



## ECONOMICS MADE EASY

### Part 1

#### 5. Labour and Money

##### *People not Politics (October 1975)*

When I burst onto the political scene, Mavis, who was even then driving from the back seat, decided I should carve out a separate niche for myself on the political ladder. “You must propound a new philosophy,” she urged. “You must beat a new drum, blow a fresh trumpet. Don’t be like the rest of those political hacks, you must proclaim in ringing tones that you are interested in the well-being of people as individuals, not dull old policies and platforms.”

So we did just that. I made imaginative and moving statements to the electorate to that effect, but I must admit that they received the news with surprising equanimity. Then I tried the same line in parliament, and once, I remember with shame, in the party room, but my colleagues were utterly unimpressed. Then I found that nearly all of them had said something similar when making their maiden speeches, that there was hardly a member in parliament who had not proclaimed that he was more interested in people rather than in policies and platforms.

But I know that policies and platforms, and indeed, political parties, are (or should be) only interested in the welfare of people. For instance, Eccles is always pounding my ear about lower tariffs not just because he thinks that to lower tariffs is a good policy since it would encourage our limited resources to be used more efficiently, but because he knows that it would increase the people’s standard of living, so should make them happier.

Even those who want higher tariffs are activated by a desire to help people by creating employment and so on. The fact that they are talking nonsense doesn’t alter the fact that they are trying to benefit individuals as well as themselves.

I admit that the Member of Parliament who twangs the heart strings, who talks more about people than about policies, always attracts more interest than dull people like Eccles and me who plod drearily along the narrow path of economic rectitude. But in the last resort policies ought only to be about people, not political power for power’s sake or anything else, only people.

I have been reading some reports on poverty, and as I saw exposed the grim picture of poverty amongst plenty, I was tempted to throw up my hands in horror and say in anguished tones, “Let’s be done with politics and policies, let’s concentrate on helping the poor.”

This would certainly be a good thing to do. And I would appear a kind-hearted statesman and not a cheese-paring politician, as I do now, and this would be good for my vote at the next election. But governments can usually only help people by hurting others. We should remember that most of the resources to help people come from the average income earner. In 1972-73, over 50 per cent of personal income tax came from taxpayers with a net income of under \$7,500. (The last figures available show that, in 1978/79, 48.4 per cent of the personal income tax collected came from people earning a taxable income of under \$14,000.)

So it's no good us bursting into tears while reading about poverty and saying that we must do something to help the poor unless, at the same time, we realise that we can only do so at the expense of others, many of whom are almost as poor as the ones we are trying to help!

And it's no good trying to help the poor by giving them a bigger slice of the economic cake, if, by so doing, we destroy the incentive to make a bigger economic cake. Doing this may make poor people more equal and this may well be a good thing for the morality of the rich, but it doesn't help the poor unless they get a bigger slice of the cake — this interests them far more than the knowledge that the rich are being made poorer. The experience of both Britain and Russia should be a warning to us here.

So while I have been reading about poverty, I have been trying to resist the temptation not to let my heart rule my head. Demonstrating a soft and sympathetic heart would be a good thing for my political image but poor people are more likely to be helped by those with hard heads than soft hearts.

But I admit it would be nice to have both.

### ***Spending your Money (June 1970)***

I once used to make resounding speeches complaining about the multiplicity of Government departments and how grossly underworked and overpaid were the Civil servants in those departments. These sentiments were usually received with gratification by my rural audiences, which contained very few Civil servants who seldom ventured far from the city.

I justified this stand by pointing out that I was dedicated to saving the citizens' money. This sentiment was received, as I say, with gratification, but certainly not with rapture. After I came to Canberra, it did not take me long to find out that the Member of Parliament who advocated saving money did not loom very large alongside the man who advocated spending it.

Isn't it a queer business? The Government has no money of its own, and all it spends it gets from the citizens. And much of the year, these citizens spend most of their time gathering together in small groups, complaining about the proliferation of Civil servants, how little work they do and how much they are paid, and how high is income tax and how it is dampening their incentive to work and so on.

But about twice a year these same citizens go along to a public meeting of some kind, perhaps a political meeting, and then they spend almost all their time complaining about the lack of vision and the absolute stinginess of the Government because it won't give more of their money away to someone else.

The clever people who write the political columns in the newspapers are just the same. When the Budget is being framed, these very worthy gentlemen, with impeccable economic logic, castigate the Government lest it spend a cent more than is absolutely necessary.

The rest of the year they spend kicking the guts out of the Government because it isn't spending more on a naval base at Cockburn Sound, more on pensions, more on storage of water, more on hospitals, more on education, more and more on just about everything.

Of course, Fred is not like that. He absolutely hates the government spending money on anything at all, except on simple things like subsidizing superphosphate and wheat, and on

roads, school buses, country high schools, water reticulation in the country and so on — things that are really worthwhile and necessary.

Now Mavis may not know much about economics, but she has a very shrewd idea of how I should behave if I am to climb the political ladder. So she is at my side, continually urging me to make a good fellow of myself, giving away your money.

Eccles stands grimly at the other side, sniffing occasionally, but always urging economy on me. When I express surprise at the difficulty of my situation, he says it is self-inflicted.

“None of this would happen, my man,” he grizzles, “if you wretched Members of Parliament every time you opened an irrigation dam, or an old folks’ home or you increased pensions or any time you did anything like that, you did not pretend it was your money, and not the citizens’, you were throwing around so generously.”

I suppose there is a lot in this. Sometimes I open an old folks’ home. On such occasions I am often able to present a cheque from the government to the chairman of the group that has really done the work. The speech I make on that occasion is interlaced with references to the generosity of the Government (and by implication, me) when all the time I know that if it was my money they were getting, and not the citizens’, they would be getting a much smaller helping.

I suppose you would realise, if you stopped and thought, that the Government hasn’t really been generous with its own money. But you don’t stop and think. You are in such a hurry to get your hands into the honeypot, that you haven’t got time to think.

So Governments spend more and more, and so tax more and more, and you grizzle more and more, urging economy on us [politicians] on Sunday, and generosity on us for the rest of the week. It’s no wonder we get confused!

### ***Productivity*** (August 1971)

Earlier this year I wrote a series of articles which dealt with the theory of constant shares; how the percentage of the Gross National Product received by the wage earner remained practically constant in this and all other western countries. That being so, it must follow that the only way that the wage earner can get a bigger slice of the economic cake is by helping to produce a larger G.N.P. cake, so his slice can be larger. Therefore any industrial action that prevents the G.N.P. cake being bigger, affects the wage earner more than the man with money.

Then we saw how the activities of many union leaders were, wittingly or otherwise, inevitably leading to a reduction in the size of the G.N.P. I quoted an extract from *The Economist* which hammered the point home. The article said that the activities of union leaders in the U.K. had inevitably reduced the working man’s real wages in recent years.

Well, I have been worrying about that article since then. Actually, I don’t read *The Economist* myself. Eccles cuts out things he wants me to read and as he is really a cold-hearted fish, I thought perhaps he might be taking advantage of my simple nature.

But since then I have had confirmation from another respectable source, and what’s more, I found it myself in an article in the *Reader’s Digest* which is rather more my level of reading.

This article referred to Fabian Tract No. 403, so I wrote to the library for the document, and I did this all by myself!

The queer thing is that it is written by Lord Balogh who was chief economic adviser to Harold Wilson. And when Balogh wrote the article he was chairman of the Fabian Society, so you would hardly call him a “true blue Conservative”. So what follows is not old Eccles theorising; it is Balogh recounting what unwise union leadership actually did to the wage earner in Britain during the time of the last Labour government. I quote from the Fabian Tract No. 403.

... The direct total social gain from “industrial action” was not merely negligible; it might well have been negative. Neither in this country nor anywhere else have trade unions been able to increase the share of wages in total national income. The increase in money wages has been frustrated by rising money prices. These robbed the wage earner (or his wife) of the expected gain; frustration and anger were the result. The indirect loss due to the resultant worsening of the balance of payments and the enforced slowdown of expansion, was, on the contrary, immense.

Then a little later on (I repeat this isn't Eccles speaking, but the chairman of the Fabian Society):

... The crocodile tears shed by some about the fate of the low paid workers, the unemployed, the sick, and the old, are surely disingenuous. It is trade union action, which, through wage induced price movements, has created the basic problem.

So evidently Eccles hasn't been kidding me up a tree. If he has, I'm up the same tree with Lord Balogh. It's not often I find myself in such exalted company, even up trees!

Surely the whole business is becoming both self-evident and ridiculous. Everyone knows now from bitter experience that increased money wages without increased productivity only results in increased prices, so the worker gets no more. But if the process of trying to obtain increased money wages is accompanied by industrial strife that limits productivity then the worker gets less real wages, not more.

Sometimes the quarrel is about increased annual leave, or a shorter working week or more holidays for race days or moratorium marches, and so on. But an increase in leisure time, whatever the form, has exactly the same effect as an increase in money wages; it is useless without increased productivity.

Fred gets terribly teasy when he hears of some city people getting, say, five weeks annual leave, leaving 47 working weeks, less all the Saturdays, Sundays and public holidays. I heard him mutter rather sourly, “They might just as well be Members of Parliament!”

### ***Inflation*** (March 1971)

Some weeks ago Mavis forbade me to write about inflation because she knows that it is a difficult and unpopular subject.

So for the last six weeks I have been dealing with the ways we can keep wage increases limited to productivity increases and so prevent price rises.

Then how we could use, through restrictive trade practices legislation, a consumer council and tariff reductions to keep prices down. The goal all the way through has been to keep prices down.

But I haven't said why we want to keep prices down. I can't, without mentioning inflation.

But Mavis has gone to visit her mother and I don't think she will see a copy of this paper, so I will take a chance.

If this column doesn't appear next week you will know she has caught up with me.

I used to think that inflation was something you did to car tyres.

Then I thought it was something that only economists had to worry about. So I wasn't surprised to find that Eccles' naturally long face grew even longer when inflation was mentioned.

But it has been hammered home to me that inflation is not just a problem for economists to worry about, nor is it just a problem for non-Labor Governments, either.

Mr Ben Chifley, when he presented his last Budget in 1949 said:

I am deeply grateful for the support that my colleagues have given me in my fight against the great danger of inflation.

I know that some of them have not readily seen the force of many of the economic theories on which I have had to act, and that they were apt to regard my ideas as fossilised. But they have stood by me.

Why do responsible people get concerned about inflation?

It is easy to see why old Fred is up in arms because he mostly sells on the export market so he is well aware of the devastating effects of cost increases in Australia, while his prices do not go up overseas.

And the chap who has saved for his old age, he knows because he sees his savings diminish in real value by inflation.

But the problem goes far deeper than that. Inflation causes a decay in the moral standards of the country.

You see it in the stock market. In ordinary times decent business standards are observed.

But as the get-rich-quick fever takes over the standard is forgotten and the crashes follow quickly afterwards.

You see it again with schoolteachers. A few years ago it would have been unthinkable for schoolteachers to go on strike and leave their pupils untaught.

You see it with the doctors too — indeed you see it everywhere. The inflation fever is beginning to devastate our community standards.

And any student of history will recognise the symptoms as similar to those occurring when other countries and other civilisations started to decay.

So for everyone's sake we have to do something about inflation. The great trouble is that almost all anti-inflationary activity is unpopular.

It is true that the general idea of cutting Government expenditure is received with rapture, but it will not be long before the inevitable refusal of the Government to do things that are both unpopular and desirable will be resented.

And unpopularity will then follow.

But cutting Government expenditure will not be enough. More unpopular things will have to come afterwards.

Action on wages, action on prices, action on tariffs, possible taxation rises, credit restrictions — all of those would certainly be unpopular with some people.

The truth is that the economy will have to be restrained by the Government.

Now sitting on the horse's head is not a process that endears you to the horse, however necessary it may be for the safety of the people in the trap, and indeed, sometimes of the horse.

But that's just what the Government has to do if it is to be a good Government.

And the trouble is that I will have to support it in its unpopular action and I don't like it, not one little bit.

I just love being popular and giving away money on everything you ask for — on pensions, on schools, on dams, on salary increases and almost everything.

Now it appears that all this is going to stop, all because of a queer economic disease called inflation.

But my immediate concern is that Mavis will read this article. I will be in enough trouble without that!

### ***Welfare State (1) (April 1971)***

Before we start peering into the murky taxation pool, and discuss the different methods by which we could raise money, Eccles thinks I should take another look at the way we spend the money we now raise. He suggested first that I ought to have a look at our social payments, particularly pensions.

I was pleased with Eccles about this. Usually he keeps my political nose hard down on his economic grindstone. So it was gratifying to Mavis and me that he was giving us permission to roll out a few fine phrases and beat the sympathy drum.

In no time at all we had composed a moving piece of prose all about "our senior citizens who had borne the heat and burden of the day while helping to develop this great country of ours."

Then there was a bit about the "slings and arrows of outrageous fortune." Then quite a big bucketful about what wonderful people pensioners were and how we must be more generous to them. There were tears in my eyes when Mavis put the pen down.

The only trouble is that I know, even before taking it along to Eccles to sniff at, that most of this is nonsense, politically popular though it may be.

A large number of pensioners are doing quite well.

For instance, a married pensioner couple can own a house worth \$50,000 full of pictures worth \$50,000, have two big cars and a speed boat, have other property worth \$38,000 together with the income from this property, and still get some pension.

Or another married pensioner couple can have the same house, and motor car and speed boat situation and receive \$70 a week in income from various sources, and still get some pension.

This hardly squares with the picture of “poor pensioners” that people have in their minds.

Eccles says that about half the pensioners are getting too little, and the other half are getting too much. He is a hard hearted coot and I don't suppose he has firm ground on which to stand when he makes that statement. But all the same, there is a lot in what he says.

You take the position of an aged pensioner with considerable means, and compare his position with his brother who is receiving Commonwealth superannuation payments for which he contributed in times past.

The first man gets all kinds of fringe benefits such as reduced bus fares, reduced radio and television fees, reduced telephone rental, reduced entrance to football and, most important, free pensioner medical services, and many other benefits. These are generally accepted to be worth \$4 a week. The second brother has to pay his full way for everything just because he isn't getting a pension.

Eccles says that we could afford to be a lot more generous to people in real need if we had the courage to cease to give to others some of the generous assistance they now receive. He also says that it is worth remembering that most of the money to pay pensions comes from married wage earners who make up the bulk of our taxpayers. And who, indeed, pay most of the income tax.

The Commonwealth now has a total welfare budget of over \$1,840m, which works out at close to \$370 a year paid by every taxpayer. If more pensions are going to be paid, then more taxes are going to be paid, making it more difficult for the taxpayer to care for himself when he gets old. So more pensioners will line up in 10 years' time and say, with justification, “We paid taxes to keep others when we were young, now someone should look after us.”

The other part of my speech that I know was nonsense was all that stuff about what wonderful people pensioners are. I used to think that old people automatically were good. But now Fred and I are sneaking up in years. It is true that I try to kid myself and my constituents about my virtue, but nothing can disguise the fact that Fred, as he gets older, is just about the same as when he was younger. To try to fit him with a halo now, just because he is older, is nonsense.

I'm afraid that an article which started off with high hopes that it would be a vote winner has limped lamely to the sad conclusion that we should stop talking sentimental rubbish about the virtue and plight of pensioners.

If we started to look at the problem clear-eyed and stopped giving in to every political wind that blew, and took away some of the benefits we now throw around rather foolishly, then we would indeed be able to help the needy pensioner more generously.

## *Welfare State (2) (December 1978)*

When the parliamentary session is ended for the year, Eccles leaves the shelter of his ivory tower in Canberra to spend a week with Fred on his farm.

I would like him to stay at our place but Mavis cannot stand him because she thinks that it was Eccles' insistence that I follow the straight and narrow path of economic rectitude that got me out of Parliament so that I have to wring a reluctant living from the land instead of lording it around as a member of Parliament.

So I went across to Fred's place to get the latest Canberra gossip from Eccles.

I was not surprised to see Eccles looking miserable.

Economists are taught at the university to wear a hangdog look and Eccles learnt the lesson quicker than most.

As I was eager to catch up with the latest Canberra scandal, such as who was fighting whom, when was the next Cabinet reshuffle going to be, and so on, I inquired if it was the behaviour of members of Parliament that was making him sad. He replied:

No, they are much the same as when you were there.

I have long since given up hope that democracy is going to be saved by the sudden emergence of a new and superior breed of politician.

I know now that we will have to manage with the sort we have. No, it isn't the politicians that are worrying me at the moment but the economic rocks I see looming.

This did not surprise me because Eccles has been prophesying economic ruin ever since I have known him.

But this time he was worrying about our long-term future rather than what will happen next year.

"We will limp along for a while yet," he admitted gloomily, "but this Welfare State tiger will eat us in the end if we do not get off it almost immediately."

Then he brought out the Budget papers, which he always carries with him, which show where most of our Commonwealth money goes.

Most of our money is spent on defence (8.9 per cent), the welfare group (50.4 per cent) and payments to the States (22.1 per cent), much of which is spent on welfare.

That makes 81.4 per cent. To that must be added 6.2 per cent as interest to public debt, making a total of 87.6 per cent, leaving only 12.4 per cent in the remainder column, to run the Government departments such as industrial relations, immigration, transport, treasury and so on.

The welfare component of the Budget is now a considerable burden but what is making Eccles go off his feed is that the position is going to get worse.

The chief reason for this is that the percentage of our population of pensionable age will increase and so the demand for more social services will increase in the future.

The percentage is 11.34 now and it is estimated to rise to 12.25 per cent by 1986.

So the welfare vote will clearly expand even if we do not expand the welfare services.

But the demand for improved services will grow because so many of them are thought to be costless.

The way the health costs have escalated has shown us that. Goods and services we think we get for nothing we use wastefully.

And we have trained our people to depend on the Government and we justify this dependence by claiming that we have been paying high taxes in order to pay the pensions to others in the past, so now it is our turn to be looked after.

So unless we are prepared to take a lot of unpopular decisions, the proportion of future budgets spent on welfare will increase alarmingly and this what is making Eccles so sad.

I suppose we could cut the defence vote but that would be reckless indeed with the world in the mess it is in.

And the 6.2 per cent interest on public debt is likely to increase, with deficit budgeting so common.

We could cut payments to the States but this would be unpopular because the sympathy of the ordinary citizen is always on the side of his State and against the big, bad Commonwealth.

There is, of course, another alternative to cutting the welfare vote and that is increasing taxation.

But this too is unpopular.

And we are already rightly committed to cutting taxes because we are all too well aware that even the present rate of taxation is destroying the incentive of people to work and invest.

I can see then why Eccles is so sad about the future.

Fred and I have learnt the hard way that it is when you are leaving a rough horse that things get nasty; Eccles seems to think that getting off the welfare tiger may be even more dangerous. Yet if we don't get off him it may well be worse.

He may indeed eat us.

### ***Equality (1) (May 1970)***

Mavis is disappointed with me because I have spent too much time lately writing about rural matters. "You will never get the reputation as a statesman, dear," she complained, "unless you write with authority about almost everything, as other newspaper correspondents do. Don't worry too much about your facts. If you write decisively, not many people will know." She

went on to point out that other Members' wives were beginning to sniff at her because her husband had got the reputation as "a hick from wayback" and she didn't like it.

I took this complaint to Eccles who said it was hard enough to get me to write sensibly on things about which I knew a little, and he would hate to have to guide my pen when I wrote of other matters about which (to quote him) "your ignorance is quite startling." But I told him we would have to have a go, and that I wanted to write about "Equality" this week.

I remember that, when I was young, I was very keen for everyone to be equal. At that stage of life, when you are shiny-eyed and idealistic, it all seems so simple. You see obvious inequalities all around you and you feel that your more cynical elders could have done something about correcting these inequalities if they had sufficient determination and altruism.

I was surprised to find that even Eccles felt like that when he was young. I was a bit startled to find that he had ever been young. I had always imagined that he was born a dried up economist and I find it difficult to imagine him as a child, playing with toys and gurgling happily. But he admits that he was quite human once.

Even now, I find myself attracted to this ideal of equality. And as my popularity has waned since Eccles started on his whining way, I thought I would give the equality trumpet a really good toot.

But the trouble is, my heart isn't really in it. It's not because equality isn't a good thing, it is. But I was very disappointed to find that, even before I became a Member of Parliament, if the government started to take away by taxation a lot of money I made in order to make other people more equal with me, then I stopped working extra hard and extra long hours. And because there are a lot of people with my rather miserable outlook on life who think as I do, then the total economic cake becomes smaller just because a lot of us stop working hard and stop taking risks.

It is true that the economic cake may be cut into more equal slices by increasing taxation, and if that is the object of the exercise, then the equality advocates are right. But if the object is to have an economic cake as big as possible with everyone getting a reasonable slice of it, then we have to be careful not to destroy the incentive to work hard as well. I think the present rate of income tax is dangerously close to this level now.

I am disappointed to find my unfortunate attitude to life is such a barrier to progress, but I am not surprised. I remember (with shame) how, during the wool boom when income tax hit me fairly between the eyes for the first time, I spent far more time thinking about avoiding (that's the right word) taxation than I did in working hard to make more money only to have it taken away from me.

So until my attitude to life changes and until human nature changes, we have to choose between a smaller economic cake cut up into equal slices and a larger economic cake cut up into somewhat unequal slices. There is nothing much that can be done about it, unless we are to suddenly start becoming better people. And really, there's not much sign of this, not in me, anyway!

## *Equality (2) (April 1971)*

Three weeks ago Eccles ordered me to find out more about taxation. Ever since I have been going through hell; not only is taxation a distasteful subject in itself, but it is also very hard to understand.

Each day Eccles comes in burdened down with books about capital gains tax, value added tax, net worth tax, probate tax, indirect taxation and so on; taxes without end, all unpleasant, all unpopular and all requiring a degree in accountancy to understand.

The first thing we should ask ourselves is, what do we want taxes for? First, to supply the money to enable the Government to pay its way; this is obvious and easy to understand.

Second, taxes are used to keep the economy on an even keel. For instance, we know that taxes can take money out of circulation and so lessen the risk of inflation.

But in all the literature about taxation that Eccles has forced me to study (if not understand) I find that it is accepted by most that a taxation system should have a third function, namely, to make people more equal.

When I read this I was attracted to the idea. There is something so fundamentally fair about equality, about assuring that no one gets too far ahead of his fellows. It fits so exactly into our national method.

You remember how our national hero, Ned Kelly, went clunking around in his armour, robbing the rich and giving the spoils to the poor so as to make everyone equal. And ever since Ned's unfortunate early demise we have been obsessed with the idea of keeping the big bloke in his place.

And there have been good political marks in it. There are more people below the average property line than above it. And as it is votes I want, I am likely to get them if I preach Equality with a loud voice.

But sometimes I wonder if I am right. The first time I went to India I was incensed by the gap between the very rich and the very poor.

I said to myself: "Why should Australia be trying to help the poor people of India with Colombo Plan aid while the very rich Indians who have so much wealth are so indifferent to their plight?"

But I now know that India's chief requirement is investment capital.

She could get this through taxation, in which case a lot of money would come from the rich people of India and this would make them more equal. But a lot of it would stick to the Indian tax-gatherer's fingers, so the amount available in the end for investment would be surprisingly small.

And certainly the process discourages the rich Indian from being rich (or from being found to be rich). The fact is that you are more likely to improve the lot of the poor Indian by accepting the inequalities, galling though this may be to your egalitarian ideals.

Eccles says that it is worth remembering that during the Industrial Revolution in Britain it was the inequalities of their system that allowed capital to accumulate in the hands of entrepreneurs and so made the revolution possible.

If we want equity to make Jack as good as his master, well and good. If you feel that there is something fundamentally socially evil about big differences in wealth between citizens, that is all right by me.

And if you think that wealthy people tend to be morally worse than people who are not so wealthy, and so it is our moral duty to take some of their money away to make them morally better, then again I will go along with you.

But the truth is, that the dynamic that makes the economic cake bigger is the desire to get ahead of your fellows — to be unequal with them. And as soon as you destroy the incentive, I grant that you will get equality, but you will also get a smaller economic cake.

### ***Indicative Planning*** (June 1976)

Mavis nurtures the delusion that a ministerial reshuffle is imminent and she keeps trying to edge me into the limelight.

When she discovered that the Prime Minister and Eccles did not agree about tariffs she has been desperately searching for some other economic hare which I could chase and she has come up with Indicative Planning.

She admits that she doesn't know what it means but it has a nice rounded sound about it and she knows it won't make Mr Fraser cross.

When I tried the idea out on Eccles he snorted and said nasty things about Indicative Planning. Evidently there are two kinds of Government planning. The first is Imperative Planning, in which the Government tells you what to do and you have to do it. This is the kind of planning they have in Russia and it doesn't seem to work very well.

But in Indicative Planning, the Government and industry sit around together and discuss their problems and then indicate what the targets for each industry should be. It all sounds so sensible, and I could see why Mavis was so keen on the idea. She thinks that anyone espousing so responsible a course would swiftly emerge from the ruck and be made a minister immediately.

But when Eccles had shredded the idea through his mean little mind Indicative Planning looked rather different. Its first problem is that governments are no better than private citizens at foretelling.

When I first entered Parliament Fred watched me with eager interest, not because I was shortly to become Prime Minister, but because I would be close to the centre of things and would get the best advice as to what would happen to the market for our products. I found Fred's interest flattering and I told him all that the Government machine told me, and when I sold cattle so did Fred.

But things are different now. Fred still watches every move I make on my farm, but now when I sell cattle he buys! Long and bitter experience has taught him that governments are just as fallible as the rest of us.

Eccles says that if any Government servant was able correctly to foretell the supply and demand situation for any product a year or so ahead he would not for long be working for the Government but he would shortly be sitting in the south of France with his feet in a bucket of champagne!

But not only is the advice that governments give likely to be wrong because it is given by humans, it is also likely to be wrong because it is given by governments.

For instance, if the Government were to say that the future price for barley was going to be high then many farmers would switch to barley and the supply would rise, so the price would fall.

The Government's voice is so loud that many people listen to it and so its advice would tend to be self-defeating. Even if it were right at the beginning it is likely to be wrong at the end.

But even if the Government was right, as indeed it must sometimes be, there is still a danger in the Government telling farmers what the future holds.

Let's assume again that the Government told the farmers that the price of barley was going to be at a level that would return a profit and this advice was correct. There would still be a hidden danger.

In my electorate my farmers are uniformly excellent, but in other less worthy areas about a third of the farmers will be good at their job, a third average and a third poor.

But if the Government suggested that farmers should switch to barley, then the bad third who were losing money because they weren't good at growing barley would come grizzling to the Government saying, "You got us into this mess, now you look after us."

The Government tried this in 1930 with the Grow More Wheat Campaign and the sores still hurt.

The dairy industry is in a mess at the moment and even Eccles hasn't got any easy solutions. Some very responsible groups say that what they want is not Government hand-outs, not subsidies that encourage dairy farmers to grow more and more of what the world needs less and less as the old butter bounty did, but they ask that the Government tell them what should be the size of the national dairy herd, and when they know that, the industry will make the necessary painful adjustments.

But Eccles says that the Government should not tell the industry this for two reasons: it would almost certainly be wrong; and even if it were right, it would still be dangerous.

### ***Government Intervention (September 1978)***

Professor Kasper said recently 'Australians have long tolerated more detailed bureaucratic intervention in markets than most Western societies, and scepticism is rising about what benefits such interventions can achieve and what overall costs they engender'. And when you

look at the examples of government intervention it is easy to feel sceptical. Looming over all other examples is the mess that the government has made of the car industry, but if there are no others as sad as this, there are plenty of other more mundane failures. Why is government intervention usually so disappointing?

It certainly isn't because the government machine is manned by fools or rogues. The civil servants who advise the ministers are straight, and are not fools. They know their way round the traps as well as the servants of big business. And the politicians who make decisions about government intervention are not fools though they might sometimes give that impression, particularly if they are giving tongue. So when everyone means so well, why do they do so badly?

There are many reasons but I will only have room for two. First, it is very hard for governments to let 'the weak' uns dee'. Yet this is an essential step if the economy is going to be healthy. Again take the car industry as an example. We have all known for years that the fundamental cause of the mess is that lavish protection in the past has encouraged the fragmentation of the industry into too many parts, so that economic production is impossible. The industry too is well aware of this and now says so in public. The solution then is for some of the redundant plants to close down. But every time the industry is about to take the nasty but necessary medicine of closing some of the redundant plants, the government dashes the draught from the industry's lips just because it cannot bear to see the weak ones die. Yet in the economic as in the biological world, the weak ones have to die so that the strong ones can have room to grow.

Eccles says there is another reason why government intervention is so disappointing and that is the poor quality of the advice that the government receives. I was afraid that Eccles was going to tell me once again that the advice civil servants gave governments was likely to be wrong but I found, to my surprise, that it is the advice given by economists that is worrying him. I know that it hurt Eccles deeply to have to admit that some economists had fallen from grace and were 'prostituting their principles for the sake of their employment' as he said. And it is not only in Australia that this is happening because Eccles showed me a quotation by the famous American economist, Professor Friedman (Friedman, M. *From Galbraith to Economic Freedom*, Institute of Economic Affairs, London, Occasional paper 49.) It reads:

There is nothing that produces jobs for economists like government controls and intervention. All economists are therefore schizophrenic: their discipline, derived from Adam Smith, leads them to favour the market; self-interest leads them to favour intervention. And in large part the profession has been led to reconcile these two opposing forces by being in favour of the market in general but opposed to it in particular. We (economists) are very clever at finding 'special cases', there are external effects, there are monopolies, there are imperfections in the market; therefore we can have our cake and eat it. We can be in favour of the free market and we can at the same time promote those separate interventions that promote our private interest by providing jobs for economists.

Having read this, Eccles slunk off, removing his rather tarnished economist's halo which he almost always wears, even in bed.

### ***Change*** (March 1977)

One thing I hate above all others is change. Perhaps it is because I was brought up in the bush or perhaps it is because I am getting older, but I find that any change fills me with grave disquiet.

I go round muttering morbidly that the end of the world is at hand if any small change in almost anything is even contemplated.

So when I wrote a week or two ago about the economy being like a bucket of worms which was changing all the time, and if it wasn't changing then it would start to die and the smell would be awful, I did it with tongue-in-cheek because I have a lot of secret sympathy for those resisting change.

But the truth is that the economy is indeed changing as accompanying figures show.

### **Percentage of Workforce Employed in Sectors in Australia**

Year	Primary Production	Manufacturing Industry	Tertiary
1911	29.9	28.7	40.3
1921	25.8	31.2	42.0
1933	22.2	23.2	42.2
1947	17.3	26.0	49.5
1954	15.0	27.8	55.1
1961	12.1	27.0	55.4
1966	10.6	27.0	62.4
1971	08.8	23.2	67.1
1975	06.7	21.4	69.8

All but 1975 are census figures and they show that change has been occurring consistently and relentlessly.

The primary industry sector has been employing a consistently smaller percentage of the workforce and this is no surprise.

But not many realise that in 1911 we had 28.7 per cent of our workforce employed in manufacturing industry while in 1975 the figure was 21.4 per cent.

The tertiary sector has been increasing all along and this is a common picture in all developed countries. In other words, the bucket of worms has been turning.

So change is a continuing process and any government action that prevents the economy changing is likely to seriously damage our standard of living.

But I still have an inborn resistance to change similar to the [apocryphal] example I now quote. In 1828 Martin Van Buren (Governor of New York) wrote to President Jackson:

The canal system of this country is being threatened by the spread of a new form of transportation known as "railroads." The Federal Government must preserve the canals for the following reasons:

1. If canal boats are supplanted by "railroads," serious unemployment will result. Captains, cooks, drivers, hostlers, repairmen, and lock tenders, will be left without means of livelihood, not to mention the numerous farmers now employed in growing hay for horses.
2. Boatbuilders would suffer, and towline, whip and harness makers would be left destitute.

3. Canal boats are absolutely essential to the defence of the United States. In event of the expected trouble with England, the Erie Canal would be the only means by which we could ever move the supplies so vital to waging modern war.

For the abovementioned reasons the Government should create an Interstate Commerce Commission to protect the American people from the evils of "railroads" and to preserve the canals for posterity. As you may well know, Mr President, "railroad" carriages are pulled at the enormous speed of 15 miles per hour by "engines," which in addition to endangering life and limb of passengers, roar and snort their way through the countryside, setting fire to the crops, scaring the livestock and frightening women and children. The Almighty certainly never intended that people should travel at such breakneck speed.

Some may sneer at Martin Van Buren but his heartfelt plea is very similar to that of people who say that their particular industry should be subsidised because it doesn't want to face the trauma of change.

I, too, hate change and I have a lot of sympathy with the Prime Minister, who said on February 21 that "employers were tending to use machines rather than people in the productive process and if tariff protection for Australian industry was reduced this trend would worsen."

I know it sounds rather like primitive Ludditism to contend that we should use men to do what machines could do better and cheaper, but change is uncomfortable, politically and socially. I will do what I can to resist it.

Mavis is delighted and I am relieved that the Prime Minister and I are at one. She is trying to buy a hand loom.

### ***Supply and Demand*** (December 1979)

Eccles is a sad sod who loves basking in his misery so it is not surprising that people do not find him attractive. I thought, for a while, that his unpopularity was due to his unfortunate personality, his tendency to pontificate at great length about simple things and his unfortunate habit of using three long words where one short one would do. But I now find that almost all economists are unpopular. Eccles goes further and says that, if they aren't, they are either not good economists or they are deceiving people. He says this is because economists recognise the rule of economic laws, and that these laws will win in the end no matter how much they may be resented.

Fortunately, the economic law that Eccles put forward to illustrate his thesis was the law of supply and demand which is so well known that even Fred knows about it. If things get dearer, then the demand for them decreases. And if they get cheaper, then the demand for them increases. You don't have to have an economics degree to understand that; even Mavis knows it. If a special is advertised cheaply at our supermarket, Mavis is out like a shot before some other smart housewife beats her to it. So you would think that everyone would recognise that the law of supply and demand will rule the roost in the end. But, though we all know how effectively the law works in the home, on the farm and in the factory, there seems to be a pathetic hope in government and political circles that the law ceases to operate if it becomes a problem in the economy as a whole, particularly if it gets in the way of politicians winning some extra votes.

When the government handed around tariff and quota restrictions for the clothing and textile industries with a long handled shovel, and so made these good far more expensive, it seemed

almost startled to find that the demand for these goods had fallen so employment fell away also. So by adding to tariffs and quotas, the poor old government made imports even more difficult to get, so the supply shrank, so prices increased, so the impact on inflation became even worse. And all this without any increase in employment.

We did the same with the car industry. Our pathetic attempts to protect it at a back-breaking cost to the economy has caused the price of cars to rise alarmingly, so the demand for cars has fallen and so has employment. Yet the government goes around scratching its poor puzzled head, wondering what has gone wrong and blaming almost everyone and everything except the law of supply and demand.

The law does not only apply to goods, it also applies to services. People make eloquent speeches, they even write books, urging the government to create employment as if this was something you made in a factory or a farm smithy. Yet if people thought about the problem clearly they would recognise that Australia is bulging with work to be done and that the reason why we have an unemployment problem is that the price of labour has become so high that the demand for it has fallen. Particularly is this so in the field of employment for young people. If it were not for the activities of the unions and the activities of the wage tribunals, the wage rates for juniors would be much lower than they are now, so more juniors would be employed.

The Labor Party recognised, rather belatedly when they were in government, that one man's wage increase threatened another man's job. They at last realised that an increase in the price of articles or services depresses the demand for them, no matter how eloquently politicians thunder on their soap boxes or how poignant are the pleas of the philanthropists. Everyone knows, in their hearts, that this is so, that the main reason why unemployment is an endemic problem throughout the Western world is because the powerful union movement has been able to force up the price of labour so high that the demand for it has fallen.

I do not defend the law of supply and demand. Even Eccles is a bit ashamed that it is called an economic law because it certainly has its ruthless aspects. Perhaps it would be nice to have a more gentle law in its place though I admit it is hard to think how one would work. But while the law is in force, we should either recognise, and in the end, obey it, or get the wretched thing rescinded. But for goodness sake don't let's pretend it isn't there and go round kidding people and even ourselves, that we can increase the price of goods and services without decreasing the demand for them. This may help get us votes, but it doesn't help getting rid of unemployment.

### ***Free Enterprise (1) (January 1975)***

A newly elected member of Parliament soon acquires a repertoire of conventional cliches on which he can draw without effort if he finds that conversation is flagging or a meeting is falling flat. One such clarion call on which I have relied for many years is, "We believe in free enterprise." If said with feeling, it usually evokes some tired applause and at least you know it's not getting you into trouble.

And in these days the idea of private enterprise is more popular than ever because the results of government interventions are so blatantly bad. So I use the phrase continually and am gradually making up some leeway in the popularity stakes.

But sometimes I wonder whether people are as keen on private enterprise as they say they are. Even farmers, who are its most dedicated and vocal adherents, are often ready to ask the government to step in if wool prices tumble or if drought or fire ravages the countryside.

Many other sections of the community are also not nearly so devoted to the idea of private enterprise as they imagine they are. For instance, you often hear captains of secondary industry proclaim, in ringing tones, that if they could only get more tariff protection then they would really show their private industry paces. What they are really saying, of course, is that if they could only be subsidised enough by either the government or the consumer, then they would show how independent they were.

Eccles says that he is frequently surprised by either the innocence or the ignorance of many secondary industry leaders. Either they do not know, or they forget, that high tariff protection is a subsidy paid to them by the rest of us and by exporters in particular. Eccles says that if this lesson was really hammered home to some of our captains of industry then we would hear less eloquence from them about the virtues of private enterprise.

But this dependence on either the government or the consumer has lately taken a more dangerous turn. For instance, if tariffs are lowered to the extent that it endangers a particular industry, then that industry's spokesman will castigate the government and complain that the government should, in such a case, give the threatened industry guidance (or even direction) as to which alternate product it should manufacture.

For two reasons, it would be wrong for the government to accept this responsibility.

1. First, it would mean an intrusion by the government into decision-making by business, and that would run directly counter to the oft proclaimed belief of industry in private enterprise. Governments aren't good at making business decisions.
2. More dangerous would be the fact that once the government had directed, or even suggested, that an industry switch to produce a particular product, from there on that industry would be ready to blame the government, or to lean on the government, if it got into any kind of trouble. In short, the industry would have the government by the wool for ever.

You continually hear secondary industry leaders bleating that the government won't tell them what to do next — what new investment they should make. A Labor Government may give way to this temptation, but if they do, they will regret it.

### ***Free Enterprise (2) (June 1975)***

All Members of Parliament have idols which we worship ostentatiously in public but which we quietly ignore in private. One of these must surely be our much vaunted belief in free enterprise. When I am on the hustings, or indeed when I am performing anywhere in public, my dedication to this sacred cause is beautiful to behold. And when I am declaiming on the subject at my political party meetings, the few members who happen to be awake at the time have even been heard to say "hear, hear" with bored voices and once or twice have clapped in a desultory manner.

The respectability of this subject received an addition fillip recently when a speech by that great whiz-kid of big business, Mr Rod Carnegie, was delivered to the Institute of Directors on 15 March. These paragons of free enterprise were so moved by Mr Carnegie's message that they paid for it to be printed and circulated to Members of Parliament so that we could imbibe once more the pure milk of the free enterprise philosophy.

Unfortunately, neither Eccles nor I were invited to the distinguished gathering, so I am unable to describe the fervour with which such sound sentiments were received, and I must rely on my imagination to fill in the details. But I have no doubt that everyone present was happy to hear their philosophy spelt out with such elegance. They probably gave their haloes an extra polish, folded their tired hands across their tummies and, replete with good works and fine food, had a little doze. Then they went home and hoped to forget all about it.

And I can understand why. They know that free enterprise is a good thing to be eloquent about, as is motherhood, but very few really believe in it any more.

At that distinguished directors' luncheon, I wonder how many captains of industry were thinking, as they clapped so loudly, how next they should approach the Industries Assistance Commission (I.A.C.) in order to get yet another consumer subsidy paid for by exporters. Perhaps there was a director of B.H.P. there, thinking of asking for a temporary duty on cold and hot rolled strip steel, the raw material for other industries which would either have to pay the subsidy or pass it down the line for exporters to pay. Is this what they mean by free enterprise, the enterprise to wring another subsidy out of some poor struggling drought-stricken cocky who hasn't the brains to know that he is being clobbered by the biggest and best people in the country? And his ignorance of what is happening to him will be fortified by the fast footwork of some (and only some) of the primary industry leaders who are prepared to sell the long term interest of their farmers by coming to a convenient compromise with the people who are raping them, saying with pathetic impotence, "Well, we can't help it happening, so we may as well make the most of it."

Or perhaps others in that august gathering were planning their next move if the I.A.C. recommends that a particular industry be eased out by a reduction of duties, by formulating their ringing reply, "We will accept this only when the government tells us what we ought to do next, tells us an alternative use for the resources previously employed in the protected industry." Perhaps, in their hearts, they can see the nonsense of their demand coming from the disciples of free enterprise, but one of the things they soon learn is to quickly douse such doubts in a bucket of eloquence. But what kind of a free enterprise system would we have if the captains of industry are told by the government what they should do next? Would they not be blaming the government, and asking for help, every time the wind blew cold?

No, the belief in free enterprise is like the belief in pre-marital chastity; it is nice to talk about but only a few really believe in it any more.

### ***Growth (1)*** (January 1970)

Eccles has had some harsh things to say about my tendency to make fine, flowing speeches concerning our "vast empty spaces" and "limitless resources" so I have looked around for something else to command my eloquence. I had a go at "growth" and this has been a resounding success. If you tackle the subject with enthusiasm — make a bit of a run at it, as it were — you again become a statesman rather than a politician and this is very pleasant.

The way to handle the subject, I find, is, if you get a nasty interjection from Fred about tariffs on weedicides, to fix him with an eagle eye and ask, "Don't you believe in 'growth' in this great country of ours?" He is supposed to wither under this treatment; and he usually does.

But Eccles has got to hear about this and has been, as usual, unpleasant. First, he took the illustration I had rather foolishly used and pointed out that the growth of some sections of the

agricultural chemical industry has certainly hindered the growth of the farming section of the economy because the high price of agricultural chemicals has been a grievous burden for the farmer to bear. I am not sure why this is so, but I think it has something to do with tariffs, which is a subject dear to Eccles' hard heart.

He said that you can have two kinds of growth in a country — natural growth and hot house growth. He was all for the former and against the latter. “There is no sense in hot house growth if it just makes you fat and flabby,” he said. He then pointed out that you could grow bananas at the South Pole. This, I presume, would be an example of hot house growth. But the bananas so grown would cost a lot more, and the expense would have to be carried by the rest of the community, so limiting its growth.

“And worse than that,” he said, “the cost of paying for the hot house growth is carried, in the end, by the exporters who are, by nature, the section of the economy that are the most efficient. So you have the awful picture of the growth of the more efficient section being slowed down so that the less efficient can grow.”

He then went back to a recent sermon about “our limitless resources”. Then he had pointed out that our resources were indeed very limited, and just because they were, it was important for real growth of the economy that we use these limited resources in the best possible way. He had started to talk about “resource allocation” but I am not sure what he meant by that, but I gather he thought that tariffs and things like that tended to channel resources into uneconomic uses.

I think I can see what he's getting at. To talk about growth, without being clear in your mind whether it is hot house or economic growth, is dangerous, though Eccles sourly admits that it is popular, particularly with people who don't think, only feel.

### ***Growth (2) (July 1973)***

Ten years ago, when I noticed members of my audience either dozing in the front seats or slipping out the back, I learnt to change gear and give them a blast about “growth.”

“Don't you believe in the growth of this great country of ours,” I would shout in ringing tones.

No one ever bothered to answer the question and, indeed, there were seldom many left to do so.

All the same, the few that were there would nod in tired approval, and, when I finally subsided, they would clap apathetically.

But, at a recent meeting, I tried the same act before an audience in one of my bigger towns and got a nasty shock.

“Certainly not,” they replied when I asked them if they believed in growth. “We've had too much of it already. We can't stand any more of it.”

I ground to a stop at this and they took over the meeting and told me that the world had limited resources and there were too many people, and too much pollution, and so on.

They had a lot to say about the “Club of Rome,” evidently a learned lot of people who reckon we are all ruined.

“We will all run out of hydrocarbons if we keep using them at such a frightening pace,” they explained. “We want fewer material things, not more.”

I hate having to get out of a rut in which I have been running along comfortably for years, so their attitude saddened me.

Besides, I couldn’t help noticing they looked pretty well endowed with the world’s goods.

And, after the meeting, I saw that most of them drove away one to a car, and pretty luxurious cars they were.

But I worried about their statements, and, the next time I saw Eccles, I asked him what he thought.

“I’m glad you asked me, my dear fellow,” he said in his most unctuous tone.

“I have been hoping that someone would ask me that today. I’ve got all the answers here.”

And he opened his brief case, which he carries to give himself an air of importance, and he gave me a pamphlet to read.

Now Eccles is always giving me pamphlets to read and the duller they are, the stronger is his recommendation.

So, when I saw that his pamphlet was written by Treasury and called *Economic growth: Is it worth having?* I took it home, fearing the worst.

But it wasn’t so bad, really, not for a Treasury bulletin.

I admit that it would have been improved (for me, at least) with a picture of a scantily clad damsel or two, or even a joke in italics (so that I could recognise it) here and there.

But it had a pretty clear message — that increasing the pace of economic growth did not automatically mean “the more we are together, the dirtier we will be.”

Indeed, economic growth would make more resources available which we could use, if we so choose, to tackle the problems of the environment — to cure them not cause them.

And I guess this is true, when you come to think of it.

If we produce more wealth, we could use it to buy more motor cars and so compound the problems of city traffic, or we could use it to upgrade public transport and so diminish the traffic problem.

We can decide to use the increased wealth as we want, for good or ill, but we have to produce it first.

The pamphlet is rather rude about the doomwatchers, the people who sit despondently on the sidelines, prophesying imminent disaster, warning us that we are using up our limited resources so that it won't be long before our whole civilisation will grind to a halt.

We are running out of petrol, they say; we are using up our fossil fuels far faster than they are being replaced.

That is true, but technology taught us to develop atomic power as a replacement fuel, and now we are on the edge of taking the next step, of using the sun to make pollutant-free power with which we could drive the pollutant-free, battery-driven cars of the future.

The lesson of the past is clear — if a situation looms up to threaten the future, a dynamic people will take the threat by the throat.

But a static community sits down alongside its problem, prophesying doom.

Growth is not necessarily a bad thing, indeed it can be good for us if we choose to use it well.

But we must have it first, before we choose.

### ***Wages and Income Policy (October 1973)***

Mavis has been very quiet lately. There have been so many bandwaggons rushing past that she has got confused and she can't make up her mind which one I should board.

But she has now got the price control referendum clearly in her sites and is determined that here is my chance.

“You are always moaning about inflation, dear,” she says. “Show your people you are in earnest. And everyone is concerned about rising prices, so it is sure to be a popular bandwaggon.”

I guess it will be too, until people start to think it through. But although the idea of price control may be popular, it wouldn't work.

There have been many attempts in other countries to hold prices and incomes down and they have all failed in the long term.

They work well for a few months and there is a surge forward in both prices and incomes which generally takes you further than ever down the road to inflation.

It's a bit like a pressure cooker. You can put an extra weight on the escape valve and it holds things down for a while.

But you then get a build-up of pressure that blows the lid off and makes an awful mess of the ceiling.

There are many reasons why prices and incomes control doesn't work in the long term.

First, when it becomes known that such a policy is imminent there is a rush to raise prices and wages before the policy is enforced.

In our case, with many months elapsing before the controls could be put into operation, this would be particularly dangerous.

Second, the only way producers can become aware of the changing demand is to receive the prices signals loud and clear. The economy is like a bucket of worms — it is continually changing.

The only way to become aware of changes in demand is to allow changes in price to tell us.

If we are not going to let the price mechanism tell us when to increase or decrease production, the Government must do it and this is a prospect that horrifies me.

Again, to make price control work, you must have an army of civil servants, many of whom would have the right to make detailed and intimate inquiries into the business affairs of almost everyone. I wouldn't like this.

And there is a lot of extra bookwork necessary by the controlled industry which increases costs and prices.

And many people forget the black markets associated with price controls during the war.

If you hold the price lower than the demand would indicate, you have an unsatisfied demand and this gives the opportunity for all kinds of shady dealing.

Remember the two doctors during the war talking in the lounge bar about their practices. One said to the other, "I have five cases of meningitis in my district."

A chap sitting fairly close who wasn't supposed to be listening, leant over and tapped him on the shoulder and whispered, "I'll take the lot!"

Then we had the flame of patriotism to reinforce the law. What kind of goings-on would there be in this permissive society when people are advised, even by a Premier, to break laws they don't like.

The Government says its first objective in price control is to hold down the price of land. What would happen then?

Surely the chap with the money would find a way to pay something under the desk, while the poor person would miss out.

The Government wants us to vote for two referendums, one on price control and one on wage control. There will be overwhelming union pressure against wage control so that will be defeated.

If the price control referendum is carried, we will have a system which cannot work, because price control without wage control has never worked, even in the short term.

It is a pity we are going to rush after these two referendum hares. If we catch one without the other we won't know what to do with it.

And in the meantime the Government will be encouraged to put off doing the unpopular but proven things that limit inflation, like increasing taxation and restricting credit.

But there are no votes in doing these things and the Government seems to be more interested in votes than solutions at the moment.

Like Mavis!

### ***Trouble with Bishops*** (May 1972)

I am used to being castigated by Mavis, Fred, Eccles and almost everyone else, but now the bishops are having a piece of me and this is harder to take.

I don't resent ecclesiastics being concerned about the twin problems of inflation and unemployment and other similar grave problems. I am not one of those who thinks parsons should stick to the pulpit. Indeed, I would be disappointed if they did. What I find irritating is the bland assumption that economic problems are easily fixed and that they do not often originate from moral causes.

Let's assume for the sake of argument that poverty is as serious as the bishops say. When you look at the ways of abolishing it you realise that the solutions depend on a change in the moral outlook of people as much as on politicians.

For instance, how much money would be needed to redress the poverty position in Australia? Last year the Commonwealth spent about \$1,790 million on social welfare. I gather that the church would think we should spend more. How much more? Twice as much?

In 1971-72 we spent about \$1,307 million on intoxicating liquor and \$547 million on tobacco and cigarettes, a total of \$1,854 million. Would this be enough to stop poverty in its tracks?

If you deduct the excise and customs revenue from these items, you still find that we spent \$1,069 on liquor and tobacco. This money would surely go a long way to solving our poverty problem. And ceasing to use these two luxuries would immediately reduce the poverty problem itself, because they both directly increase poverty. Yet surely such a reduction would be more a moral than a political problem.

But there are other ways we can tackle poverty. We can spend more money on poverty control and less on education, or defence, or external economic aid, or payments to the states. We will have to cut some of these back if we are going to use more resources on poverty prevention. Which? The bishops don't say. It would help me if I knew.

Perhaps we could raise more money from income taxation, but here again we run into moral problems. If we increase income tax we reduce the incentive of people to work hard and take risks. People oughtn't to be like that; they should burn with a desire to help their fellow men, but they are really only keen on helping themselves. So if we want to get much more revenue from income tax, the starting point is to make people better.

And we ought not to ignore the impact on the moral standards of our country of high income tax rates. We know that, even now, a great deal of effort goes into income tax avoidance.

Some of this effort is at least morally questionable, even if it scrapes through legally. Our present tax system encourages people to be "just a bit crook." To increase tax rates will increase this tendency unless we attain better moral standards first.

Again, we should not ignore the plain fact that, at least with some people, poverty is a self-inflicted wound. We are not supposed to know that some people are in a mess because they drink too much, or gamble too much or are just plain lazy.

This sector, however big or small it may be, goes immediately into the 'Moral Responsibility' basket. And if the community is seen to be helping the waster with hand-outs, then surely we encourage others to be wasters also. Again, this wouldn't be a problem if people weren't human, all loaded down with human weakness.

And inflation comes about because the difference between the increases in money wages and productivity gets pushed into price rises. This is becoming known as 'Eccles Law'. To stop inflation you must increase productivity by stopping strikes and silly industrial disputes and by everyone working harder, and by stopping employers increasing prices. In short, you must stop people being lazy and selfish. If they weren't like that, you wouldn't have a problem. All you do is to stop them being like that. But is this only my responsibility?

In short, the responsibility for poverty should be shared between the bishops and me. I know from bitter experience I can't make laws that will make men good and so I am inclined to pass my responsibility over to the bishops. But the bishops seem to be doing the same thing in reverse. My trouble is, the bishops drop their responsibility from such a height that it hurts!

There is something splendid about the conception of the Welfare State. It would work well too, if only we were better people.