump priming" government expenditure in the early stages of the American New Deal was primarily due to lack of business confidence in the administration at that time.

Constructive co-operation between business and government is just as vital to economic welfare and progress as the much more frequently discussed need for co-operation between management and workers. Without bold and enterprising business, government cannot hope to realise its central aims of full employment, maximum production and economic security. And, on the other hand, unless government is successful in its central aim of preventing large-scale unemployment, business will suffer the losses and bankruptcies which follow inevitably from economic instability.

When the truth that business needs government as much as government needs business is firmly ingrained in the minds of both parties, the antagonisms will dwindle and the foundations will be established for a really constructive and positive era in government-business relations. It will need an effort of mind and will on both sides.

The Public Interest and Private Interest.

One of the causes of the trouble lies in the tendency of government to identify itself with the public interest and to identify business with the narrower motive of private interest. *To this it may be said that those who are usually the most ardent advocates of the public interest have as a rule no private interests to tempt them to stray from the path of virtue.* It is not difficult to remain pure and undefiled so long as you are able to

stand aloof from, or refuse to enter, the hard competitive field on which the game is played out. Government should therefore be very careful not to assume an attitude of moral superiority over business, an attitude which was too much in evidence during the war. It should bear in mind that the function of government is to protect and advance the public interest, and that the performance of that function merely means that it is carrying out its duty and does not entitle it to any assumption of moral superiority. The public official should remember that, if the positions were reversed, he would in all probability find it much more difficult to take the lofty, disinterested stand. It is true that in the long run the interests of business in general are coterminous with the interests of the community in general; but that does not always apply to individual businesses in the short run and the businessman on occasions finds himself confronted with a conflict of loyalties not easy to resolve.

Sectionalism.

Another point at which the government official needs to move warily is in the allegiance he gives to any political party or doctrine. *In an age when socialism has become a leading political force, a doctrine that on the face of it would lead to increased prestige and responsibilities for those in the employ of government, it is not surprising that some government officials appear to associate their own interests with the advance of socialism.* It would, however, be an evil day for Australia if this tendency should become pronounced. In that case public administration would inevitably become tainted with sectionalism, and public servants would, in practice, conceive their function as one of service not to the whole public but to a particular section of it. Not that public servants can help having political convictions and ideals, but they should remember their unique position and more

than any other section of the community strive to see the elemental political truth that "conservatives and radicals represent the two sides of the human head. Both defend a truth which is not all the truth." Whatever their natural political inclinations they should be unceasingly alert to keep them apart from their everyday responsibilities.

Need for Consistency.

A further point by way of illustration: One has only to have dealings with government departments, particularly on matters of high policy, to realise the over-suspicious attitude which government officials sometimes display in their dealings with business. There are occasions when the businessman's recommendations tend to be handled as gingerly as if they were loaded with high explosive. If public officials can bring themselves to give the businessman credit for some degree of sincerity and some practical understanding of economic issues a great advance will be possible.

The Attitude of Business.

But the fault is not entirely on the side of the government official. There is room, too, for improvement in the attitude of the businessman. Some businessmen tend to be too sweeping and general in the criticisms they level at government regulation. All forms of government "interference" are to these critics necessarily bad; they conveniently overlook the benefits which large sections of business receive from government by way of tariffs and subsidies, or through an ordered system of wage payments made possible by government-provided machinery for the regulation of industrial relations. *They condemn all government control over business as an encroachment on freedom of enterprise, but they are not slow to solicit the assistance of government departments where they feel the laws of*

competition are operating rather too harshly for their peace of mind.

There is a great deal of inconsistency in the attitude of business to government. While it should always hold itself free to criticise those government policies or actions which it considers detrimental to the public welfare, it should strive to be more selective in its criticism and support those extensions of government activity which are clearly beneficial. It is altogether desirable that business should exert a strong influence on government policy which affects it, but this purpose is hindered rather than advanced by the tendency to indulge in indiscriminating indictments of all forms of government control.

Business should not precipitately condemn what it dislikes on an incomplete cursory examination of the issues, for what business dislikes may not seldom be in its own long-term interests, if it only knew it. *Before businessmen give voice to their opinions on complex public questions, they should pay those questions the compliment of sincere and serious study.* It does not by any means always follow that because a man has proved his genius in the promotion or the management of large-scale business enterprises, that he is well qualified to pronounce on the virtues or defects of government policies. Let him be as vigorous and outspoken as he wishes once he has grasped the problems at issue, but he should make it his business first of all to obtain a proper comprehension of what is at stake.

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The mixed economy, in which a large degree of government control is associated with a much larger degree of private business enterprise is likely to be with us for a very long time to come. It is time both business and government started to give some hard thought on how to obtain the best results from the mixture.