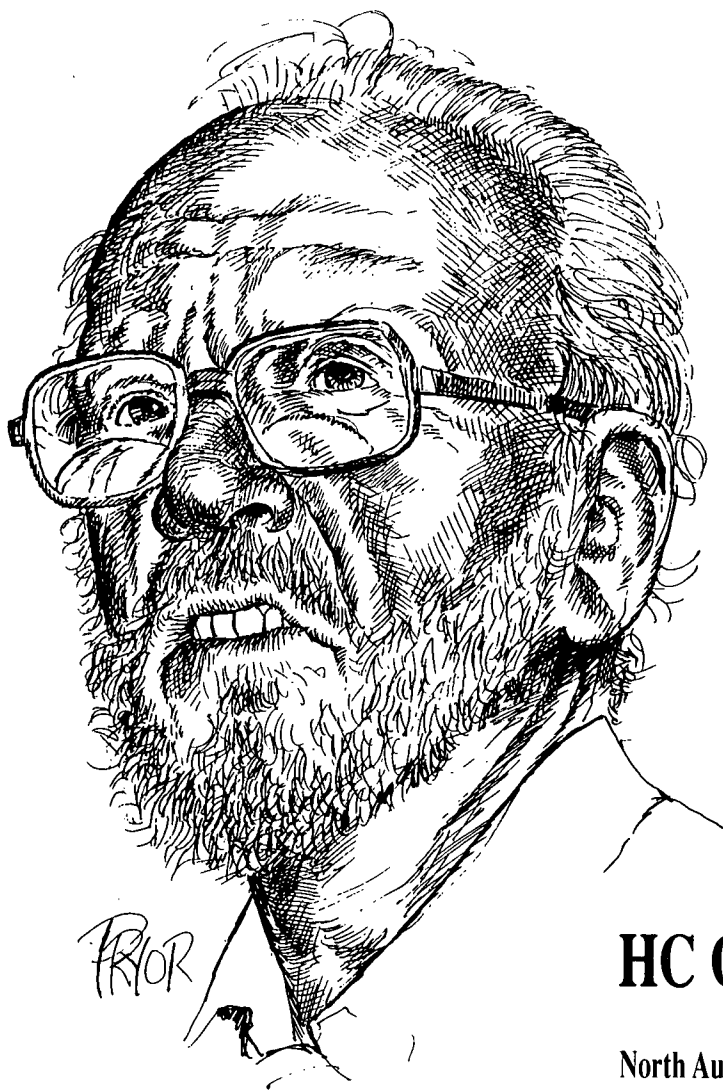


# FROM CURTIN TO KEATING

The 1945 and 1994 White Papers on Employment  
A Better Environment for Human and Economic Diversity?



**HC Coombs**

North Australia Research Unit  
Australian National University  
Darwin 1994



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## **THE 1945 AND 1994 WHITE PAPERS ON EMPLOYMENT: A BETTER ENVIRONMENT FOR HUMAN AND ECONOMIC DIVERSITY?**

— A Discussion Paper —

**HC Coombs**

*North Australia Research Unit  
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## FOREWORD

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Dr HC 'Nugget' Coombs is one of our most distinguished modern Australians. His life's work has involved areas as diverse as economics, administration, the arts and Aboriginal affairs. He has served governments of different complexions, and been a valued confidant of ministers and Prime Ministers. His most notable qualities have been his integrity and independence, his willingness to state his views robustly and to fight for the causes in which he has never lost faith, whether those be a better life for ordinary Australians, greater equality for Aboriginal Australians, or the advancement of the nation's cultural life.

In 'retirement' Nugget Coombs has been as active as ever, as passionate on issues as he was in his youth. The passion about policy comes through in his writing on the 1945 and 1994 White Papers on employment. Coombs was intimately involved in the drafting of the 1945 Paper. He has been an interested – and critical – observer of the 1994 Paper. In this analysis he challenges the modern policy makers who have framed the latest document.

He cuts through what he describes as the 'generally sympathetic tone' surrounding the paper and attacks the failure to confront the dictates of 'the market'. Coombs indicts the document as 'showing little evidence of the creativity required' to deal with the modern problems. In his critique, however, Coombs is not simply negative. He produces a different strategy which he believes would more adequately address Australia's economic and social problems. The ideas of Coombs, who holds to the Keynesian views he has espoused despite the turning wheel of fashion, present an important alternative to the broad economic policy line that has underpinned the modern Australian debate about employment and unemployment.

Michelle Grattan  
Editor, *The Canberra Times*



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1. The first part of the document discusses the importance of maintaining accurate records of all transactions and activities. It emphasizes that proper record-keeping is essential for transparency and accountability, particularly in financial matters. The text outlines various methods for organizing and storing data, including digital databases and physical filing systems. It also mentions the need for regular audits and reviews to ensure the integrity of the information.

2. The second section focuses on the role of communication in achieving organizational goals. It highlights the importance of clear and concise communication, both internally and externally. The text provides examples of effective communication strategies, such as regular team meetings, open-door policies, and the use of various communication channels like email, phone, and face-to-face interactions. It also discusses the importance of listening and understanding the needs and concerns of all stakeholders.

3. The third part of the document addresses the challenges of managing a large and diverse workforce. It discusses the importance of providing ongoing training and development opportunities to ensure that employees have the skills and knowledge needed to perform their jobs effectively. The text also touches on the importance of fostering a positive work environment and promoting diversity and inclusion. It mentions various strategies for managing conflict and resolving disputes, as well as the importance of recognizing and rewarding employee achievements.

4. The final section of the document discusses the importance of staying up-to-date with the latest trends and technologies in the industry. It emphasizes that organizations must be proactive in adopting new technologies and processes to remain competitive. The text provides examples of innovative technologies and processes that have been successfully implemented by leading organizations. It also discusses the importance of having a clear vision and strategy for the future, and the role of leadership in driving change and innovation.



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## ACKNOWLEDGMENTS

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In the preparation of this volume I have been greatly indebted to my colleagues at the North Australia Research Unit. Especially important was Deborah Bird Rose whose idea it was to revive the 1945 paper as a glimpse of a Nation State seeking to use its powers to shape 'the arrangements of society' so as to serve more effectively its social functions and to meet its responsibilities. Such an option, theoretically at least, is offered also in the consideration of the 1994 White Paper on Employment.

My attempts, both in the interviews with Geoffrey Barker of *The Age* and *The Canberra Times* and in comments written for this paper, to explore this alternative were helped also by colleagues including David Lea, David Lawrence and Sam Wells (who did most of the 'hard yakka' and was patient with my stylistic eccentricities). The final editing and production reflected the partnership between academic and general staff characteristic of NARU activities in which Ann Webb, Janet Sincock, Colleen Pyne and Sally Roberts were especially helpful.

Some of the material in the volume has previously been published in other journals including the *Australian Business Monthly*. The views expressed in that material reflect my own judgments and not necessarily those of the journals concerned.

Thanks should go to Geoff Pryor for his charitable representation on the front cover.

I thank them all and NARU itself for a nostalgic and – I hope – creative recall of a time more hopeful and when 'people mattered'.

**HC Coombs**



## **From Curtin to Keating. The 1945 and 1994 White Papers on employment: A better environment for human and economic diversity?**

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... in 1944-45, when the Labor Government was drafting its White paper on full employment, the dole queues were both a vivid memory and a daunting future risk. The depression had seared the consciousness of its generation; while war had stretched the labour market tight, its end would demobilise formidable numbers to be trained and found jobs ... However, as Nugget Coombs recalls, optimism was the mood of the times, both in the way the full employment challenge was approached and in the feeling that even if plans had to be changed quickly, that could be done. The successful prosecution of the war had bred a faith that peace could be as well prosecuted (Grattan 1994).

### ***The 1945 White Paper***

The 1945 White Paper was John Curtin's idea. He visited England after becoming Prime Minister and found that the Government there had published a paper which committed it to aiming for a high level of employment. He was impressed and, on his return, announced that his government would publish a paper on the same topic. The task of preparing the first draft and of being generally responsible for its progress was given to the Ministry of Post-War Reconstruction of which at that time HC Coombs was Director. The fear that widespread unemployment would return with the end of the war was real and urgent but within the Ministry there was growing optimism that effective action to counter it was possible.

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*Despite Chifley's concern to give the work of the Ministry [of Post-War Reconstruction] a sober, practical air there was evidence that the Ministry was envisaged by Ministers as an instrument of social change. Widening opportunity for all was to be the criterion by which policies were judged. The task was to ensure an economic and social context in which positive opportunities were present rather than merely an absence of constraints. 'Freedom is opportunity' might have been the watchword of the Ministry (Coombs 1981, 26).*

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A small group of people from the research staff was nominated to draft a paper which drew on the example of the English paper and on a careful study and discussion of John Maynard Keynes's *The General Theory of Employment, Interest and Money* published in 1936. The group included: Gerald Firth, who subsequently became Professor of Economics at the University of Tasmania; Lloyd Ross, who was a Trade Union representative in charge of the Ministry's public relations; and Fin Crisp, who subsequently became Professor of Politics at the Australian National University. The first problem was to decide what the paper should aim to do. Curtin saw it as a political manifesto – an assertion of government policy designed to rally community support for the war and to stimulate willingness to bear continuing hardships. It had therefore to be an assurance that the depression would not be allowed to recur and that the gains in social welfare and security achieved during the war would be preserved and built upon. Lloyd Ross supported the manifesto – a banner for the next election – whereas Gerald Firth and Fin Crisp agreed that it be a statement of how full employment should be achieved and how the problems created by it in the circumstances of the time would be dealt with.

The first draft was circulated among the Departments concerned with economic policy for comment. Some Departments and their

Ministers made significant changes. Perhaps the most important of these concerned the constitutional limitations on the powers of the Commonwealth. There had been a referendum to give the Commonwealth temporary powers for a limited period, which would enable them to determine policies on matters relating to post war reconstruction. That referendum had been defeated. Curtin also made changes designed to take account of the opposition of the States and to reassure them that all policies would be worked over with their cooperation. Similarly he made changes to reassure business that government attitude towards business enterprises would remain cooperative and supportive rather than politically hostile or opportunistic.

After the completion of this drafting process many of those who had worked on the draft felt disappointed – more than a little in some cases – by the outcome. It was felt that too much had been given away; that if the government had been bold about the policy despite their inability to go completely alone, they would have adequate political power because the States would be anxious not to antagonise the Commonwealth which in any case would be the source of funding and the attitude of business was likely to be similar. The Ministry had to accept the changes and a new group which included the original drafting group brought in Trevor Swan who had been the economist for the Department of War Organisation in Industry – and a powerful influence on the economic conduct of the war effort – and Fred Wheeler from the Treasury. Chifley, as Minister for Post-War Reconstruction, had stressed that the group was to accept whatever compromises were necessary to achieve a united report. The final document was the product of redraft after redraft, each stage reflecting attempts to reconcile differences and conflicts, hopes and prejudices and desires to make and to avoid commitment which emerged from the many debates and interests consulted. The Paper received unanimous support from Parliament, although it was scarcely enthusiastic. A lot of the optimism and the revolutionary fervour of early drafts was gone and some people felt that it was a bit pedestrian. Looking with hindsight, it seems more exciting.

'The policy outlined in this paper is that governments should accept the responsibility for stimulating spending on goods and services to the extent necessary to sustain full employment. There will be no place in this full employment policy for scheme's designed to make work for work's sake.

The essential condition of full employment is that public expenditure should be high enough to stimulate private spending to the point where the two together will provide a demand for the total production of which the economy is capable when it is fully employed ... If spending and employment tend to decline, governments should stimulate spending, both by their own expenditure and through their monetary and commercial policies, to the extent necessary to avoid unemployment and the consequent waste of resources ... The Commonwealth Government believes that the greatest single contribution to the stability of private capital expenditure will be the assurance that total spending will be maintained at high and stable levels' (The 1945 White Paper quoted in Grattan 1994).

Briefly, the 1945 White Paper emphasised Keynesian economic principles that linked levels of employment with expenditure which in turn gives industry the signals and the motivation to produce. There are four main categories of expenditure:

- on consumer goods by households;
- on capital goods, supplies, labour and services by industry;
- on labour, supplies, equipment and services by Government or by public authorities responsible for health, education and other services and on income support for those in need; and
- on that financed by the balance between payments to and from abroad.

The history of the capitalist system of production in Australia, as well as in other countries, is a long series of fluctuations indicated by periods of booms and slumps. It has been these slumps which from time to time have brought the worst periods of unemployment. It is not inevitable that fluctuations should have such devastating impact. Experience in Australia has shown that action can be taken by the Government to counter the effect of these fluctuations on economic activity, and particularly on employment. This can be done partly by the payment of unemployment benefits from tax revenues or moneys borrowed but it can also be achieved by action to change the categories of expenditure most affected. Historically, such action had usually been directed to sustaining expenditure by industry on investment in new or expanding enterprises and on action to modify the effect of changes in the international demand for primary commodities such as wool, wheat, meat and minerals which generally had been the bulk of Australian exports.

In the pre-war decades Australia had extensive experience of such fluctuations and of attempts to deal with them. Action to offset fluctuations in incomes of primary producers had been to raise after-tax incomes by measures which provided support, such as subsidies, when incomes were falling and decrease incomes by increased tax and other collections during more profitable years. The variations in private investment expenditure had been countered partly by the planning of new industry ventures, often jointly, by industry and the Government and in the provision of infrastructure where necessary by the use of tariffs, quotas and marketing schemes.

The 1945 Paper argued that the tendency for economic fluctuations was inherent in the capitalist system but that the powers possessed by a Nation State could be used in the public interest to modify their effect on employment. During the 1939-45 war a conscious use of such powers had achieved a remarkable concentration of resources on the war effort and had also maintained a relatively stable structure of prices, wages, profits and other incomes. This result had been made possible by the close cooperation of the States and industry. The Paper argued that, given the same political will and co-operation, it would be

possible to achieve a generally steady level of aggregate expenditure, growth in the size and complexity of the economy and the development of an industrial infrastructure within a society which, at the same time, could enjoy increased access to health, education, research and other services, as well as to cultural facilities and experience.

In the period from the early and middle 1940s – when the White Paper was being brought to birth – to the end of the decade, there seemed good reason to believe that the recipe outlined in the White Paper and implemented by a Government adaptable and courageous in its control of public finance and the private credit financial system, could continue to match its wartime performances. It seemed logical to believe that a similar recipe could enable a Nation State, with adequate powers, to determine its economic destiny.

A million men and women had been demobilised from the armed forces and from war-oriented factories without widespread unemployment. They were absorbed into civilian employment, into roles made a reality by the war time planning of governments and industry and identified and facilitated by the newly established Commonwealth Employment Service. Many took advantage of the Commonwealth Reconstruction Training Scheme which, with the collaboration of State, private and University institutions, produced a generation of trained managerial, professional, technical and technological research men and women who quickly rose to positions of influence and authority. A strong movement emerged around the country for an emphasis on patterns of development in regions which recognised their individual character, culture and economic structure and backed by community organisations with local roots. The first significant movement of Aborigines to resume the occupation and use of their traditional lands emerged and many of them who had participated in the war time activities led the way to demand greater equality in pay and conditions. Both in Australia and Papua New Guinea indigenous movements for greater autonomy began to grow. Internationally, Australian delegations exercised significant influence



on the planning of the United Nations and its institutions reflecting the growing strength of a characteristically Australian intelligentsia toughened and experienced by the War. Despite a sudden temporary inflationary burst during the Korean War, which sent prices soaring, the economy was quickly stabilised and steady progress was resumed which continued through the Menzies period.

Yet it was the negotiations about the United Nations economic institutions, which began in 1942 and became intensive between 1946 and 1948, that exposed the optimism of some of the 1945 White Paper's assumptions and began to cast doubts on whether Australia, or indeed any small or medium sized Nation State, could in fact maintain a capacity to determine its own economic future. With the death of President Roosevelt a change in the tone of American international policies became rapidly apparent. The generosity and political rationale which had characterised the Lend Lease programs, which equipped and supported the Allied war effort and the Marshall plan, which mobilised great resources to reconstruct and revivify the European economies, gave way to an apparent American determination to extract from the Mutual Aid Agreement the full price of its war time support for the Allied cause. It began to use its great war time accumulation of wealth to acquire increasing ownership of much of the world's resources and enterprises and to impose a basically free trade pattern on the international economy ensuring its domination by the United States and by other major industrial, commercial and creditor Nations.

United States economic domination was backed by the authority of the Bretton Woods institutions – the International Monetary Fund (IMF), the World Bank and the General Agreement on Tariffs and Trade (GATT). These institutions were committed to increasingly free trade and movement of capital and international payments. Those powerful economies whose past, protective policies had established them as the leaders in capital accumulation, in ownership of and access to resources and as the instruments of technological progress exercised great influence on the policies of these institutions. Gradually the IMF and GATT became the dominant authorities on internationally acceptable economic and

developmental policies of the member nations. The result has often been to intensify the polarisation of economic power and progress reflected in increasing affluence among the established and fortunate few and increasing poverty and decreasing self-sufficiency at the other extreme.

The Australian Government and its supporters were sharply divided in their judgments about the probable effect of those international institutions on Australia's capacity to continue to shape independently its economic future. On balance they tended to conclude that these institutions were inevitably becoming a reality and that Australia could not afford to be out of them. Australian delegations led groups of less developed powers in campaigns to limit the power of the IMF and in particular to establish an International Trade Organisation. Such an organisation could, they hoped, impose obligations on the major powers requiring them to establish employment and trade policies which would ensure a high level of demand for internationally traded goods, especially in agricultural and other primary commodities, on which the economies of the less powerful mainly relied. These campaigns successfully obtained agreement to these changes in the final conference planning the International Trade Organisation. However, President Truman, at the subsequent United States presidential election, repudiated the undertaking given by his special representative and the Charter of the International Trade Organisation in its amended form has consequently remained a footnote in history.

The strategies on which Australia had relied to enable it to make its employment and development policies as outlined in the 1945 White Paper were gradually seen to be incompatible with emerging free enterprise attitudes in business or contrary to the newly accepted international standards in an increasingly 'free trade' world. It remains to be seen whether policies like those envisaged in the 1994 paper can perform better in that highly competitive arena where the playing fields are far from even and the rules favour the strong.

Now 88, Coombs retains his Keynesian views. He is robust in his criticisms of the Keating Government's approach to unemployment and of the attitudes of the intelligentsia – in academia and the public service – that underlie it. 'We were lucky [in the '40s] that the British economists and the economists in America who were employed by Roosevelt to deal with the '30s depression were people who were professionally visionary, who saw the economic system as having a social function, being there for the purpose of ensuring the distribution of the product into the community in a way that was reasonably equitable and reasonably just. Now the intelligentsia identifies with the system, with the people who own and operate the system. When they offer criticism, it is not criticism that the system is not doing its social job – it is that it is not efficient, it is not allocating resources in the best way. And by the best way they mean the way that satisfies the profit makers ... I have a very firm view that the Australian intelligentsia has in economic and social matters failed the Australian community by giving a picture of the way the economic system works which is inhumane and, I believe, inefficient. In this sort of issue, where the intelligentsia stands is really pretty critical, because whatever political party you represent, if you are part of the Government, you are dependent on the intelligentsia for your capacity to understand what is happening' (Coombs quoted in Grattan 1994).

### ***Economic change and employment in the 1990s***

In 1945 opinions differed on how soon unemployment would become a real threat but it was judged that a government commitment to act to sustain employment was both economically and politically practicable and that governments and potential

governments should be ready to honour it. 'Full employment' was a fundamental aim of the time shared by major political parties, by Trade Unions and generally, at first, by business. In the 1990s this goal is proving conceptually and practically more difficult to achieve. Changes in the structure of the post-war economy posed problems of a different kind.

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*Australia is now starting to enjoy the benefits of economic recovery ... This White Paper describes the means by which economic growth, earned by the efforts of a decade, can become the source of enduring national strength ... If we are to develop the strength to compete in the world and maintain and increase our standard of living, we must make the most of all our resources. Greatest of these are the talents and energies of the Australian people. When we waste them, we are weakened. When we employ them, we are made stronger. The policies described in this statement are policies for economic and social strength. The two go hand in hand, and with them go more opportunity, more fairness, more confidence and faith in our country and ourselves, more cooperation and cohesion in communities and across the nation ... Employment and a reduction in the number of unemployed are inseparable from the Government's ambitions for Australia. It is our ambition to create a dynamic social democracy – a country which has realised its economic potential and the potential of its people. Nothing is more hostile to that than unemployment (Keating 1994a, 1).*

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The most important contemporary social change in the post-war period was the explosively increasing world population confronting finite material resources which we had come to

believe were, for practical purposes, inexhaustible. The effects of that confrontation have been intensified by changes on the side of demand for resources additional to those arising from the simple increase in numbers of human beings. Technological changes reduce the need for active human involvement in productive processes and, therefore, reduce the capacity of people, dependent on employment in enterprises owned and managed by others, to find employment and so to command a share of the yield of those enterprises. In a context in which the majority of the world's population have little property or access to resources, this can mean that those most dependent can be excluded from the means to a livelihood except from charity or government social security programs (Coombs 1990, 3).

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*... increasing scarcity brings about a redistribution of wealth and of income and, that as scarcities become more widespread and more acute, redistribution will become more significant. This redistribution obviously will favour those who own the natural resources. Its effects on others engaged in production need further consideration.*

*... technological change affects the bargaining power of wage and salary earners, both through the demand for labour within particular industries and in the economy generally, as well as in the nature of the processes – the skills required and the structure of the work force which performs them (Coombs 1990, 145–6).*

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The two dominant components of change in the contemporary economic system are the increasing scarcity of basic resources and the increasingly rapid rate of technological change. The judgments

it is possible to make about the implications for wage and salary earners of these changes can be summarised as follows:

- Both components are shifting the distribution of wealth and income in favour of the *owners* of scarce resources, capital, and technology or any form of knowledge or other intellectual or cultural property.
- This shift is the result of increased prices for the use of the resources they own and of the goods in which they are embodied. Unless other prices fall the increase in these prices will bring about a general rise in prices; that is, a tendency to inflation.
- With this shift goes a growing concentration of knowledge, skill, authority and power in the hands of the few and a polarisation from them of the rest of the population.
- Technological change usually produces an automatic reduction of employment in the firms where it is introduced and a decline in the skills, status and job satisfaction of wage and salary earners. This decline increasingly involves also those who have in the past provided support for management and who have thereby enjoyed a relatively privileged position.
- The shift of income towards owners usually benefits corporations more than persons, those outside the enterprise more than those in it, and often those outside the country concerned than those in it.
- Whether the greater income flowing to those who benefit as owners will show itself in newly created jobs will depend on what proportion of the higher income is saved and whether profitable opportunities exist for new investment. (In the early nineties those with financial surplus seem to show more interest in purchasing existing property rights or in speeding up the rate of technological change than in widening the range of employment opportunities.)
- These judgments suggest that the bargaining power of Australians who are dependent on employment for wage or

salary is likely to be weakened. The unemployment and declining real incomes many of them have experienced in recent years appear likely to continue (Coombs 1990, 158).

This pessimistic assessment calls for changes in the political and industrial strategy which at present continues to be based upon an expectation that the industrial system is capable of producing a steadily increasing total volume of goods and services, and that the bargaining power of organised labour will enable it to command an increasing share of it.

It is wrong to assume that, as the recovery picks up, there will be as many jobs as before. The restructuring of recent years has been designed to reduce the amount of employment that is generated by any given level of output. That is the trend of certainly the last 50 years and it grows stronger. Every reform, every bit of technology, is having that effect, and will continue to have the effect, of reducing the amount of employment per unit of output ... The whole trend is to develop an economic system that uses people less and less. It is happening not only in the physical forms of labour, in manufacturing, it is also happening amongst the people who were regarded as the sort of aristocracy of labour, the people who were the servants of management, their advisers on how you did all those specialist things, on what was the best way to advertise, people who were their sources of information (Coombs quoted in Grattan 1994).

Economic growth does not necessarily lead to employment growth. Economic growth usually increases the demand for labour to some degree but it increases the demand for capital to a greater degree. The resources of the world which go into economic production are now less human and more generally technological,

capital based, in financial terms. The structure of most forms of production has changed greatly. For example, fifty years ago, a cattle enterprise in the Northern Territory rounded up its cattle for the market by horseback – a task carried out by the owner of the property assisted by Aboriginal stockworkers. Now the task is contracted out to a capitalised enterprise which gathers the cattle with a helicopter and uses oil powered road trains to move them around (Coombs in Koval 1994). A further result has been increased Aboriginal unemployment and economic marginalisation.

‘The whole approach to training, the whole approach to education, is based on the assumption that you can anticipate X years ahead, what the pattern of labour requirement will be, numerically and in content, what kinds of skills will be dominant. I just don’t think you can tell that far ahead. I believe education should be a generalist education to teach people how to think, how to analyse, how to understand, and they will learn the job on the job ...It could be that what we want is a workforce that is infinitely flexible, which is trained to do whatever job happens to be in front of them. Sometimes I think, when I listen to young people, that’s the way they’re thinking now – that they’re not thinking of training for a specialist occupation which will see them through the whole of their working life. they don’t expect that, and furthermore, I don’t think they want it. I think that they too are groping for a world in which they will be opportunistic if they are clever and if they’re able, they will be the ones who see the next move before it happens’ (Coombs quoted in Grattan 1994).

Despite the generally sympathetic tone of the various Ministerial statements associated with the launch of the 1994 White Paper, there was little in them to indicate a determination of the Government to make use of the independent powers of a Nation



State to counter the adverse employment effect of these changes. No challenge was mounted to the dominance of the hardline commitment to the dictates of 'the market'. In the allocation of resources, in the choice of investment plans and infrastructures it was to be essentially the 'mixture as before'. Marginal changes to income supports of the disadvantaged and greater expenditure on training alone give evidence of human concern. The joint studies initiated by the Hawke regime which showed a willingness to take account of the environmental impacts of industry and the opportunities created by forward looking scientific research as well as the possible scope for new investment aimed at sustainability remained in the discard. Similarly the Prime Minister's earlier awareness that the 'growth' on which the Paper's strategy depended was being financed increasingly by the sale of Australia's assets and enterprises rather than by our own domestic savings seems to have disappeared. The profits earned, especially by mining enterprises, from the running down of our exhaustible resources while paying nominal levels of taxation, seemed to escape the Tax Commissioner's vigilance.

'We have to look for other ways to generate income which can be made available to people ... this means a much bigger share in the profits from assets – from mining assets, from capital assets of all kinds'. Dr Coombs also counselled Mr Keating not to assume that there would be more jobs as the economy recovered. He offered him little reason for optimism that training programs and a strong emphasis on vocational training would have any lasting impact on unemployment. 'All these plans for training may sound good, but they are not training people who go into jobs. It could be that what we want is a workforce that is infinitely flexible. I believe education should be generalist education, to teach people how to think, how to analyse, how to understand. They will learn the job on the job' (Coombs quoted in Barker 1994).

The most likely outcome of a perpetuation of the present economic system is perhaps a continuance of the progressive absorption of the 'Australian' economy into those of the United States, Western Europe and Japan with a steady decline in the proportion of its assets and enterprises owned by Australians until we may indeed achieve the status of a banana republic or colony.

### ***Regaining economic autonomy***

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*If we are to regain control of our affairs we must reduce debt, pay more than lip-service to the concept of sustainable development, and give all Australians – particularly youth – access to a reasonable livelihood (Coombs 1993).*

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An acceptable blueprint for Australia's future can emerge only after wide community debate based upon much clearer and more honest information than has so far been available to us. It will require, too, debate about what kind of society we, individually and socially, wish to live in. A time like the present, when our economy is in disarray, unemployment widespread, levels of debt – private and public, domestic and international – threaten us and political discussion of 'the way to go' is polarised, is not the easiest time for sober reflection, considered judgment or united effort. Essentially we have lost control of our own economic affairs. Our business leaders, our ministers and their advisers respond to the dictates of a market which is increasingly dominated by external interests. We need time to pause and reflect on possible changes in direction. But unless we can demonstrate promptly that we recognise the nature of the major weaknesses in our situation and that we possess the will and the capacity to deal with them, that time may well be denied us and our subordination be the more complete.

At present, as in earlier decades, the economy is failing to provide the Australian population with access to a reasonable livelihood.

- 
- *There is widespread unemployment and a lack of opportunity for young people.*
  - *Manufacturing and industries based upon the renewable resources of the earth and its waters are in serious decline.*
  - *Industrial and commercial enterprises have become increasingly dependent on foreign capital, innovation, technology and managerial skills.*
  - *Progressively the costs of production for enterprises based in Australia become the source of income for non-Australians.*
  - *Levels of expenditure for both consumption and investment have increasingly been financed less from our own incomes and savings, and more from debts incurred often to non-Australian lenders.*
  - *A balance in our international payments is increasingly being achieved only by the transfer of ownership of Australian assets to non-Australians (Coombs 1993).*
- 

From the outset it will be necessary to take action directed to countering these evidences of failure. Such action will not be easy and will be resisted by powerful interests. Policies to give effect to such action will need wide community conviction that those policies will restore access to a reasonable livelihood for Australians generally and will help to re-establish economic independence. To achieve that conviction such policies must first be seen to be concerned to reduce the hardships which at present are suffered by the unemployed, their families, the young and

other disadvantaged groups and to ensure that the consequent burdens fall at least proportionately on those best able to bear them.

Policies designed to ease the burdens of the recession could be the early phases of a strategy to restore greater personal independence and should therefore be directed primarily to:

- Liberalising social service benefits and reducing their bureaucratic and intrusive character;
- Increasing support for community based social welfare organisations so they can humanise and supplement government services;
- Reducing or removing constraints on supplementary income-earning activities by recipients of social service benefits;
- Supporting voluntary organisations operating or establishing educational, cultural, travel and sporting activities for students and unemployed youth, preferably on a local basis;
- Supporting the development of local cooperative self-sufficiency programs capable of reducing dependency on incomes earned in the economy. The time may well be ripe for a revival of the best aspects of the alternative lifestyle plans of the late 1960s and 1970s – perhaps especially in cities and suburbia.

This agenda should also include measures to reduce or eliminate government taxes which serve to increase the cost of employing labour – the most important of which is the payroll tax, an iniquitous burden in a time when so much labour is idle and industries complain of their inability to become competitive.

Equally, these policies should include measures designed to increase the level of savings by the Australian community and by corporations operating in Australia. Measures imposed and implemented by past governments to increase savings by incentives in the form of taxation concessions have resulted substantially in increased tax evasion, wasteful and extravagant expenditure and the increase in the prices of existing assets which has stimulated inflationary situations which are highly conducive

to wasteful expenditure. At least for the present, savings should be compelled by steeply graduated saving levies from incomes of individuals and especially of corporations, allowing substantial rebates for the prior allocation of funds to the reduction of debt and/or to an increase in financial assets.

The need for action to offset the effects of the elimination of payroll tax and the introduction of savings levies on the revenue of the States could be used as an opportunity to make a significant contribution to the balance of payments and to a worthwhile program to control the pollution and destruction of the environment by the imposition of a substantial excise on carbon-based fuels, together with a commitment to the progressive elimination of such fuels.

... there should be encouragement for people to go outside the conventional income-generating system. 'There has to be economic activity outside the structure of formal employment. We shouldn't assume the only thing the Government can do for the unemployed is to increase the level of the unemployed benefit. We need to add to self-sufficiency outside the market system' (Coombs quoted in Grattan 1994).

The 1991 reports by the Ecologically Sustainable Development Working Group set up by the Hawke Government, despite their inconclusiveness, assembled valuable data and ideas for a pattern for the future. Those studies suggest the need for a strategy to achieve greater Australian economic independence through sustainable economic activity. In summary, such a strategy to restore autonomy would provide:

- Action to reduce the cost to industry of employing labour;
- Protect low income earners from damaging poverty;

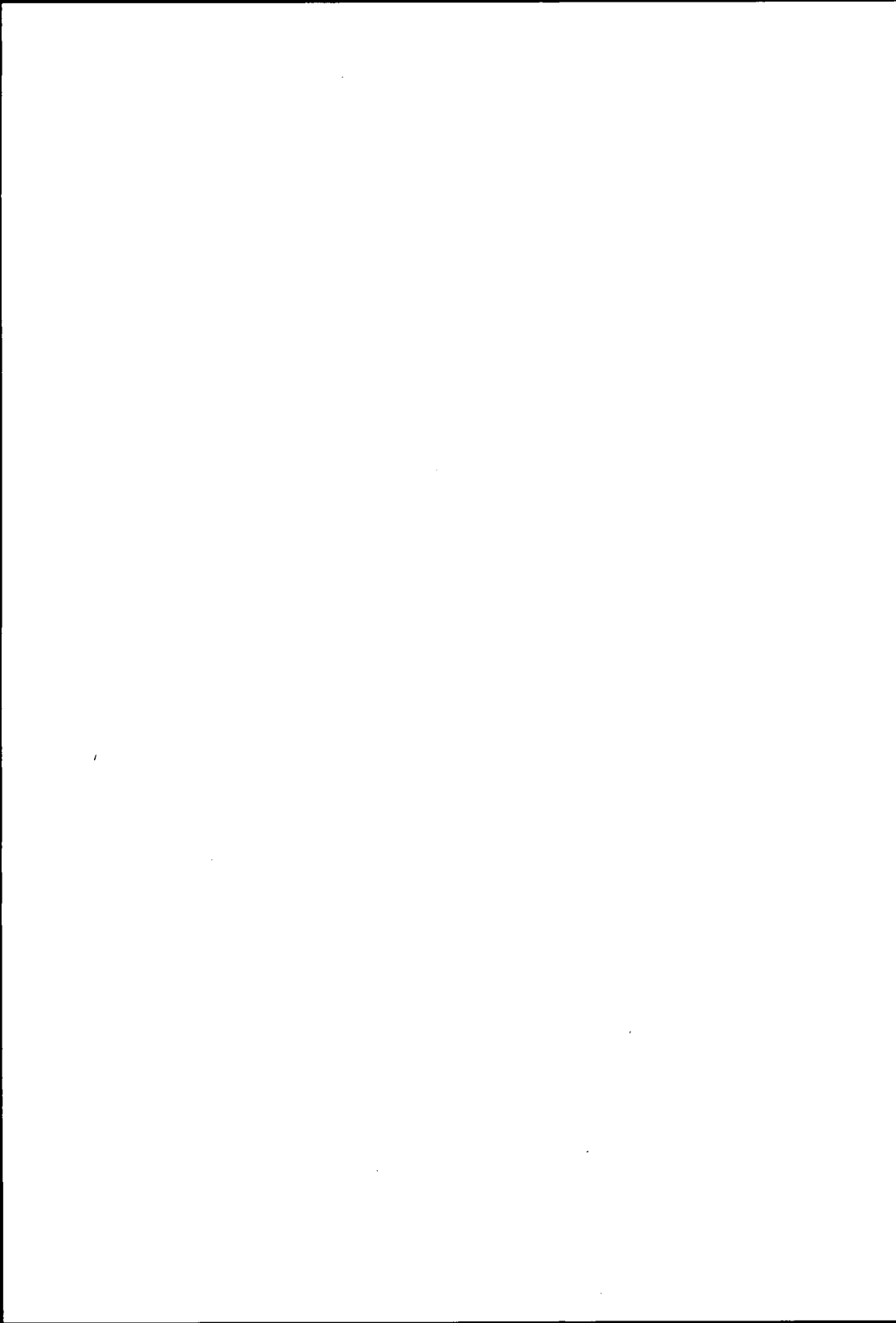
- Impose an increased level of savings from income earners with special emphasis on corporations to provide capital for enterprises, to reduce interest rates and to check expenditure abroad;
- Impose a significant tax on carbon based fuels to reduce health damaging pollution and the international burden of imports of motor fuel;
- Substitute more careful use of water, electricity and other urban services requiring extravagant capital-intensive infrastructures;
- Speed up the technological shift in the sources of power towards solar and other cleaner and potentially sustainable domestic sources of energy;
- Assemble information from the Ecologically Sustainable Development Working Group's reports as a basis for reflection and debate about means to a more sustainable and economically independent Australia.

This debate should devote special attention to:

- Action to conserve and economise in the use of limited natural resources and to direct a substantial part of proceeds from their sale to sustainable enterprises and to community services and incomes;
- Studies to identify the appropriate components of a sustainable manufacturing sector in Australian industry and the means to ensure its security and efficiency;
- Action to expedite an Australian research-based technology;
- Action to re-establish a Charter for International Trade which would reassert the responsibilities of major industrialised and capital-rich nations and multi-national corporations to ensure a high level of demand for internationally traded goods and services.

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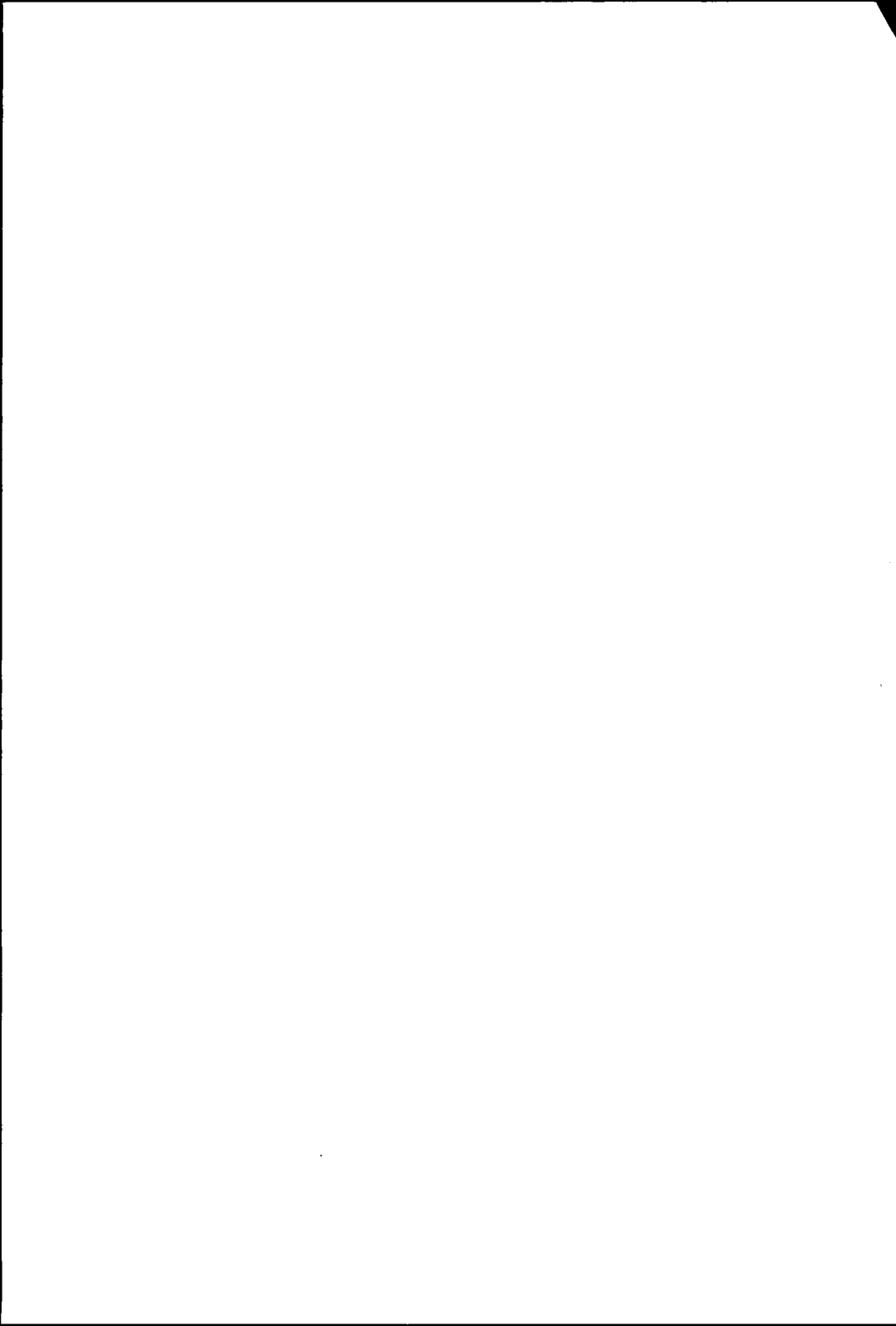
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# **FULL EMPLOYMENT IN AUSTRALIA**

**(The 1945 White Paper)**



# FULL EMPLOYMENT IN AUSTRALIA

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## PART I. — INTRODUCTION

1. Full employment is a fundamental aim of the Commonwealth Government. The Government believes that the people of Australia will demand and are entitled to expect full employment, and that for this purpose it will be able to count on the cooperation of servicemen's associations, trade unions, employers' associations and other groups. Because the Referendum was not carried, the cooperation of State Governments and local authorities will be particularly necessary.
2. Despite the need for more houses, food, equipment and every other type of product, before the war not all those available for work were able to find employment or to feel a sense of security in their future. On the average during the twenty years between 1919 and 1939 more than one-tenth of the men and women desiring work were unemployed. In the worst period of the depression well over 25 per cent were left in unproductive idleness. By contrast, during the war no financial or other obstacles have been allowed to prevent the need for extra production being satisfied to the limit of our resources. It is true that war-time full employment has been accompanied by efforts and sacrifices and a curtailment of individual liberties which only the supreme emergency of war could justify; but it has shown up the wastes of unemployment in pre-war years, and it has taught us valuable lessons which we can apply to the problems of peace-time, when full employment must be achieved in ways consistent with a free society.
3. In peace-time the responsibility of Commonwealth and State Governments is to provide the general framework of a full employment economy, within which the operations of individuals and businesses can be carried on.

4. Improved nutrition, rural amenities and social services, more houses, factories and other capital equipment and higher standards of living generally are objectives on which we can all agree. Governments can promote the achievement of these objectives to the limit set by available resources.
5. The policy outlined in this paper is that governments should accept the responsibility for stimulating spending on goods and services to the extent necessary to sustain full employment. To prevent the waste of resources which results from employment is the first and greatest step to higher living standards. But if our living standards are to increase to the greatest extent possible, we must produce as efficiently as possible goods that are wanted.
6. There will be no place in this full employment policy for schemes designed to make work for work's sake. Moreover, full advantage must be taken of modern methods of production and training in all branches of industry, and the economic system must be flexible enough to meet changing needs. In these conditions, full employment has advantages to offer to every section of the community. To the worker, it means steady employment, the opportunity to change his employment if he wishes, and a secure prospect unmarred by the fear of idleness and the dole. To the business or professional man, the manufacturer, the shopkeeper, it means an expanding scope for his enterprise, free from the fear of periodic slumps in spending. To the primary producer, it means an expanding home market and – taking a world-wide view – better and more stable export markets. To the people as a whole, it means a better opportunity to obtain all the goods and services which their labour, working with necessary knowledge and equipment, is capable of producing.
7. The rural industries present a series of problems which the Rural Reconstruction Commission is at present examining. When the Commission's work is complete, the Government will publish a detailed statement of its policy in relation to primary producers in full employment economy, and set out the measures by which it is proposed to improve and stabilize their standards of living.

8. The Government has proposed in current international discussions that an employment agreement should be concluded whereby each country would undertake to do all in its power to maintain employment within its own territories. The Government is also taking part in discussions relating to other forms of international collaboration designed to expand world trade and to mitigate fluctuations in prices of raw materials and foodstuff. A domestic policy of full employment in Australia will prove of benefit to other countries.
9. The maintenance of conditions which will make full employment possible is an obligation owed to the people of Australia by Commonwealth and State Governments. Australian governments will have to accept new responsibilities and to exercise new functions, and there will need to be the closest collaboration between them. Unemployment is an evil from the effects of which no class in the community and no State in the Commonwealth can hope to escape, unless concerted action is taken. Special problems inevitably arise from the federal nature of the Australian governmental structure, and the Commonwealth Government will approach the State Governments in an effort to devise in consultation with them the instruments for meeting these special problems.
10. The object of this paper is to make clear the problems which lie ahead in making full employment possible, and to indicate the lines along which their solution can be found. The paper is also concerned with the more immediate task of bringing about a smooth transition from war to peace. The transition must be effected in such a way as to provide a lasting foundation for the progress and welfare of Australians, as individuals and as a people, in the years of peace.

## **PART II. — EMPLOYMENT AND EXPENDITURE**

11. This Part of the paper describes the main factors determining the level of employment, and indicates the kind of measures that will be necessary to avoid unemployment.

12. The amount of employment available at any time depends on the volume of production being undertaken. This in turn depends on the demand for goods and services – that is, on expenditure by individuals, firms, public authorities and overseas buyers. Full employment can be maintained only as long as total expenditure provides a market for all the goods and services turned out by Australian men and women, working with available equipment and materials, and fully employed after allowing for the need for leisure.
13. To understand why total expenditure fluctuates, and how the fluctuations can be offset, we need to analyse the components of total expenditure and then to examine the extent to which each part is likely to fluctuate, and the extent to which each part is capable of being stabilized.

#### **COMPONENTS OF EXPENDITURE**

14. The broad divisions of total expenditure are:
  - (a) *Private Consumption Expenditure* – expenditure by private individuals on food, clothing, rent, amusements, etc.
  - (b) *Public Expenditure on Current Services* – expenditure by governments and local authorities on regularly recurring items such as defence, transport, education, police, health and medical services, maintenance of public capital equipment.
  - (c) *Private Capital Expenditure* – expenditure by individuals and firms on machinery and plant, factories, houses, stocks of goods.
  - (d) *Public Capital Expenditure* – expenditure by governments and local authorities on such items as new railways, roads, bridges, buildings, land development, power and light, water conservation and irrigation, etc.
  - (e) *Expenditure from Overseas* – expenditure on Australian goods by overseas consumers and businessmen which gives rise to employment in Australia.

Some of the expenditure in the first four categories is on imported goods, and therefore gives rise to employment

abroad, not in Australia. It is usual to allow for this by making expenditure from overseas a *net* item – that is, the difference between exports and imports.

### **VARIABILITY OF EXPORTS**

15. Some parts of total expenditure are more likely than others to start fluctuations in employment. Private consumption spending is closely related to total incomes and changes substantially only if employment and incomes themselves fluctuate. Public expenditure on current services arises from the established policy of Australian governments and, apart from long-term changes, does not fluctuate substantially.
16. On the other hand, a great deal of private capital expenditure is unstable because it depends on personal judgments of business prospects, which are constantly subject to revision in the light of changing circumstances. These fluctuations in private capital expenditure are an important cause of fluctuations in production and employment.
17. In the past, public capital expenditure has fluctuated considerably. Because governments believed that it was necessary to economize in bad times, they tended to reduce their capital expenditure when private spending fell off. Governments need not have varied their capital expenditure in sympathy with private spending – indeed, it will be argued in this paper that the reverse policy should be pursued.
18. Spending from overseas on Australian goods and services has in the past been extremely variable. All other countries have suffered substantial fluctuations in their levels of employment and total income and their spending on our exports has varied accordingly.

### **SCOPE FOR STABILIZATION OF EXPENDITURE**

19. One of the chief threats to full employment is, therefore, the instability of private capital expenditure and of expenditure from overseas. Unfortunately, neither type of expenditure is capable of being completely stabilized. The prospect of a high and stable level of demand will encourage businessmen to maintain a steady flow of capital expenditure, but many

other factors on which their judgments depend are necessarily variable. We must also be prepared for continued fluctuations in spending from overseas. This will be less serious to the extent that overseas governments succeed in raising and stabilizing their people's employment and incomes. Domestic measures to promote stability of primary producers' incomes will also tend to stabilize spending and employment in Australia.

20. Public capital expenditure is the principal type of expenditure that can be readily varied to offset variation in the unstable parts of expenditure.
21. Public capital expenditure has always been important in the Australian economy and can be controlled by Commonwealth and State Governments. When employment tends to decline, resources can be usefully employed by the decision to embark upon developmental work and to improve the collective capital equipment of the community. It is economical to use resources that would otherwise be idle in these forms of capital construction, and thus to maintain the economy in full employment. This differs from the policy that has frequently been adopted in the past, especially during the depression of the 'thirties, when public works were reduced at a time when all other expenditure was falling. These reductions were the result of a belief that reduced spending was the appropriate policy when revenues were falling as a result of a decline in income. If total expenditure is to be maintained, and the resources of the community fully employed, this policy should be reversed. Government policy will then be directed to building up the nation's capital equipment, and stimulating the general level of consumption. At the same time private spending will be stimulated by a higher level of economic activity, a sustained demand for goods and services and stable conditions for the maintenance of private capital expenditure.
22. A tendency of spending to decline, thus causing unemployment, can be offset by a relatively small increase in public expenditure and by banking policy and other measures to encourage private spending. Just as unemployment breeds more unemployment because unemployed workers and



depressed businesses are bad customers for other industries, so employment breeds more employment because extra demand for some goods enables the producers of those goods to increase their purchases and so on. If governments maintain a continual close review of current and prospective trends in spending and the level of activity in the economy, they will be ready to act as soon as a decline threatens. The earlier they do so, the smaller will be the increase of public and private expenditure required. When expenditure is increased it will give additional employment and incomes to some producers; their extra spending will still further increase employment and incomes, and this process will go on for some time multiplying on itself.

23. The essential condition of full employment is that public expenditure should be high enough to stimulate private spending to the point where the two together will provide a demand for the total production of which the economy is capable when it is fully employed. The effectiveness of public expenditure in stimulating employment generally is vividly brought home by our experience at the beginning of this war. There were then more than a quarter of a million unemployed. The Commonwealth Government directly absorbed some of these people into the armed forces, into clothing and munition factories, and into building new factories, aerodromes, and similar establishments for war purposes. The balance of the unemployed was quickly absorbed by private enterprise to produce goods and services to meet the demands of these newly employed workers, and to meet the demands of the government for war goods. During the war, the high level of government expenditure required to achieve our war effort has not only resulted in full employment, but has caused a continual strain on available resources, and has invoked a contraction and diversion of private enterprise because of the scarcity of resources.
24. To carry out a full employment policy will require the closest collaboration between the State and Commonwealth Governments, and between governments, employers and trade unions, along lines some of which have already been worked out. It will also mean that so far as possible

expenditure should take place in areas and in industries where labour and equipment are organized for production. Particularly in view of the need for decentralization, transfer of resources into new areas and new industries will of course sometimes be essential.

25. It must be recognized that once full employment has been achieved, a decision to devote additional resources to one objective of policy can be carried out only by diverting resources from other objectives. This need to choose between objectives cannot be averted by monetary or financial measures for it arises simply from the fact that the amount of resources of labour, land and materials available at any time sets a definite upper limit to the volume of goods and services which can be produced.
26. This policy for full employment will maintain such a pressure of demand on resources that for the economy as a whole there will be a tendency towards a shortage of men instead of a shortage of jobs. This does not, of course, mean that at any particular time everybody will be at work: some people will be away from work because of sickness, some will be taking a spell between seasonal or periodical employment, some will be in the process of changing from one employment to another offering better prospects, some will take time to acquire new training to equip them for other employment. These reasons for unavoidable absences from work can gradually be made less important. but in any case there is no need for them to entail poverty, insecurity and the feeling of being unwanted for the individuals concerned. The Government has already provided in Social Security legislation for the maintenance of those people who are absent from work from unavoidable causes.
27. Progressively the policy will enable the community to build up its equipment and so improve its efficiency and its production. This increasing wealth will enable us still further to improve our public and private equipment and will provide a basis for gradual expansion of consumption. It will be the Government's policy to ensure that this increased consumption, while raising living standards generally. will benefit most those whose need is greatest. To the extent that

the community feels that greater provision for leisure is more important than a greater increase in the flow of goods and services, it will be possible to bring about a reduction in working hours. The extent and speed of these developments depend of course on the rate at which productivity increases, but full employment can do much to make actual the potential increase arising from growing knowledge and improving equipment.

### **PART III. — MAINTENANCE OF FULL EMPLOYMENT**

28. The policy here outlined is briefly that, if spending and employment tend to decline, governments should stimulate spending, both by their own expenditure and through their monetary and commercial policies, to the extent necessary to avoid unemployment and the consequent waste of resources.
29. This policy will need careful administration. Not only will it be necessary to offset a tendency for spending to decline, but governments must also ensure that total expenditure is not too high. As long as there are unemployed resources to be drawn into production, increased expenditure will produce a higher level of employment, but once full employment has been reached, production is at its maximum. A higher level of expenditure would then cause prices to rise, with adverse effects on the stability of the economy and on the welfare of large sections of the community.
30. This Part examines in some detail the possible movements of the various components of total expenditure set out in paragraph 14, and the extent to which these components can be influenced by government policy in such a way as to maintain full employment whilst avoiding a disruptive inflation of prices. Except in abnormal circumstances, it will be possible to achieve these aims without governments having to control private transactions. At certain times, however, when a specially critical situation has to be met, it may be necessary for governments to exercise some degree of direct control in order to avoid inflation. A clear example of such a critical situation is the period of transition from war to peace, which is dealt with in Part V of this paper, when for a

time it will be imperative to maintain control of prices, capital issues, and materials in short supply.

### **PRIVATE CONSUMPTION EXPENDITURE**

31. Private consumption expenditure cannot easily be varied to offset temporary fluctuations in other types of spending. It normally bears a fairly constant relationship to incomes and employment. With stable incomes, only a change in people's spending habits would change consumption expenditure. Those habits change only over a long period. They are affected to some extent by government policy. For instance, provision by governments of benefits in social legislation permits a higher proportion of private income to be spent on consumption goods and services. Moreover, the increase that will accrue to lower income groups as productivity rises will largely be spent on increased consumption.
32. These developments depend on the one hand on the community's standards of social justice, and on the other hand on the rate of technical progress. They are also limited by the need to provide for the development of private and public capital projects. This need is particularly important in Australia, which is inadequately supplied with the capital equipment without which farmers, workers and businessmen cannot achieve their maximum efficiency.

### **PUBLIC EXPENDITURE ON CURRENT SERVICES**

33. This type of expenditure too is fairly constant at levels determined by government policy, and is not well adapted to meeting temporary fluctuations in private expenditure. The people require and demand certain standards of public services and administration. The size of the police and defence forces, departmental administration, the provision of health and medical services and so on, cannot be quickly varied to meet changing circumstances. On the other hand, over a long period at least some of these services will have to be gradually expanded. This will be particularly true of health and medical services, education, and employment services. The stability of a gradually growing section of public expenditure will contribute to the stability of total expenditure and hence of employment.

### PRIVATE CAPITAL EXPENDITURE

34. This is by far the most critical section of total expenditure. In the first place, it is itself large – in the best pre-war year it was more than £100,000,000. Secondly, it is inherently liable to fluctuations, depending as it does on the judgments of businessmen whose spending on capital goods is influenced by many variable factors. Thus between 1928–29 and 1931–32, private investment dropped from £115,000,000 to £29,000,000. Finally, it is important also because these large fluctuations in private capital expenditure have a direct effect on the level of private consumption spending of those employed in the capital goods industries; and a further indirect effect because the reduction of this consumption spending reduces the employment, incomes and spending of those normally employed in consumption goods industries.
35. Private capital expenditure will continue to be one of the most significant parts of total expenditure. Its extreme variability, and the impossibility of completely stabilizing the factors which bring about that variability, present a most important and difficult problem.
36. The Commonwealth Government believes that the greatest single contribution to the stability of private capital expenditure will be the assurance that total spending will be maintained at high and stable levels. Furthermore, special plans will create new opportunities for private capital expenditure. For example, the Commonwealth and State Governments are agreed on plans for a substantial expansion of house building activity as soon as the war permits. Building is an important element of private capital expenditure, and industries associated with it should be on a firm basis for expansion for many years to come.
37. A major cause of decreases of private capital expenditure in the past has been the tendency of many businessmen, farmers and other investors simultaneously to contract their capital expenditure because of the fear of a reduction in spending. This was inevitable in an economy in which total expenditure was expected to fluctuate, and in which businessmen were extremely sensitive to their rivals' and associates' estimates

of movements in spending in the near future. Simply because businessmen tended simultaneously to contract their capital expenditure, they contributed significantly by their very actions to the fall in total spending which they feared.

38. Although fluctuations in private capital expenditure will not disappear under conditions of continuous full employment, it may be expected that the demand for private capital equipment will be less uneven if governments act to maintain total expenditure at a reasonably constant level.
39. Governments can themselves also contribute to the stability of expenditure on capital goods. During the war, the Commonwealth Government has reduced interest rates to record low levels. This policy of low interest rates will be continued. As controller of the banking system and with the added powers it will acquire under the Government's banking legislation, the Commonwealth Bank will be in a position to ensure that the flow of credit from the banking system is regulated to promote stability in capital spending. In particular it will be the responsibility of the Commonwealth Bank to ensure that the banking system does not initiate general contraction of credit or contribute in any way to the growth of unemployment through a decline of expenditure. The Commonwealth Bank will be in a position to adopt a policy of maintaining and expanding direct advances as may be required by the level of total spending in the community. It is intended that the Industrial Finance Department, which the Government is now setting up within the Commonwealth Bank, will also provide capital finance for small and growing businesses, many of which although credit-worthy cannot provide the required securities for bank advances. This will make a significant contribution to our industrial development.
40. As a contribution to the expansion of opportunities for capital expenditure, the Government will promote industrial and agricultural research. Some firms are able to maintain their own research and investigation sections. Many others cannot afford it. Both classes of firms may be able to derive advantage from the development of research facilities by the government in collaboration with industry.

41. The Commonwealth Government considers that the proposals outlined in this section provide a firm basis for the steady expansion of capital expenditure, and offer a real promise of confining within a small and manageable range the fluctuations in capital expenditure which, in the past, have been such a potent threat to the level of employment and to the stability of the economy.

### **PUBLIC CAPITAL EXPENDITURE**

42. Provision for the maintenance and development of public capital assets by Commonwealth and State Governments and by local and semi-governmental authorities will require a level of public capital expenditure substantially higher than before the war. Merely to list some of the possible objects of public capital expenditure in Australia is to emphasize the importance of this expenditure: housing and slum clearance, community centres, hospitals and libraries, roads, railways, bridges, harbours, aerodromes, electrical and other power-undertakings, administrative buildings, land development through irrigation, afforestation, water conservation, prevention of soil erosion, food control, reclamation. In each of these fields there is an urgent need for improving public capital assets, which must be met if public agencies are to provide the services it is their function to provide for the Australian people.
43. In determining the level of public capital expenditure, account must be taken both of the intrinsic importance of public capital projects for Australia's welfare and development and of the part which public capital expenditure must play in maintaining full employment. Should a decline in spending threaten to leave resources idle, governments must be prepared to take advantage of the opportunity to employ those resources in accelerating and expanding their own programmes for national works, housing, improvement of capital equipment and provision of facilities for social and cultural activities. Similarly, when private spending is tending to expand, some reduction may be made in public capital spending. If private spending seems likely at any time to expand to a level where it may prevent the completion of urgently needed public capital projects, the Commonwealth

and State Governments should seek means by which they can determine which capital projects, public or private, are the more important to the community, and accord priority to those projects.

44. Australia is fortunate in that there is a great range and diversity of fields in which public expenditure on capital equipment and development is required, covering many sections of industry and types of labour, and extending all over Australia. This means that there is ample scope for public capital expenditure to be maintained at levels adequate to promote full employment, and that this expenditure will provide employment in many industries and in many parts of the country.
45. Careful and detailed advance preparation will be required if public capital expenditure is to play a significant part in our development, and particularly if it is to play a main part in stabilizing the level of total expenditure, so as to maintain employment and avoid inflation. Plans, equipment and materials must be kept at an advanced stage of preparedness if men and women threatened with unemployment are to continue in employment. Commonwealth and State Governments, through the National Works Council, have already made considerable progress in the preparation of these plans.

#### **NET EXPENDITURE FROM OVERSEAS**

46. In the past, the chief fluctuations in total spending and employment in Australia have arisen from changes in the value of Australian exports, in response to the varying prosperity of world markets. In order to meet this threat to the maintenance of full employment in Australia, the Government's policy will be based upon the following principles:
  - (a) to seek agreement now with other nations – particularly the major industrial countries of the world – by which countries undertake to do all in their power to maintain employment within their own territories, and thereby expand demand for internationally-traded goods;



- (b) to participate in developing other forms of international collaboration designed to expand world trade and to mitigate fluctuations in prices of raw materials and foodstuffs;
  - (c) to prepare now for the post-war development and diversification of Australian export markets for both primary and secondary products;
  - (d) to develop measures to stabilize the incomes, and hence the expenditure, of Australian export producers, so as to offset the effect of short-term fluctuations in the demand for Australian exports;
  - (e) to stabilize total expenditure and employment in Australia in the face of any expected reduction in spending from overseas on Australian goods and services, by bringing about a compensating expansion in public capital expenditure and by other appropriate means; this will require a continual review of export prospects, in order that these measures may be taken in good time.
47. In seeking to offset fluctuations in receipts from overseas, it will obviously be desirable to stabilize farm incomes as far as possible, in order to give primary producers the same sense of security as we are seeking for the rest of the community. In the past, measures have been adopted to maintain essential activity by rural producers, even though at times their financial position has been jeopardized by a serious slump in prices, or by an adverse season. These measures, however, did not eliminate the serious fluctuations in the expenditure of export producers which have been the cause of wide variations in total expenditure in Australia. To meet this problem and to eliminate this element of instability, the Government proposes to seek the cooperation of the States through the Australian Agricultural Council in maintaining greater stability of income to rural producers.
48. Australian spending on imports is not a significant factor in maintaining full employment in Australia since it affects employment in other countries. The chief problem here from the Australian point of view is whether our receipts from

abroad will provide sufficient overseas funds to pay for all the imports which, in conditions of full employment, Australians will wish to buy.

49. This problem of the balance of payments is dealt with in Parts IV and V of this paper. It is important, however, to point out here that if, at any time, we are obliged, because our export income is insufficient, to impose quantitative import restrictions in order to keep our spending on imports within the limit of our available overseas funds, there will be a tendency for local resources to find employment in industries which can attract spending previously devoted to imports. To the extent that this happens, employment will be maintained with a smaller expansion of public and private capital expenditure. However, Australia will have urgent need of certain imported materials and will impose quantitative import restrictions only if they become necessary to keep our overseas purchases within the limits of our overseas income.

#### **PART IV. — SPECIAL PROBLEMS OF A FULL EMPLOYMENT ECONOMY**

50. Parts II and III of this paper have outlined a policy by which total expenditure may be kept stable at the level which will employ all available resources and at the same time avoid inflationary pressure on prices. However, full employment will itself give rise to problems which are not important in an economy in which there is considerable unemployment. The Government recognizes that these problems exist, and that their solution will take our ingenuity and goodwill. The Government believes, however, that the people prefer to face these problems, rather than revert to the waste and bitterness of unemployment.
51. The dangers of excess spending, of immobility of resources, of inefficiency, of instability of wages, of unstable public finances and of inadequate overseas funds are all problems which have to be solved if our living standards are to derive the greatest benefit from full employment, and if prices are to be kept sufficiently stable to avoid an inflation which would seriously threaten the welfare of large sections of the

community. If we value full employment and high living standards sufficiently, we need not fear that solutions will be impossible to find.

### **EXCESS SPENDING**

52. We have already said, in Part III, that there will be a danger that, in pushing total expenditure to the level necessary to maintain full employment, we may from time to time go too far. People would then be trying to buy more goods and services than available resources are capable of producing when fully employed, so that the economy would be threatened with the danger of invasion.
53. Avoidance of this threat depends on the skill with which governments can control their expenditure policies. Experience will progressively improve the technique of this planning.
54. Australian governments will need to study closely economic and financial trends in Australia and overseas and the extent to which the available measures of government policy are adequate to deal with this problem. There must be great emphasis on collaboration between Australian governments and between governments and private business, if we are to ensure not only that full employment will be maintained but that it will be maintained without running into the dangers of inflation.

### **MOBILITY OF RESOURCES**

55. It is essential that a full employment economy should not run along in a groove, unresponsive to the changing wants of the people and to technical progress. Unless the economic system is flexible, and responds effectively to changing circumstances, full employment can be achieved only at the cost of using resources in relatively unproductive and wasteful employment. To an important extent, this problem can be solved if a spirit of enterprise is alive amongst all concerned with productive effort, whether businessmen, primary producers or workers. But in order that such a spirit may have full scope, workers wishing to change their employment must have a ready means of discovering

favourable opportunities; equally, employers need a ready means of getting in touch with additional workers with suitable abilities when they wish to expand their activities.

56. For these reasons an efficient Australia-wide employment service is an essential instrument of a full employment policy. In May, 1944, the International Labour Conference at Philadelphia accepted the principle that full employment required the existence and development of an effective employment service and recommended that "the essential duty of the employment service should be to ensure, in cooperation with other public and private bodies concerned, the best possible organization of industrial, agricultural and other employment as an integral part of the national programme for the full use of productive resources". The Government is proceeding to establish a Commonwealth Employment Service in the Department of Labour and Vocational Service on the general lines of this recommendation.
57. To these ends, the Employment Service will be designed –
  - (a) to bring to the notice of men and women seeking employment the full range of opportunities offering, and in particular to find employment offering scope for their abilities;
  - (b) to enable employers to draw upon suitable labour throughout the Commonwealth;
  - (c) to provide assistance where necessary to enable employees to move to where employment is available.
58. The Employment Service will also work with the relevant State Government Departments and other governmental agencies whose activities affect the employment situation –
  - (a) in developing and determining the content of training and retraining courses;
  - (b) in cooperation with public or private bodies concerned with location of industry, public works, housing, social amenities and similar measures;

- (c) in disseminating information concerning labour supply, employment opportunities, the skills required to do particular kinds of work, changes in the skill requirements of particular industries, employment trends, special problems of seasonal and casual employment and other information of value in promoting full employment.
59. The Government aims to build a thoroughly efficient service capable of contributing to the smooth and effective working of the full employment economy. Special attention will be paid to the need to obtain suitable qualified and experienced personnel for all grades of the service, so that full advantage can be taken of the best modern practice in placement, training and vocational guidance. The Government desires to make it clear that no effort will be spared in building a service of the highest quality in both its personnel and procedures, and accordingly invites both employers and employees to collaborate in ensuring its success.
  60. Further assistance to men seeking employment can be provided through government measures for vocational training. The Reconstruction Training Scheme is already established. It is primarily designed to assist Service men and women to re-establish themselves in appropriate civilian occupations after their discharge. It provides for living allowances and other benefits for Service personnel who cannot return to their pre-war occupations. In the selection of post-discharge courses of training, Service personnel make their own choice of their future employment, provided labour for such employment is not in excess.
  61. It may prove desirable to extend this scheme and to place it on a permanent basis. The Government would then continually review industrial developments, and when the need for trained workers of particular types appeared, would introduce special training plans to meet the need. Similarly, if labour for a particular type of occupation became in excess supply, the Government would introduce special re-training plans for those who were obliged to seek alternative occupations. In these plans reliance would continue to be

placed on State Technical Colleges, Universities and other existing educational facilities.

62. A further contribution will be made to mobility by financial provision for those moving to new employment.

### EFFICIENCY

63. One of the most frequent criticisms of a policy for full employment is that it will fail to provide the necessary incentive to enterprise and efficiency. The Government considers this criticism is incorrect but recognizes that the question is too important to be ignored.
64. Resources should be distributed between industries in such a way that the goods and services most wanted by consumers and businessmen will be produced. The danger feared in a full employment economy is, in the first place, that businessmen will prefer to continue existing types and methods of production, rather than seek out new products which might be wanted by consumers, and that governments in their anxiety to prevent unemployment might be tempted to support them.
65. The solution of this problem of distribution of resources rests mainly with businessmen. During the years between the wars, however, some businessmen showed a strong tendency to reduce the extent of competition, and made agreements among themselves to share existing markets and raise or keep up prices. These arrangements mean that businessmen can maintain profits without undertaking the risks of new developments, and without scrapping obsolete plant and methods of production. Such arrangements are destructive of enterprise and contrary to the interests of the community.
66. The Government can do something to assist in the revival of enterprise. Its greatest contribution will be to keep total expenditure at a level sufficient to employ all available resources. This will assure businessmen that consumers will be able to buy the goods and services which industry produces, and will leave to businessmen only their familiar task of finding out what goods and services consumers will want. Paragraphs 36 to 40 in Part III emphasize the

- importance of this contribution, and also the contribution that can be made through government encouragement of research facilities, and through provision of financial facilities for small and growing industries.
67. Secondly, it is feared that workers will not wish to leave their accustomed occupations even if the demand for the goods they have been producing has declined. The danger is one that can be met only by a revival of a spirit of enterprise amongst workers.
  68. The maintenance of adequate levels of total expenditure will assure workers that the community has need of their services somewhere, and will restore the basic sense of security without which new risks will not readily be undertaken. The proposals for an employment service, training schemes and financial assistance to workers changing jobs will reduce the risks, costs and delays of making changes. Trade unions can help substantially by co-operating with governments in finding out and removing the impediments to mobility. If the Government maintains an adequate level of total spending, and if businessmen and governments open up new avenues of production as new goods and services are demanded, these proposals should ensure that workers will be willing to change their employment when necessary.
  69. The claim that occasional depressions are necessary to remove inefficient firms and to speed up the transfer of resources from declining to expanding industries cannot any longer be supported in view of the miseries imposed on large sections of the community by those depressions. Full employment will restore a sense of security to workers and businessmen, and will ensure a revival of enterprise that will in turn ensure production of the goods and services wanted by the community.
  70. War-time experience has shown many Australian industries to be highly efficient even in difficult circumstances. But it has also shown examples of high costs of production which can reasonably be attributed to inefficient organization and management. It is not surprising that in some cases Australian standards of industrial organization and

management should fall short of levels reached overseas, since our industrial history is relatively brief and we have had limited opportunities for acquiring knowledge, skill and experience in the difficult tasks of management. The responsibility of management for taking the lead in improving employer-employee relations is particularly important. It is a prerequisite to improvement in general efficiency of production, and can be achieved only by a steady improvement in the art of management in Australia. The Government proposes to discuss with representatives of employers and employees ways in which special facilities can be provided to enable Australian business executives to be trained and given the necessary experience.

71. During the war, the Department of Munitions has assisted many manufacturers by advising them on the technical and organizational problems of production. For smaller enterprises, this form of service can be of very great help in developing technical and managerial efficiency. The Government is prepared to develop this type of service if adequate use is made of it by industry and it is hoped to link it closely with the proposed development of research into the problems of particular industries.
72. While the tariff and other methods of protection are legitimate devices for building up industries appropriate to our economy, the grant of protection by the Government to producers is a privilege which carries with it the responsibility for maintaining the highest possible level of efficiency. Protection must not be protection of excessive costs, inefficient methods and obsolete equipment, nor should it encourage the practice of relying on rings, cartels, tariffs and guaranteed home markets, rather than on efficient production. Protection in the past has been granted upon the advice of the Tariff Board, and the Government proposes to continue to rely upon this body. The Tariff Board has ample powers to instigate and report upon the efficiency of protected industries. It is the Government's intention that the Board shall carry out these investigations and make regular reports.



73. The Government attaches great importance to the improvements in efficiency which follow from the application of modern knowledge to the improvement of working conditions. Experience during the war, especially in the United Kingdom, has shown how excessively long hours of work can reduce individuals' efficiency and how the effect of shorter hours on production can be offset by consequent improvements in this efficiency. War-time experience has also shown how fatigue can be reduced, and general health and efficiency improved, by intelligent factory welfare policies. The Government looks to employers to continue and extend these war-time developments. It will itself review closely developments in this and other countries, in order that employers may have available the most up-to-date information on which to base their own welfare policies.
74. The Government believes the whole field of labour relations and working conditions is of profound importance to both the future efficiency of labour and the welfare of workers. It intends, therefore, to continue and develop the work of the Department of Labour and National Service, particularly in the fields of industrial relations and industrial welfare.

### **WAGES**

75. The problem of wages in a full employment economy is to ensure on the one hand that workers receive in the form of higher real wages a fair share of increases in productivity resulting from technical progress, and on the other hand that undue sectional pressure for wage increases does not lead merely to a rising spiral of wages and prices without any real benefit – and perhaps with disadvantage – to the workers themselves.
76. The trade union movement includes the great majority of consumers, and should protect their interest by ensuring that a minority does not obtain temporary benefits which will involve higher prices for consumers in general. Claims for necessary sectional wage increases may be suitably dealt with under the existing conciliation and arbitration machinery, although this machinery should be overhauled to ensure more rapid and effective working.

77. A sense of the responsibility of the trade union movement to the community is more likely to be fully developed if unions generally are satisfied that the system of wage fixation is such as to pass on to workers a fair share of increased output flowing from the growing productivity of labour as technical processes improve, and our resources are further developed. It should be possible to have a periodical review of the standard of consumption which the basic wage is to represent — a review designed expressly to ensure that the normal upward trend of real output available per head is duly reflected in the level of real wages. The main factor affecting this trend will be progressive technical improvements increasing the productivity of labour.
78. The Government is considering the setting up of a special committee on which employers and employees will be represented to report on possible changes in the principles and machinery for making general adjustments in wages and industrial conditions.
79. Increased wages are not the only means by which workers receive a larger share of the national output. In Australia, a significant contribution to living standards has been made in the past, and will continue to be made, by a high level of social services. Some of these are in the form of direct money payments, such as invalid and old-age pensions, child endowment and widows' pensions. Others are services provided directly by governments and public authorities, including education, health and medical services, kindergartens and libraries.

#### **PUBLIC FINANCE**

80. It has been established that, since public expenditure on current services is relatively stable except for long-term changes, it is public capital expenditure which must be varied where necessary to maintain full employment.
81. In order to maintain the appropriate level of expenditure, governments must obtain the necessary finance. The chief possible sources are taxation, and borrowing either from the public or the central bank.

82. Taxation should be the main source of revenue. It can be levied so as to secure a more equitable distribution of incomes, and does not create a problem of interest-bearing debt. The objections to it are not serious provided that the rates are not too high. It is also important that the public should understand the purposes for which taxation is imposed, that it should not be irritated by more frequent changes in taxation policy than are inevitable, and that it should be satisfied that taxation affects individuals with reasonable equity.
83. However, there are limitations on the extent to which taxation can be used; but these will still permit it to be at such a level that the yield from incomes when the economy is fully employed covers at least all public expenditure on current items, including the maintenance of existing assets. It should also make some contribution towards public capital expenditure. Taxes will be designed to have the least possible restrictive effect, both on the readiness to undertake private capital expenditure, and on the efficiency with which production is undertaken. Levels of taxation and existing methods of levying direct taxation are being closely examined, and consideration will be given to such changes as may seem necessary.
84. Borrowing from the public is on a voluntary basis and avoids some of the disadvantages of taxation, but leaves a debt on which interest has to be paid. Financing by the Commonwealth Bank can be used to advantage up to the limit of available men and resources, but if carried beyond this point it would gravely threaten the real incomes of workers and low income groups and would result in conditions so unstable that full employment could not be maintained.

#### **BALANCE OF OVERSEA PAYMENTS**

85. A policy of full employment, brought about through the maintenance of high levels of expenditure, will necessarily involve an increased demand for imports. Australia has always been a heavy importer of materials and, with an expanding national income, will continue to be so in the

future. But the amount we can spend on imports is limited by the amount of export proceeds, together with reserves of overseas funds, which are available for this purpose.

86. The Government is taking measures designed to expand and stabilize post-war markets for Australia's exportable products, which will help to achieve greater stability in our export incomes. An Export Advisory Committee, consisting of representatives of the Government and of those interested in exports, has already been established to provide a means of contact and collaboration. The Government has under consideration the establishment through the Commonwealth Bank of export credit guarantee facilities which would reduce the financial risks of the export trade, and also the establishment of a joint Government and Commercial Export Trading Corporation which would actively promote Australia's export trade in primary and manufactured goods. The scope and quality of our trade representation overseas is being examined to bring it up to the standards required. The Government is also seeking opportunities to negotiate trade treaties with countries where there are possibilities of expanded commercial relations after the war.
87. The full success of these measures, however, depends upon the general state of employment and economic activity throughout the world, which largely determines the demand for internationally traded goods. The Government is therefore seeking an international agreement among important trading countries to maintain high levels of employment within their own territories.
88. Australia must be prepared for some fluctuations in the balance of payments. Difficulties may arise from a decline in the world demand for Australian exports, either because of a failure on the part of important trading countries to maintain employment and spending, or because of a shift in world demand to products different from the ones we have been exporting. There are also climatic and other temporary factors which will continue to have an important effect on exports.

89. Minor fluctuations in export income will, as in the past, be met by running down overseas reserves in poor export years, and building them up in good years. The Government's banking legislation provides the Commonwealth Bank with adequate powers to mobilize our foreign exchange reserves and will ensure that the best use is made of them.
90. If there is a prolonged and severe fall in export incomes, it will not be possible to meet the deficit in the balance of payments merely by drawing from overseas reserves, and we shall then have to reduce expenditure on imports. In the past, necessary reductions in imports have usually been allowed to come about by permitting a fall in export incomes to result in reduced spending by export producers, thus bringing about unemployment and a general fall in incomes to the extent necessary to reduce imports to the level at which they could be paid for from export income. This deflationary method is inconsistent with a full employment policy, and serves the interests neither of the people of Australia nor of the people of the countries with which Australia trades. The Government will not countenance this method in future.
91. Other means of reducing imports will thus be required. If the deficit in the balance of payments is primarily due to a permanent decline in overseas demand for Australian products, and if it is not possible to restore export income by shifts of productive resources to meet changes in world demands, an alteration in the exchange rate may be the appropriate method of correction. If, however, the fall in export income is one which, although prolonged and severe, is not permanent the more appropriate method may be quantitative restriction of imports.
92. The kind of action taken to control imports would depend on the Government's assessment at the time of the causes and probable duration of the deficit in the balance of payments. The Government considers there are good grounds for expecting a reasonably steady expansion of export income in the future. If, however, there should be a serious deficit in the balance of payments, import spending will inevitably have to be reduced. It would be in the interests neither of the world nor of ourselves to may the reduction by means of

unemployment in Australia. Australia will make its maximum contribution to the flow of world trade by maintaining full employment at home, and by allowing the consequent high level of expenditure to become effective in demand for imports up to the limit of our available overseas funds.

## **PART V. — CHANGE-OVER FROM WAR TO PEACE**

### **SPECIAL FEATURES OF THE TRANSITION**

93. The previous parts of this paper have dealt with the maintenance of full employment under normal peace-time conditions. In the change-over period immediately following the end of the war, however, we shall be faced with problems of a special kind.
94. In the first place, about 1,000,000 men and women now in the Armed Forces and war industries will be seeking peace-time occupations. Secondly, the war-time excess of spending power will persist at least until more adequate supplies of peace-time goods and services again become available.
95. The economic problems arising from these two dominant features of the transition are in many respects similar to the problems which we have experienced during the past six years. In the earlier stages of the war, it was urgently necessary to expand production of war supplies and to build up the strength of the Armed Forces. To meet this need, we had first to employ fully all our resources and then to bring about transfers of resources from the less essential to the more essential kinds of production.
96. In the transition it will be necessary to expand production of peace-time goods and services and to transfer to productive employment the men and women now in the Armed Forces and in war industries. Furthermore, with so much to be done in building houses, catching up arrears of maintenance on farms and in essential public utilities, re-equipping and expanding industries for peace-time production and

increasing the output of consumers' goods, expenditure in the transition is unlikely to fall short of that required for maximum production, particularly since these demands are in many cases backed by accumulated purchasing power with which to make them effective. On the contrary, the volume of spending will tend to exceed the value of goods and services currently available, so that the crisis in the war-time fight against inflation is likely to come in the immediate post-war period after victory in the field is complete.

97. The main threat to employment in the transition will come from the physical and organizational difficulties in the way of restoring civilian production of all kinds in time to employ the people who will then be seeking work. Much peace-time employment will not exist until production plans have been prepared, machinery adapted and tooled up and skilled workers located or retrained. These difficulties can be overcome only if a great deal of preparatory work has been carried out before the major part of the change-over has to take place. The degree of success that can actually be achieved must largely depend on how far it is found practicable gradually to transfer from the immediate war effort the key man-power and other resources required for this essential preparatory work.
98. The Government can promise no more rapid progress in these transfers than is consistent with honouring our commitments to our Allies and with pressing the war against Japan to the speediest possible conclusion. Subject to these strategic commitments, however, the Government will do everything possible to make man-power available for the preparatory work on which the success of other transitional measures will so largely depend.

#### **MACHINERY FOR THE CHANGE-OVER**

99. Special measures will be necessary in the transition to make good war-time arrears and deficiencies in production, to help people to find peace-time employment, and to prevent inflationary price rises. Amongst the most important of these measures will be the following:

- (a) A national housing programme to be developed and carried out jointly by the Commonwealth and the States.
  - (b) A plan for land settlement under which ex-service personnel will be able to take up land under satisfactory conditions.
  - (c) Advance planning through the National Works Council of public works designed to catch up the arrears of public capital expenditure accumulated during the war and to promote development of national resources according to a long-term programme.
  - (d) A training scheme for ex-service personnel, involving a wide range of educational facilities.
  - (e) The establishment of a nation-wide Employment Service to help people who have been engaged in war-time activities to find peace-time occupations.
  - (f) Action for the restoration or expansion of key industries which have been particularly affected by war-time shifts in production.
  - (g) Measures to ensure that scarce resources are used for the most urgent purposes, and to hold in check the tendency to inflationary price rises.
100. The co-operation of the States has already been sought in planning these important national measures. The change-over from war to peace can only be carried out successfully by a full use of all the resources of public administration. Ultimate responsibility necessarily rests with the Commonwealth Government. The State Governments, however, possess a wide range of facilities for administering public works projects, land settlement and housing programmes, and for improving both the welfare and the efficiency of people engaged in rural industries. Full use must be made of these special facilities. Moreover, under the Constitution, the power to carry out certain of the measures which will be essential to ensure that most urgent needs are met first, and that excess spending power does not lead to inflationary prices increase, rests in peace-time solely with the States, although the nation as a whole is vitally concerned that these



measures should be made effective. Accordingly, the Commonwealth Government will continue its discussions with the State Governments with a view to arranging joint action to ensure an orderly transition from war to peace.

### **CONTROLS IN THE TRANSITION**

101. As a result of war-time rationing and restriction of production, the demand for many classes of goods will be much higher than normal in the early stages of the transition period. At the same time, available supplies will remain less than normal until the transfer of resources and re-organization of production have been completed. Thus, the war-time excess of demand over available supplies will continue for some time in the transition period. In the absence of price control, prices would be certain to rise substantially and so render useless the work which has been done during the war in preventing inflated prices. It is clear therefore that price control will be essential in the transition period.
102. Secondly, it will be necessary to ensure that urgent production is not unnecessarily held up by difficulties in obtaining materials. Especially in the case of key materials required for the building and construction industries, supplies are unlikely to be sufficient to meet all demands for some time after the close of the war. As long as these materials remain in short supply, construction of homes, hospitals, schools and factories must receive priority as compared with less urgent though desirable projects. Moreover, if these priorities are continued in the early stages of the transition period, the excess demand for scarce materials can be prevented from causing an inflationary rise in their prices. It will therefore be necessary for the Commonwealth Government, in agreement with the States, to continue the policy established during the war of allotting materials in short supply to the best advantage.
103. Associated with the problem of materials is the supply of capital for both public and private investment. During the war the Capital Issues Control has limited private investment to projects required for war purposes. The States, in agreement

with the Commonwealth, have accepted a similar control over borrowing for public works, and the office of the Coordinator General of Works has been established to keep the works programme within war-time needs. To ensure that capital expenditure, both public and private, is not so great in the transition period as to place undue strain on the machinery for preventing inflationary price rises, it will be desirable to continue measures designed to keep this expenditure within practicable limits.

104. Although it is at present impossible to foresee in detail how difficult will be the problem of the balance of payments in the transition period, there is good reason to take precautions in advance against possible difficulties in finding the means of payment for the imports we shall require. Not only will it be necessary to meet urgent needs for some imported materials and not only equipment for our industries, together with the accumulated arrears of consumption goods, but it is also possible that the prices of the goods we import will have risen to a greater extent than the prices of the goods on the export of which we rely for obtaining oversea exchange. Time may be needed, moreover, before our export industries get back into full production. For all these reasons, therefore, it will be necessary to retain the machinery for controlling imports, in order to keep our international accounts in balance and to make the best use of our available foreign exchange. In particular, it may be necessary to give priority to imports of essential materials and equipment needed for industry, building and construction.
105. Direction of labour will not be continued after the war. The Government will ensure, however, that the Employment Service is functioning effectively by the time hostilities cease. The service will be responsible for helping people discharged from the Armed Forces, workers in war industries and others who need new jobs to find appropriate employment as quickly as possible. It will also assist in finding suitable positions for the people who will be trained under the Commonwealth Reconstruction Training Scheme. This scheme has been designed primarily to help ex-service men and women to re-establish themselves in civilian life;

however, where a particular need exists for certain types of trained personnel, the Government will introduce special training plans in which opportunities will be available for civilians as well as for ex-service personnel.

106. To meet the problem of the occupational adjustments which will follow the end of the war, the Commonwealth Government has already introduced a scheme of re-employment allowances for ex-service personnel and a scheme of unemployment benefits for civilian workers. These measures will make reasonable financial provision for people moving to new employment and will protect individuals during the waiting period and contribute to the stability of total expenditure. The administration of both schemes will be greatly facilitated by the establishment of the Employment Service.

## **REORGANIZATION OF PRODUCTION**

### ***(a) The Building Industry***

107. The Government desires to achieve as soon as possible after hostilities cease the highest rate of new dwelling construction and other building activity that available resources will permit. In particular, the output of new dwellings must be increased to remedy the accumulated shortage, and the highest priority will therefore be given to the housing programme.
108. The Commonwealth authorities concerned have set up machinery for close collaboration with the State construction bodies who will be mainly responsible for carrying out the public sector of the building programme, machinery has also been established for consultation with the building industry, including representatives of trade unions, professional organizations and employers. The proposed post-war housing programme will be possible only if action is taken –
- (a) to increase the effective labour supply by increasing mobility;
  - (b) to decrease the labour required per unit of construction by improved building methods; and

- (c) to increase the numbers in the industry by providing facilities for training of more building workers.

109. Already some demobilized servicemen have begun training in building trades, and their number will be rapidly expanded as further men are released from the services and essential civilian production. The Controllers of Materials are also being requested to expand the production of building materials and fittings as soon as possible. The Secondary Industries Commission is paying particular attention to the capacity needed in the transition period for the production of building materials and fittings. Action is also being taken to place advance orders overseas for building materials that have to be imported, and which are or may be in short supply. The Government has also established an Experimental Building Station, which is investigating improved and more economical methods of dwelling construction.
110. The Government recognizes the far-reaching implications of the programme set the building industry. Big technical and organizational changes will be necessary if the industry is to reach the target rapidly, efficiently and economically. The industry must quickly produce an unprecedented quantity of buildings at reasonable cost. Neither governments nor the industry can alone achieve this result. The Government accordingly invites the industry's active collaboration in solving a construction problem of a size not hitherto faced in this country under peace-time conditions.

***(b) Manufacturing Industries***

111. In many factories, the transfer from war to peace production cannot be accomplished overnight. Machinery used for war-time production will need to be altered, added to or replaced, and time will be required for other industrial re-adjustments. The Government has surveyed the needs of industry for preparatory planning and also for re-organization and reconditioning of plant and machinery, installation of new equipment and tooling-up for civilian production. This survey has indicated that about 9,000 men are needed for preparatory planning and about 18,000 men for the actual conversion of plant. These estimates cover the requirements of all

manufacturing industry, including small enterprises to whose needs the Government will give sympathetic consideration.

112. An instalment of men is being made available during the first six months of 1945 for the preparation and execution of plans by private manufacturers for post-war civilian production. The position will be kept under review to see that, as far as is consistent with the effective prosecution of the war, key manpower is made available to manufacturers to enable them to prepare for post-war production and employment. The unavoidable demands of the Pacific War may mean, however, that our manufacturing industries may not be as well placed at the end of the war as those in countries where considerable re-allocations of manpower will be possible now that Germany is defeated. This is the inevitable result of Australia's special geographical position.
113. Advance preparations for transfer and conversion are particularly important for the heavy and engineering industries. The detailed problems involved are at present being closely examined by the Secondary Industries Commission. Opportunities will continue for the executive employment in these industries of considerable numbers of skilled workers. Many process workers, however, will have to seek alternative employment, which they will find in other industries provided production gets under way quickly enough. Special re-training and transfer measures may be necessary, and this problem is being examined in conjunction with the unions concerned. Employment in the heavy and engineering industries has been greatly expanded during wartime, and it will be necessary to expedite the process of conversion, so that employment can be provided on the necessary scale. Export markets and new types of production should help to maintain employment in these industries.

***(c) Public Development and Capital Projects***

114. The advance planning of public developmental and capital projects is particularly important to ensure that public capital expenditure can play its allotted part. The programme of urgent and important works, which is being prepared by the Commonwealth and State Governments and other public

authorities collaborating through the National Works Council, contains both long-term and short-term works widely distributed throughout the Commonwealth. A second programme of less urgent works, which can be started without delay should any unexpected deficiency occur in private or oversea expenditures, will also be prepared.

115. The Commonwealth has so far been able to release only limited numbers of specialist personnel from the Services and defence work to assist advance planning of works, but as opportunity offers, these releases will be increased. The various construction authorities are being asked to ensure that all legal, administrative and financial formalities in connection with the urgent programme are completed before the end of hostilities. Placing of orders for materially and equipment has already begun.

**(d) Rural Industries**

116. It will be necessary to arrange for the orderly transfer of some resources engaged in the rural industries, where production has rapidly expanded in response to war-time needs, to lines of production which are in greater demand under peace-time conditions. The Australian Agricultural Council, consisting as it does of representatives of the State and Commonwealth Governments, is the appropriate body to deal with this problem. The Commonwealth Government recognizes its continuing responsibility for assisting producers during the process of transition.
117. Many servicemen have indicated their desire to go on the land after the war. Accordingly, the Commonwealth Government has reached agreement with the States for collaboration in settling servicemen on the land. These agreements are based on the principles that settlement should be undertaken only to the extent that economic prospects for the production concerned are reasonably sound, and that ex-servicemen should not be assisted to become settlers unless a competent authority is satisfied of their suitability, qualifications and experience. If the tragic errors of the land settlement schemes after the last war are to be avoided, settlement must be soundly based on proper investigation and

development. The Government considers it better to ensure success for the great majority of those settled than to encourage many with false hopes.

### CONCLUSION

118. The special problems of the transition period are different from those arising in the administration of a full employment policy under normal conditions. Immediately after the war, the outstanding problem will be to assist ex-members of the armed forces and workers who have been engaged in war industries in finding as quickly as possible new employment in peace-time occupations. Whilst all these people are finding new employment, and probably for some time afterwards, total expenditure will tend to exceed the value of goods and services as available. The task in the transition, therefore, will be to promote the rapid transfer of labour under satisfactory conditions, and at the same time to prevent the excess demand from causing a damaging inflation.
119. Three things are necessary to solve this problem. First, resources must be made available for the preparatory work without which many kinds of production cannot be quickly stepped up as hostilities cease. Secondly, certain minimum controls must be retained in order to avert inflationary price increases, and to ensure that resources other than labour will be available where they are most needed. Finally, in order to re-organize production and help people find peace-time employment, special measures will be needed, amongst which the progressive expansion of the building industry and the efficient functioning of the Employment Service are the most important.
120. The Commonwealth Government believes that the measures which it proposes to take in collaboration with the States are essential to prevent inflation and to accomplish the change-over with the least possible friction. It believes, too, that in the process of solving the problems of the transition period, as in the administration of the war effort, important developments will take place in the relations between the Commonwealth and State Governments, which materially

assist this country in achieving its objective of securing full employment and rising standards of living.

## **PART VI. — MACHINERY OF GOVERNMENT**

### **ESSENTIAL INFORMATION**

121. The earlier parts of this paper have outlined the nature and content of an economic policy aimed at the maintenance of full employment. In carrying out this policy, account must be taken of the activities, not only of the Commonwealth Government and its instrumentalities but also of State and Local Governments and semi-governmental authorities, private businesses and individuals. It will be necessary to review continuously the implications of policy over a wide field of economic activity.
122. The responsibilities of the Commonwealth Government necessarily require that it should have all information essential for carrying out this task. It must know how resources are distributed between different areas, the degree of efficiency with which they are being used, and any large prospective changes in the volume of employment. The maintenance of employment depends upon a swift and accurate appreciation and analysis of approaching dislocations and the speedy application of executive counter-measures.
123. Examples of the type of information which should be obtained at frequent and regular intervals are comprehensive statements of both present and prospective employment, statistics of variations in both public and private capital expenditure and a knowledge of changes in stocks of important commodities. Publication of accurate and up-to-date statistics on these lines will be an invaluable guide to private industry in planning production and capital expenditure for the markets of the full employment economy.
124. Whether an expenditure programme is practicable and whether it is adequate to ensure full employment can only be decided if reasonably accurate estimates are available of the



total number of men and women seeking work and their distribution between different industries and occupations. At a time when there is considerable movement of labour it may not be practicable to obtain this information from returns by employers. The probability of serious error in employment estimates becomes the more likely the longer is the period since the last industrial and occupational census. The Government is therefore considering the advisability of taking a personal census at more frequent intervals than once every ten years.

### **FORMULATION OF ECONOMIC POLICY**

125. As a result of its experience with war-time administration, and in view of its continuing post-war responsibilities for full employment policy, the Commonwealth Government is finding it necessary to evolve appropriate machinery corresponding to its enlarged functions.
126. Before central governments recognized their responsibilities to sustain general economic activity, the activities of ministers and their Departments were reasonably self-contained and, as a consequence, the system of administration exclusively by separate Departments was well adapted to the work that governments had to carry out. Since the depression of the early 'thirties, however, and increasingly since the war, it has become the rule rather than the exception for major questions of policy so to cut across departmental boundaries that no single department is exclusively concerned, while some matters – for example, the framing of employment policy – have become the collective responsibility of Cabinet. Consequently, it has become an urgent matter of government organization to make better provision both for general inter-departmental collaboration in the development of policy affecting more than one Department, and for the examination of major questions of policy from the standpoint of cabinet as a whole.
127. The essence of the employment policy outlined in this paper is the willingness and ability of governments and governmental authorities to undertake sufficient capital expenditure of the right kind at the right time and in the right

places. Accordingly, it will be necessary at regular and frequent intervals to consider the amount and composition of public capital expenditure in relation to the total programme necessary to maintain full employment. Under peace-time conditions, by far the larger proportion of public capital expenditure will be the immediate responsibility of governmental and semi-governmental agencies other than the Commonwealth. For this reason, the existing machinery for consultation between the Commonwealth and State Governments must be used and developed for reviewing and coordinating public capital expenditure as a major instrument of full employment policy.

128. The Government has been impressed by the value of the work performed during the war by the War Commitments Committee. This Committee has examined the labour requirements of commitments undertaken in connection with the war effort and for essential civilian supplies, and has advised the Government whether these commitments can be met. The Government intends to ensure that these reviews will be continued.

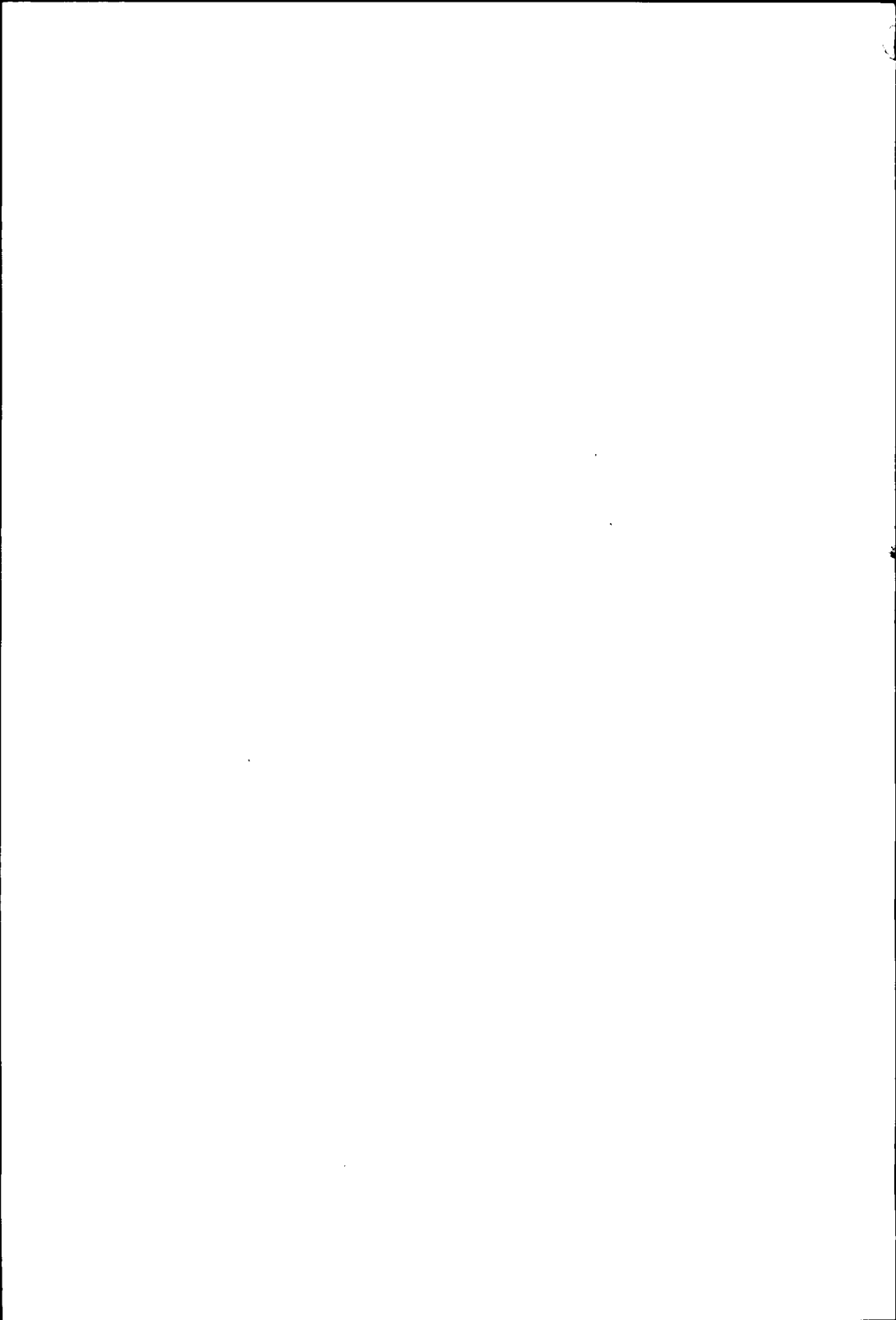
#### **COMMONWEALTH - STATE COLLABORATION**

129. Emphasis has been placed throughout this paper upon the need for agreed action by the Commonwealth and States if the objectives of the full employment policy are to be achieved. In the National Works Council a useful instrument of joint planning of both immediate and long-term public works programmes has been established and is operating satisfactorily. The Government is anxious to build up the machinery for frequent and regular consultation between the Commonwealth and State governments and there are in the Premiers' Conferences and in Conferences of Commonwealth and State Ministers appropriate instruments for such consultation. The Commonwealth Government therefore proposes to invite the State Governments to participate in more frequent Conferences of Premiers and of Commonwealth and State Ministers.
130. These Conferences can, of course, deal only with major matters of principle. The Commonwealth Government

accordingly suggests that they should be supplemented by meetings of Commonwealth and State officials called by agreement between the Governments –

- (a) to clarify proposals which may subsequently need to be considered by Premiers in order that the fullest information will be available to both Commonwealth and State Ministers;
- (b) to work out detailed proposals agreed upon in principle at Premiers Conferences for subsequent confirmation by those conferences; and
- (c) to co-ordinate the administrative arrangements of Commonwealth and State agencies for carrying out proposals which have been agreed upon.

This method of consultation has already been successfully applied in working out plans for post-war housing and soldier settlement.





## From Curtin to Keating

Dr H.C. (Nugget) Coombs is probably the only Australian with both personal experience and professional involvement who is able to write about Australian social and economic policy issues spanning 60 years.

A regular Visiting Fellow at NARU, Nugget was one of the key players in the drafting of the 1945 White Paper on full employment. The events leading up to the White Paper, the Curtin Government's commitment to full employment, and subsequent events are described in his book *Trial Balance*. Contemporary economic and social trends of Australian society are critically discussed in *Return to Scarcity* and many other of his publications, including *Aboriginal Autonomy*, to be published later this year.

This short paper provides a brief background to the 1945 White Paper and evaluates its assumptions, shortcomings and successes (the White Paper itself is included as there are so few copies available). Nugget also questions many of today's political and industrial strategies that form the basis of the recent Keating Government's paper on employment. In particular he questions the assumptions that economic growth and the 'market' will lead to growth in employment and a decent livelihood for most Australians.

Nugget believes in the need to design creative policies to further ease recession and unemployment. These could provide the pointers to a new set of policies to improve employment and to promote a better society. This is a robust Keynesian view that believes that the economic system should have a social function and that the intelligentsia in governments, bureaucracies and the universities has become identified with the system rather than doing its duty and questioning it.