

★ *The article which commences on this page, advocates the establishment in Australia of an economic and business Advisory Committee somewhat along the lines of the President's Council of Economic Advisers in U.S.A., which exercises a valuable influence in favour of sound economic policy in the American Economy.*

A C.E.A. FOR AUSTRALIA

IT is time that the politics was taken out of economics.

This, admittedly, is to some extent an impossible ideal. There are few, if any, areas of economics where political considerations do not enter. Moreover, it is unrealistic to expect the politician—even if he were technically equipped—to interpret economic changes and developments in a purely disinterested scientific context. As a politician he will have one intellectual eye rigidly glued on the electorate and he will tend to frame his economic pronouncements in the light of what he considers to be politically expedient at the time he makes them. And the vision of his other eye will inevitably be somewhat clouded by his ingrained political prejudice or beliefs. Only the statesman will rise above these considerations—and few are equipped for that role. **The average politician can't be blamed for giving a political interpretation of economic problems, or for framing economic policy in the light of the political ideas he has accepted.**

But all this only makes it the more necessary, in the interests of public enlightenment and of sound economic policy, to try to achieve some separation of those notions which are essentially economic from those which are essentially political. A complete divorce is impossible—and, in any case, undesirable.

IT should be clear to all that at the present time there is a quite unnecessary confusion in the public mind about ques-

tions on which there need be, and should be, no confusion, and a quite undesirable degree of intrusion of politics into problems, solutions to which can be achieved only through the disinterested application of scientific economic analysis. This, of course, is not true of all problems; but it is true of many.

The practical consequences of this state of affairs are grave indeed. Public misunderstanding arises where there need be no misunderstanding; political disputation rages where there are no grounds for disputation; industrial dissension persists over matters which give no valid cause for dissension. **There is so much in our economic life today that now belongs to verified knowledge and fact that some effort should be made to separate this body of knowledge from the sphere of opinion and debate.** (There will still be plenty of things for Parliament, and those outside Parliament, to argue about). If this were done, economic policy would be more intelligently based; industrial harmony would be advanced; and dishonest economic quackery would find it harder to gain a hearing.

Along what lines, then, can we move?

It has long been recognised by students of government that Parliament by its nature, constitution, and the experience of its members, is ill-equipped for grappling with complex economic issues. The formation of economic policy has, in fact, and of necessity, fallen increasingly to experts hidden away in government de-

partments. These experts are little known to the public, most of their work is carried out under the cloak of departmental secrecy, and the nature of the advice which they offer is as a rule known only to themselves and to Cabinet ministers. They exercise a kind of "remote control" over national affairs; but a control that is none the less real for being remote and is far more powerful than that exerted by the ordinary member of parliament. Moreover, they are not in any way, as is the case with parliamentary representatives, accountable for their actions to the public.

Many people have seen in this development a sinister anti-democratic tendency. But there is no going back. The specialist in national affairs has come to stay. The solution must be found along the lines of making him perform his work more in the open light of day. This should be done not merely on grounds of democratic principle, but because parliament is by no means the only institution in the country that can expect to benefit from the special knowledge of the nation's economy at present only available to those working at the centre of government. The business community, the trade unions, the man on the land, not to mention the public at large, would all gain immeasurably from being better informed about what is happening in the economy.

THE statements on economic policy which proceed from ministers or members of parliament are usually not of a high calibre. This is to be expected. The politician is seldom a trained economist. Moreover, the tendency for him to reveal only that which he considers to be politically advantageous is too strong to be resisted. And, in any case, unless he is a minister his access to information is restricted and consequently his knowledge of what is going on in the economy is almost as limited as the ordinary interested member of the public. One has only to move around among businessmen

to sense the doubts and suspicions which greet many of the statements on economic trends that emanate from members of parliament.

But it should be possible for the machinery of government to issue, at regular and not infrequent intervals, authoritative surveys of economic trends and policies which could be confidently accepted as accurately portraying the true state of economic conditions and as giving—insofar as it is possible to give—a scientific assessment of the direction in which the economy is moving. But two conditions are necessary. In the first place such statements must proceed from sources which have no need to concern themselves with winning votes at the next election. And, in the second place, they must represent the carefully weighed views of men of the highest economic attainments and repute who have at their disposal all the armoury of modern economic science and all the vital relevant facts on the economic situation that it is possible to marshal.

Where there are no authoritative surveys of the economy to which the public have access and in which they have confidence, the climate of opinion on the overall economic situation is greatly influenced by rumour, by the necessarily narrow experience of particular sections, by the politically-loaded statements of members of parliament, and by the views of private commentators whose contributions range from high-class—if only partially informed—analysis and prediction to straight propaganda.

WHAT can be done about it?

Perhaps we have a guide in the work of the President's Council of Economic Advisers in the United States. The Council of Economic Advisers is a top-level body of three eminent economists assisted by a small highly skilled staff of about 40 people. The C.E.A. was established under the renowned Employment Act of

1946 which imposed on the Federal Government the responsibility to promote the aims of maximum employment, production, and purchasing power.

The Employment Act calls upon the President to submit a regular and comprehensive Report to Congress on the economic state of the nation. The major responsibility of the C.E.A. is to assist and advise the President in the preparation of this Report, and of any supplementary reports the President may wish to make. In carrying out this task the C.E.A. makes its own reports to the President in which it recommends national economic policies to cope with changing economic circumstances. The President, of course, is under no obligation to adopt the recommendations of his Council whose responsibilities are solely advisory and consultative. **But the important point is that the Council's reports and the President's own economic reports to Congress—based largely on the advice of his Council—are published and made available to the American people.** This means that the American community is kept fully and regularly informed of the facts of the American economy, of the policies (and of the reasons behind them) which are being followed by its Government, and of the views of a top-ranking economic general staff of high repute and status whose ideas may or may not, be adopted by the Government. The complex and multifarious strands of the nation's economic life are thus, through the published reports of the C.E.A., drawn together in a single comprehensible whole. The Council is also available to report to the President on particular economic problems as they arise.

One has only to study the various reports made by the Council since 1946 to appreciate their great value in influencing the climate of business and public opinion in America, and in keeping the legislative and executive arms of Government adequately informed on the economic

problems with which it is their responsibility to contend. The Council is not an academic body of economic specialists cut off from and indifferent to practical business and industrial experience and opinion. Nor is it removed from other governmental experts intimately acquainted and concerned with the problems of their particular departmental sphere. In the formation of its views and the preparation of its reports, the Council draws upon the thinking of experienced leaders of business, labour, finance and agriculture. The Employment Act, in fact, makes it obligatory for the Council to hold periodical conferences with representatives of these groups in the community, whose decisions so vitally influence the general state of business conditions. In addition, the Council maintains the closest contact with the experts located in the various government departments and the draft reports of the Council are submitted to these specialists for comment and criticism before submission to the President.

IT would be hard to imagine a better model than this to serve as a basis for action in this country. It should be possible to find in Australia three men of the highest intellectual eminence in economics or industry, and notably free from political partiality and partisanship, to form the proposed Council. Given the required qualifications, it would not matter whether the personnel of the Council were recruited from universities, government service, or from industry itself. But the important point is that all three members of the Council should have achieved a status of respect in the community for their intellectual capacity and integrity. Their appointments would necessarily have to be made for a period of some years—not less than five—and of course they should be open to reappointment. **The essential aim would be to graft somewhere into the government machine a body which would eventually command a public respect somewhat**

similar to that which is at present bestowed upon the higher courts of justice.

The Council would necessarily require the assistance of a small but very highly-skilled economic and administrative staff. Some people will no doubt raise their hands in horror at the thought of another government department with a further addition to the already large army of public servants. This, however, would not be necessary. The staff, which probably would not comprise more than ten to twenty people, could be recruited in the main from the able specialists—of which there are a considerable number—already spread through existing government departments.

The Council would not be concerned with detailed fact-finding and research. The work of this kind already carried out in such departments or agencies as the Treasury, the Commonwealth Bank, the Department of Commerce and Agriculture, the Bureau of Census and Statistics and the Division of Industrial Development, would be utilised by the Council and thus leave it free for its essential task of general analysis and interpretation of overall economic conditions, and for consideration of broad economic policy. The Council, as with the C.E.A. in the United States, would maintain the closest contact with the departments such as those just mentioned and take fully into account the views of these departments in reaching its own conclusions. It would also make it its business to consult frequently with the various private organizations representing business, finance, labour and primary production.

It is to imply no criticism of the people concerned to suggest that too much of the advice which the Government at present receives is tainted with the Canberra

departmental viewpoint. That viewpoint is undoubtedly important, but so too is the viewpoint and particular knowledge of those who make the every-day decisions which have so large a bearing on the state of economic conditions. What is wanted is some means of blending the "Canberra" and the non-governmental approach to national issues. The proposed Council could provide a means by which this happy combination could be effected.

The Council would issue, as a matter of routine, its yearly and half-yearly appraisals of the economic situation. These would be published and available for the information of the general public. It would give special assistance to Cabinet in the formation of national economic policy and would, when called upon, provide special memoranda for transmission to Parliament by the Prime Minister. It could undertake reports on special subjects when requested by the Government. And it might issue at monthly intervals a statistical handbook compressing into a brief and comprehensible compass the most vital and pregnant factual information on current statistical trends for the use of government, business, trade unions, the press and so on.

THE nearest approach to the kind of report which would be issued by the Economic Council is the Annual Report of the Commonwealth Bank. This is excellent of its kind. But it deals specifically—as of course it should—with the strictly financial aspects of the economy. Moreover it is far too brief and specialised and appears much too infrequently—once every year—to provide the comprehensive overall economic survey needed by the public, and especially by businessmen, to achieve a balanced understanding of the dynamics of the entire economic situa-

tion. The views of the Bank Board and its expert staff would play an indispensable part in assisting the proposed Council to reach its own evaluation of the changing economic position, but the work of the Council would be substantially broader and more detailed than it would be proper for the Central Bank to undertake.

How the Council could be fitted in with the existing administrative and governmental framework would admittedly present some knotty problems. But the essential requirement is that it should be as nearly as possible an independent agency—independent, that is, of existing government departments and to some extent of the government itself. There is an analogy perhaps in the Commonwealth Arbitration Court with the exception, of course, that the Court, while of independent status, is in practical effect an executive agency. The Council, on the contrary, would be purely advisory. The Commonwealth Tariff Board, for instance, is solely advisory in authority but it issues its own reports to the Minister of Trade and Customs which are available to the public. Clearly, the value of the Council would largely depend on it being free from interference by the reigning political party and from the influence of economic theories and political ideologies.

The sceptics will no doubt say that no political party would be eager to set up a supreme economic advisory authority whose published findings might conflict with its own ideas and policies. That may be so; but whose interest is to be served in these matters—the community's or that of a political party? In any case, a little reflection will show that though, at times, the views of the Council might be politically disadvantageous to the reigning government, there are other times, probably just as numerous, where

the ideas of the Council would provide a most influential vindication—from a political standpoint—of the course which the Government is pursuing.

AND there is the important consideration from the public's viewpoint that the work of such a body would unquestionably tend to raise the tone and quality of parliamentary debates. Parliamentarians would be better informed of the economic background of the subjects they are debating. They would, in turn, be much less inclined to indulge in wild generalisations and half-truths in order to gain political favour with the electorates. Debate would gradually tend to be confined more within the boundaries drawn by the more or less unassailable body of truth and expert opinion provided by the Council.

It is clear, too, that the work of the Economic Council would be invaluable to the Commonwealth Arbitration Court in major industrial cases. The Council would in fact be carrying out the very kind of function visualised in the 1947 Arbitration Act which provides for the establishment within the Court of an expert industrial and economic bureau. This provision in the Act has never been put into effect, and, if the Council were formed, it never need be. The Council would discharge all the main functions visualised for the Court's Bureau—but much more adequately. It would be folly to proceed with the constitution of an economic bureau for the Court when, by the formation of the proposed Council, it would be possible to kill two birds with the one stone.

Finally, the advantages of the body proposed to business, the press, the financial and economic commentator and, indeed, to the whole public, do not need to

be stressed. It would make for a better-informed parliament, a better-informed public, a better-informed press, and a better-informed business community. All this is necessary if economic policy is to be intelligently conducted, if industrial understanding is to be advanced, and if the great aims of maximum production and employment to the end of a higher standard of life for the Australian people are to be consummated.

In the words of the Third Annual Report of the Council of Economic Advisers to the President of the United States:

"There is no royal road to economic stability by the route of informed judgment, to say nothing of the route of political vagaries. But there is a slow and painful road, through the process of bringing the best available thought and knowledge to bear upon the process, and through the willingness of those who exercise political and economic power to be guided by such thought."



"FACTS"

In the March/April "Review" we announced the Institute's intention to publish regularly a small journal, "Facts", for distribution among interested workers and staff members of industrial and commercial companies. "Facts" deals with items of importance in economics and industry about which there is clearly a need for management and employees to receive regular information in a simple and easily understood form. The primary purpose of "Facts" is to inculcate a wider understanding of inescapable economic truths and of the means by which better standards of living can be achieved.

Two issues have now been published and the response has exceeded all expectations. Requests for "Facts" from hundreds of industrial concerns already total over 30,000 copies. We hope to further expand this large circulation as time goes on.

Our aim is to produce six issues of "Facts" annually.

The Institute would welcome contributions from companies interested in distributing "Facts" to assist in financing the costs incurred in its production.