



the IPA review

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in the true facts of our economic system in order to bring about a wider understanding of the merits of free enterprise.

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A Field for DEVELOPMENT

SOME years ago an Australian economist, A. G. B. Fisher, expounded a novel thesis that attracted a great deal of attention at the time. Today it has been almost forgotten.

Briefly, Fisher's thesis was that as a country's standard of living increased its people would wish to spend a growing proportion of their incomes on services of all kinds and a correspondingly smaller proportion on food and clothing and manufactured articles in general. The provision of these services in adequate volume was thus not only a mark of progress, but also a condition of it. These services he called "tertiary" production. In their broadest sense they embraced everything not covered by primary production (rural and mining) and secondary production (manufacturing). The whole field of distribution and transport, finance, amusement and travel facilities, the professions, the public service, hotels, all fell within the ambit of tertiary production. The judge and the medical specialist were, in this "global" classification, statistical brothers of the milk-bar proprietor and the hotel steward.

But what Fisher had particularly in mind

were the newer types of consumer demand, especially personal services, hotel services, facilities for travel, recreation, amusement and holidays, centres for greater cultural activities in music, art and science. He made an important distinction between those sectors of tertiary production which are, so to speak, complementary to primary and secondary production and those services which we desire for their own sake. Many branches of transport and finance are good examples of the former. "These," said Fisher, "are essential links in the chain of technical production, in the absence of which we shall not so conveniently obtain the primary or secondary products we require. It is necessary that people should engage in them in order that the economy as a whole should get the food, the clothing, the household equipment and other material things which it needs."

But it was the latter class of services, the services which we wish to have for their own sake, and not because they are ancillary to primary or secondary production, that especially concerned Fisher. "It is the economic problems associated with tertiary production of this type which have been too much neglected; and this is all the more to be regretted because we cannot so confidently assume, as in the case of the ancillary services, that they will be automatically supplied in adequate volume as a kind of by-product of an expansive activity in which attention is concentrated mainly upon the well-established, solid, familiar types of production."

As the standard of living rose Fisher foresaw the need for the employment of more and more people in the tertiary industries, particularly those providing services required for their own sake, and the consequent expansion of these industries relative to the better recognized forms of primary and secondary production. The increasing application of science and mechanisation to primary and secondary production and the growth in output per person would release labour for employment in the tertiary field. Fisher, therefore, viewed the expansion of the service industries as essential to the secular maintenance of full employment. And since he also regarded the provision of these services on an increasing scale as a necessary condition of progress, he went so far as to urge their positive encouragement in various ways.

Though Fisher may have underestimated the contribution to economic growth of the many new forms of manufacturing production opened up by technological advances, the main outlines of his theory are hard to dispute. *Moreover, they seem to have a peculiar relevance to the Australian economy at the moment. Since the war Australia has lagged badly in the development of services of the kind that Fisher had in mind.* The attention of governments, economists and others has been almost exclusively focused on the problems of primary and secondary production.

WHEN we are considering the provision of additional opportunities for employment in Australia, it is customary to think immediately of the expansion of the manufacturing industries. We take it more or less for granted that employment in primary production will not increase very rapidly or very greatly, and may even decline. But no-one seems to give much conscious thought to the possibilities of expanding employment in the tertiary industries. This is, of course, a generalisation subject to many exceptions but, as a generalisation, it is broadly accurate.

Over the last two decades the most spectacular increase in employment, both in terms of absolute numbers and of the percentage of total employment, has occurred in manufacturing. At the time of the 1933 Census there were about 549,000 people attached to manufacturing. Today there are 1,070,000. In 1933 manufacturing took 20% of the total labour force. Today it is taking over 29%. By contrast the numbers of people engaged in primary production has fallen from 667,000 in 1933 to less than 550,000 today. As a percentage of total employment the figures are 24.4% in 1933 against less than 15% today.

In the tertiary field, therefore, the position has remained virtually stationary—around 56% of total employment.

The immense expansion of manufacturing was on the whole a natural consequence of the rapidly developing post-war economy of Australia and also of the difficulty of obtaining supplies of many manufactured goods in the years

immediately following the war. Nor is the decline in employment in the primary industries altogether surprising in light of the great improvement in farming methods and the widespread mechanisation of recent years. Actually it has been accompanied by an increase in volume of production of some 20% since before the war.

However, the question arises whether in the future we may have to rely relatively somewhat less on manufacturing to provide jobs for our expanding population and more on the development of the immense range of services that fall within the tertiary field.

* * *

A broad analysis of changes in employment in tertiary industries is as follows:—

NUMBERS ENGAGED AS PERCENTAGE OF TOTAL WORK FORCE.

	1933	1954 (Est.)
Building	4.0	4.5
Roads, Earthwork	8.1*	5.0
Transport and Communication	8.3	10.8
Commerce and Finance	16.7	17.2
Professional and Semi-Professional	7.5	7.2
Defence Forces	0.2	1.7
Public Administration	0.9	3.0
Entertainment, Sport and Recreation	0.9	1.0
Domestic Service	4.8	1.4
Other Personal Services	4.2	4.2
Total Tertiary	55.6	56.0

*Of this 8.1%, 6.1% were labourers on unemployment relief work.

Source: Commonwealth Statistician—Census Reports, Monthly Bulletins of Employment Statistics, Primary Production Bulletins and other publications.

The problem, of course, is not amenable to precise statistical analysis. The statistical classifications are broad and

conclusions drawn from them could be misleading. Nevertheless, the general impression one gets from the data is that some fields of tertiary production have fallen behind the general progress of the economy. For instance, in view of the building backlog brought about by the Great Depression and the War, and also the rapid increase in population, the building industry does not appear to be absorbing a sufficient proportion of the labour force for a balanced development of the economy. There are only 18 people for every 1000 of the population engaged in building today compared with 16 at the time of the pre-war census in 1933. The numbers engaged in wholesale and retail trade have declined from 60 for every 1000 of the population to 59 today. Those employed in entertainment and recreation fields and in providing personal services of all kinds, ranging from hotels and restaurants to beauty parlours, still represent roughly the same proportion of the employed population as twenty years ago.

* * *

But statistics aside, it is through personal experience and observation that one senses the need which exists in Australia for development in the quality and range of services available to the consuming public.

IT is no coincidence that the United States with the highest standard of living in the world leads by a street in the provision of high-quality services. The Australian traveller in the States cannot help but be impressed by the immense range of useful and efficient services at the disposal of the ordinary American citizen—which add to the comfort and convenience of life and thus the standard of living—by comparison with those available to the Australian. *The supermarkets, the prepared foods hygienically wrapped, the superb railway services, the magnificent hotels, the same-day laundry and dry-cleaning services, the night-time shopping facilities, the outstandingly attractive restaurants, the unrivalled facilities for recreation and amusement, the fine arterial roads—it is these things perhaps even more than the abundance of automobiles and household appliances, that impress the visitor with the high living standard of modern America.*

An English professor of economics* who lived with his family for some time in the United States writes of the supermarkets: "An English wife is enraptured by the ease of shopping. The attractiveness with which the merchandise is set out appeals to her and particularly the convenience of picking out what she wants herself. The week's supplies could be bought in half an hour in the supermarket, which sold everything from the cleaning materials to the fish, meat and green-groceries, with the cigarettes, liquor and wine set out by the cash desk lest the claims of hospitality had been overlooked. Everything, including meat, fish, tomatoes, lemons, string beans and cheese, is neatly cut, packaged, weighed and priced. All is wrapped in cellophane, set out on shelves or in refrigerator cabinets and deep freezers, to be picked out by the customer and handled freely without offence. My wife, now we are home, comes back from a shopping expedition frantic with frustration at having to try so many places for what she wants and appalled at the cost in manpower on both sides of the counter It was my wife's impression that American efficiency, applied to retailing in the supermarkets, has contributed heavily to that ease of house-keeping which so delights a wife in the United States."

* * *

IT is in these and other directions that the avenues for future development in Australia seem so promising. *For instance, is it doubtful if there is one really large modern hotel in Australia providing the services and facilities that are customary by American standards.* This is not good enough for the highly industrialised Australia of today with its concentration of population in large urban centres. Almost without exception all the large hotels in Australia were built before the war, many of them before the 1914-1918 war. And the services provided in most cases don't stand comparison with even the minimum services overseas. There has been a virtual standstill in this field for the last few decades which is in sharp contrast with the remarkable progress achieved in other directions. When are governments going to make the conditions sufficiently attractive to encourage entrepreneurs and investors to fill the gap?

*Gilbert Walker, Professor of Economics and Dean of the Faculty of Commerce and Social Science, University of Birmingham.

The same, of course, applies to city office buildings. Whilst some hundreds of thousands of people have been added to its population, the face of Melbourne looks almost identical with the face of twenty or so years ago—perhaps a little more wrinkled and shabby. Where are the signs of progress? There is the well-known lag in modern parking facilities. Nothing has been done to create new civic and cultural centres. Melbourne is still solely dependent on its now rather old-fashioned and entirely inadequate Town Hall to stage its renowned Celebrity Concerts and other large and important functions which require a modern, comfortable and ample environment.

The shortage of hospital accommodation is so well-known that it hardly needs to be stressed.

The crying need for great development in road maintenance and construction requires no emphasis. The deterioration and appalling condition of even major roads are, indeed, among the most disturbing features of present-day Australia.

The paucity of restaurants providing food, ordinary food, in attractive surroundings at reasonable prices is another notable, but distressing, feature of the postwar Australian city. Actually we were far better served in this regard before the war. Here is a field where a valuable tertiary service which would add to the convenience and comfort and pleasure of every-day living for tens of thousands is lagging badly. What a scope there is in Australia for promoting the "counter" type of restaurant service so prevalent in large American cities. This type of service where the customers sit on high chairs along a counter and the food is directly provided by the attendants enables an attractive meal to be provided in pleasant surroundings at a reasonable price. It is ideal for the lunch of hurried city workers or for afternoon teas or light snacks.

Where in most Australian cities today can one find attractive places to dine and dance such as are common in American and most British cities? Apart from Sydney, is there one really first-class night club in the whole of Australia?

There is scope for a vast improvement in our whole conception of facilities for sport and recreation.

Every week 100 to 150 thousand people living in Melbourne visit a dozen or so football grounds to watch Australian

Rules Football. All but an infinitesimal proportion have to put up with conditions that are made endurable only by the truly extraordinary appeal of the game which they patronise. Admittedly this is not a postwar phenomenon. The shocking conditions at most major football grounds have existed for the last 30 to 40 years and have grown slightly worse because of the ravages of time and the increase in the number of patrons. But how much more pleasant would be the Saturday afternoons of these multitudes of people if good and attractive conditions were provided. Can these things be disregarded in the calculus of living standards and the good life?

* * *

THE list of shortcomings could be expanded almost indefinitely. They all seem to lead to the conclusion that some of the most entrancing prospects for development and for the improvement of living standards in Australia in the years ahead lie within the extensive field of tertiary services. But if these prospects are to be realised then governments and popular opinion will have to be persuaded to re-assess their economic values and to devote at least as much attention to the "intangibles" of national production as to the material goods which usually steal the lime-light.

If they do, Fisher's "forgotten" theory may one day receive a striking vindication.

