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Business Confidence

OVER the last few months the business outlook has become puzzling and uncertain. The suddenness of the change from the post-war years of inflationary demand and easy earnings to a tougher period of tight finances has given rise to doubts and in some instances to pessimism. Pessimism is highly contagious. It may at first infect only a small segment of the community. But once it gets under way it can be as devastating as a bushfire in dry timber.

Economists have long been well aware of the vital part played by the hopes and expectations of business about the future. Some indeed have assigned to business psychology the major role in their analysis of the causes of fluctuations in economic activity and in the cycle of prosperity and depression. Lord Keynes wrote chapters about it. Certainly the psychological atmosphere, the mental state or mood prevailing in board rooms, managerial offices and clubs, and among the spending public, can have a profound effect on business activity and thus on the level of employment.

It is no exaggeration to say that the community can think itself into a recession far greater than that warranted by the underlying economic con-

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ditions. If, at the first appearance of dark clouds on the horizon, everyone starts to rush for cover, to pull down the shutters, to play for safety first, what might have been no more than a strong cleansing rain, can, by a perverse Fate, be turned into a deluge.

This does not mean that business should turn its back on the hard facts of life, that it should indulge in foolhardy recklessness. But, having carefully weighed up the new situation, it should always bear in mind that its particular function in the economic process is to take risks, to venture boldly, and to be enterprising. It is its willingness to perform this function of risk-taking that marks it out from most government enterprises and that constitutes its special title to the support of the community.

Many businesses, it is true, are contending with great difficulties at the moment. But, insofar as some of these difficulties are temporary, they should not be permitted to influence unduly the businessman's estimate of the future. Wherever possible free enterprise should show its faith in the future by keeping its plans of expansion intact. Businessmen should be guided not only by their accountants' estimates of profit and loss, but by their own intuition and by their responsibilities to the nation. *When times are blackest the leader must try to diffuse confidence and optimism.* When confronted with a challenge he must be bold and intrepid. The cold logic of mathematics has its place in business decisions; but the future is something that cannot be adequately interpreted by the rigidities of the profit and loss account.

It should always be remembered that the businessman is not the helpless slave of an economic environment entirely external to himself, over which he has no control and to which he has no course but to automatically respond. For by his own decisions he himself determines in large measure the nature of that environment. *The state of economic conditions twelve months or two years hence will be shaped by the decisions that are taken by businessmen today, just as the state of economic conditions today is partly the result of business decisions made a year or two previously.* The businessman may not be entirely the master of his own fate; but he is very

much more than the slave of circumstance. This truth should never be forgotten.

If he plans for the future with reasonable optimism in the belief that things will be better, his hopes are likely to be happily realised. If, on the other hand, he retires into himself in a mood of resignation and hopelessness, his worst fears will almost certainly prove to be well founded.

IN any case the forward perspective for Australia is not without its good features. If there is darkness in the sky, there is also light. Against the burdens of high costs and the difficulties imposed by the adverse external position, must be placed the boost to spending that will be given by reduced taxation and by the still exceptionally large capital projects of government, the gains in productive efficiency of recent months, and the rapidly growing capacity for the production of basic products, many of which, too, are still cheap by world standards. Moreover, from the longer view, no one can doubt that Australia is set for an era of extraordinary growth and development. The greatest years are ahead.

It was the most renowned of modern economists, Keynes, who wrote: "If animal spirits are dimmed and spontaneous optimism falters, leaving us to depend on nothing but a mathematical expectation, enterprise will fade and die—*though fears of loss may have a basis no more reasonable than profits had before.*"

