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**THE INTERDEPENDENCE OF POLITICAL AND
INDUSTRIAL LEADERSHIP IN THE MODERN STATE**

by

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delivered

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"THE INTERDEPENDENCE OF POLITICAL AND
INDUSTRIAL LEADERSHIP IN THE MODERN STATE"

There are two good reasons for my sense of pride on this occasion.

One is that it would be an honour for any man to be asked to deliver to you the first Baillieu Lecture. Lord Baillieu is a great Australian and a great man. He bears a name greatly distinguished in what I will later refer to as the "industrial statesmanship" of Australia. He has added to it by his great services to British industry and international understanding. The work of such men should appropriately be honoured during the years of their activity; we have, as a rule, a bad racial habit of deferring our praise to the obituary column.

My second reason is a quite simple and personal one. Clive Baillieu is my friend, always more than faithful and more than just to me. This personal reason enables me to add affection to respect.

You have invited me to speak of the interdependence of Political and Industrial leadership in the modern world. There can be no more important subject. I am delighted with it, for I have lived with this problem for many years as a political leader, and am now given the opportunity of setting down, in a more or less ordered form, some of the results of that experience.

I begin by saying that we must bring our vocabulary up to date. The word "statesmanship" has usually been applied to the highest level of politics. It has connoted the management of state affairs which, when the term came into use, were political affairs "pure and simple" - if you will forgive such an imaginative expression. Those were the years, not so many generations behind us, when even lawyers could profess to find an intelligible distinction between governmental functions and business functions, with mutual exclusiveness.

Those days have gone. The lines have not been merely blurred; they have disappeared under the pressure of modern complexities. Today the management of state affairs cannot be artificially confined in its scope. Politics and industry are deeply involved with each other, acting and re-acting upon each other. The qualifications of the modern statesman will be inadequate or incomplete unless he is conscious of the problems of industry and the impact upon those problems of political policies and actions. This is not just to say that there has been a change in political outlook; it is also to say that there has been a change in industrial outlook. Neither change is as yet complete.

Industrial activities are, in the modern world, no longer purely private matters, to be resolved by private decision alone in the light of unfettered competition. I beg of you not to think that I suffer from the reactionary socialist doctrine which discourages the rewarded enterprise of the individual and attributes quite mystical faculties to that omniscient and omnipotent body, the State. What I am saying is that neither politics nor industry can live alone. The old-fashioned "sturdy individualist" who told government to keep clear of his business, that he wanted neither help nor hindrance from it, is as dead as the dodo. The doctrinaire socialist still flourishes, but, in my country at least, his voice becomes fainter.

It is frequently charged against those of us who are not Socialists that we are reactionaries; that we want to turn the clock back; that we yearn for a restoration of laissez-faire. In the modern world, this is quite untrue. The truth is that it is the non-Socialists who have moved with the times. I can understand, as an intellectual and historical exercise, how Socialism attracted the support of radical thinkers after the industrial revolution in Great Britain, the creation of "dark satanic mills", the horrors of child labour, when industrial power was in a limited number of hands, when the rights of employed people were either denied or imperfectly recognised, when the infant Trades Unions were too commonly regarded as subversive bodies, when social services as we now know them were almost non-existent. It is not strange that under these circumstances there grew up in many thoughtful minds the egalitarian belief that the creation of social and industrial justice demanded a high measure of uniformity, and that uniformity could be achieved only by the mastery and management of the State.

But we know, and occasionally admit, that there is no uniformity among personalities, or talents, or energy. We have learned that true rising standards of living are the product of progressive enterprise, the acceptance of risks, the encouragement of adventure, the prospect of rewards.

These are all individual matters. There is no Government department which can create these things. What governments can and should do, when encountering some new problem or developing state of affairs, is not to say "the Government will run this", but first of all to seek the private enterprise answer, to help the individual to help himself, to create, by legislation and administration, a social economic and industrial climate favourable to his activity and growth.

The validity of these theses is, in my own Australian experience, covering a consecutive fifteen years of Prime Ministership, seen with increasing clarity by a younger and, on the whole, better educated generation of electors, who want the opportunity to make their own way and place in the world. They reject the enfeebling notion that the chief end of man, from the cradle to the grave, is to be ordered around by, and live dependent upon "the Government". There is some eloquent corroborative evidence to support my own judgment. At the recent Australian election the leader of the Labour Party, a party whose principal objective has for very many years been "the socialisation of the means of production, distribution and exchange", promise that if elected he would, in effect, suspend the socialist objective for the life of the Parliament!

Clearly the definition and function of Statesmanship have widened.

Industrialists may protest that politicians should not interfere in business affairs. But it is impossible to believe that in a complicated world of international trade and finance, of economic theories and policies which are no longer academic exercises but touch and concern all forms of human activity, and of the domestic social demands which have brought about what we call "the welfare state", governments, however non-socialist, can be passive observers.

Today's industrialists, whether primary or secondary, and however individualist they may be, demand and obtain government intervention by way of aid and organisation. I will illustrate from my own country. There are internal marketing schemes for the handling of certain primary products and price stabilisation schemes - administered through various boards - for such commodities as dairy products, wheat, and sugar. The farmer is still a free agent, farming his own land and producing his own goods. But he has called government aid in to secure for him the adequate and reasonably stable prices which he needs to make his individual enterprise effective and profitable.

Under special circumstances, government provides subsidies. One example is butter, where a domestic subsidy gives to the dairy farmer some assurance of a profitable domestic price to be set off against his frequently unprofitable price on world markets of considerable instability. Another is a recently introduced bounty on superphosphates, designed to encourage the use of fertilisers and the consequent increase of production and reduction in costs.

The manufacturer has frequent resort to the Tariff Board and special statutory authorities for customs tariffs and bounties. In the broad sense, he looks to Government for assistance and protection. He may not put it in so many words, but he is acutely conscious of the interdependence of government and industry.

But perhaps he tends to over-simplify the problems of government. He is occasionally disposed to see his own industrial problem as if it were in a national vacuum. "My business is being adversely affected by lower-cost imports; the solution is a higher tariff; please provide it!"

This is, of course, a dangerous over-simplification. Protective tariffs are designed to avoid unfair competition; but they should not be designed to prevent all competition. Complete domestic monopolies are inconsistent with international trade.

Now, whatever could have happened domestically in the absence of government interventions and controls, it is clear that international trade is today so involved with government trade services, trade treaties, international conventions and export inducements, that it could not survive without them. Speaking again of my own country, this has been recognised by both government and industry. We have regular consultations with industrial and financial leaders. We are assisted in specific fields by many groups of advisers. We have an expanding overseas Trade Commissioner Service which provides an exploratory instrument which individual industrial exporters could probably not afford. An Export Development Council of leading businessmen advises us on ways and means of increasing our export income. Two notable results have been the creation of the Export Payments Insurance Corporation - with outstandingly good results - and the introduction of a scheme of tax concessions successfully designed to encourage more production for export and a more vigorous search for and development of new markets overseas.

We are, of course, all familiar with such inter-governmental agreements as those relating to wheat and meat and sugar and certain metals. On our side, at least, all such agreements are worked out in the closest consultation with the industries concerned.

The Trade Treaty is now a commonplace. It enlarges the horizons and opportunities of individual producers while helping to bring into a healthy condition, the trade and financial balances which are a constant care of government.

I will not seek to multiply instances or make anything like a complete catalogue. But I will say at once that such examples as I have given are all examples of the inevitable inter-dependence of political and industrial leadership in the modern world. Once this is acknowledged on both sides, the future becomes clearer. But it must be acknowledged as a vital principle of government, not just as an occasional and accidental by-product of some extraordinary circumstance.

This truth is, in my opinion and experience, still obscured by some antiquated dogmas, and prejudices, and limitations of outlook.

Thus, it is still the practice of many economists and financial writers to refer to capital expenditure in "the public sector" and in "the private sector" as if they were referring to two mutually exclusive and indeed actively competitive zones. Nothing could be more wrong. When private capital is laid out upon capital expansions of industry, this is done on the assumption that public capital expenditure will be made to provide the streets or roads, the water services, the lighting services, the schools, the means of public transport, the housing, without which an extended industry could not hope to carry on. I would be prepared to say that in my own country, the overwhelming bulk of expenditure in the so-called public sector is basic expenditure in the private sector. May I take just one rather striking illustration. The famous Snowy Mountains Scheme at the headwaters of the Snowy, Murray and Murrumbidgee rivers, will, when completed, have cost well over £400 million, all provided by the Commonwealth Government and therefore to be called expenditure in the public sector. Yet, apart from some fractional supply of electric power to the Australian Capital Territory, and to governments in New South Wales and Victoria, the great purposes of the Snowy Scheme are to provide hydro-electric power and light to private industries and private citizens, at cost, and to provide through its great dams and lakes, water for the

irrigation of the thousands of privately owned and operated farms which will be brought into existence.

There are other old prejudices and limitations of outlook in the industrial world. Let me look at some of them quite frankly.

In the economic field, now so directly and indirectly affected by government economic policies and actions, it has become essential that industrial leaders should understand something of politics, should, by getting to know something of the complexity of national and international economic problems, come to understand that it is dangerous as well as selfish, to behave like a pressure group. We have all seen occasions when representative bodies in the business and industrial world have demanded higher import duties at a time when the best judgment of a wise and well-informed government might lead it to increase imports in the interest of some international trading advantage. It is, I suppose, natural that many men in industry should take short views and be affected by the prospect of some immediate advantage. After all, very few of us look over the wall of our own garden to get a picture of the outside world. It is simple, and tempting, to demand reductions of taxation when things are going well, (so that they may go even better!), and not always popular to point out that, while deficits in Government budgets are appropriate in times of recession, they could hardly be deliberately planned at a time of expansionary growth and inflationary pressures.

In short, there is still a considerable failure of mutual understanding. Governments have a disposition to be over-statistical and sometimes - if I may make such a confession - to lean too heavily on economic orthodoxy - or its current version - in a highly unorthodox and muddled world, where the laws of reason or of nature receive much violent treatment. We have discovered that, in evaluating the effects of some economic measure, statistics are not enough, for in their very nature, statistics are always out of date. This is one of the reasons for my own Government's consultations with industrial leaders whose knowledge is gained at first hand in the factory and the market-place.

It is one of the occupational hazards of political leadership or responsibility that, in our anxiety to avoid the dangers of travelling in a "wilderness of single instances", of being induced by hard cases into bad laws, we may, under the compulsion to make laws of wide and general application, come to treat men and women as just ciphers in a calculation, and not as individual human beings whose individual welfare and development must be the greatest ultimate concern of government.

Avoidance of this hazard requires constant contact with people as well as papers, with practical managers of industry as well as economists, with the people who provide the revenues as well as those who spend them, with Trades Unions as well as organisations of employers.

For, if we are to be civilised people in truth as well as in name, we must be members one of another. For me, the perfect society would be one in which, by equality of opportunity and a full development of individual character and talent, each citizen was independent in his own heart and mind, but all citizens were inter-dependent in all social rights and duties.

Has it ever occurred to you that, in spite of our parliamentary democracy, the characteristic of which is that the rulers and the ruled are the same people, putting into or casting out of Parliament those of their own number whom they freely choose, and thus coming to obey laws of their own making, we still hear on all sides "why doesn't the Government do this or that or cure this or that?", as if the Government was a foreign body. I cannot suppose that this engaging habit is peculiar to Australia. But it illustrates a serious defect in our social development. Politics is too often, and by too many politicians, seen as a clash of material interests, a "dialectical materialism". Employment is seen, by too many advocates, as importing an inevitable conflict between the interests of the employer and of the employee. And there are those with "webbed and inward turning eye" who appear to believe that there is a conflict between government and industry, that they do not understand each other and never will, and that in this conflict each must get the better of the other if it can. I imagine that the pure Socialist, the stern unbending nationaliser of all industry, will seek to get rid of this conflict by making Government the master. If our antipodean experience counts for anything, the creation of a nationalised industry does not dispose of the other problem of employer-employee relationships, but rather complicates them by adding political overtones to industrial demands.

In all these matters, we need a greater sense of inter-dependence. The great common interest in any industry is that it should be successful, growing, and profitable. Only thus can it provide a growing employment, good wages and conditions, and personal security.

I do not want to be misunderstood on these points. Though I am the leader of a great non-Socialist party, I am not a doctrinaire anti-Socialist. I recognise that there are some

things which, in their very nature, lend themselves to government management or control. Over our history in Australia, we have established government control of the postal, telegraphic, and telephonic services, the international communication services, the railways. In a country like Australia at least, such things lend themselves to Government monopoly control, which nobody seeks to change.

But the practical difference between the Socialist and the non-Socialist seems to be this. People like myself, before resorting to State Management, first seek for the private enterprise answer. Only when that is not forthcoming do we put the Government in charge. The Socialist approaches the problem from the opposite direction. He seeks first the Socialist solution, and turns reluctantly to private enterprise only when the Socialist plan proves to be unworkable. I, of course, know but little of your domestic politics, nor would I dream of embarrassing you by intervening in them. But I do know something of the politics of my own country where, strangely enough, we have parties superficially not unlike your own. I will, therefore, illustrate my point by reference, exclusively, to Australia. It must be admitted that the way of the Socialist in Australia is made harder by reason of our Federal Constitution, with its division of legislative authority between Commonwealth and States, and its specific prohibitions of certain types of law, whether Commonwealth or State.

To economise on time, I will take three examples of what I mean. The Commonwealth's power over broadcasting is attributed to its specific constitutional power to make laws with respect to "postal, telegraphic, telephonic, and other like services". The first people to enter upon broadcasting in a business way were private citizens. The business grew and became more complicated. To avoid chaos, government intervened, first by negotiating the acquisition of certain leading stations and then, in 1932 by creating an Australian Broadcasting Commission more or less on the model of the B.B.C.

By 1942 the present pattern was established. The A.B.C. conducts national broadcasting services and is sustained largely by listeners licence fees. There are licensed commercial stations, which derive their revenue from advertising. This dual system, though occasionally threatened by the Socialists, has worked well, with a good deal of co-operation between government and industry. Australians would, in my opinion, strongly resist a government monopoly of such a pervasive and persuasive means of communication, instruction, and political propaganda. The dual

system preserves the right of choice of the individual listener, and, by competition, improves efficiency.

More recently, we have dealt with television in the same way, and for the same reasons.

My second example is that of the Civil Air Services. These were pioneered by private enterprise, and with a great deal of success. The Labour Government in 1945 decided to nationalise the industry by first creating a National Airlines Commission with power to conduct air services, and then, by a series of statutory devices, giving it a monopoly, thus eliminating the private services. The High Court found that the creation of a monopoly in interstate air services violated Section 92 of the Constitution. Since then, we have enjoyed the dual system, which provides a most healthy competition, and has resulted in a very high standard of efficiency and safety. This system is not by any means accepted by the Labour Party, but I think it will survive.

My third example is in interstate shipping - coastal shipping - where a successful Commonwealth Shipping Line operates in competition with private shipping companies.

These examples show that government organisms and private enterprise can live together to the public advantage. At the very least, they dispose of the false hypothesis that there is an inevitable conflict between government and industry, and that such a conflict can be resolved only by victory for one side.

You may think these remarks to be rambling, and even irrelevant. Yet they all tend to confirm the truth that there is an interdependence between government and industry.

Certain matters which seemed simple to me when I was young now seem to me most difficult. This is inevitable when you begin by seeing the problem from a distance and end by seeing it from the inside. One lives and learns. Some things I have learned to believe most strongly can be put in a short series of propositions.

1. Rising material standards of life in a democracy cannot be adequately attained unless industries are developed, production increased, and the resources of the nation expanded. They will not be attained by a simple process of redistribution, nor by the creation of a state of affairs in which we are all employed by and dependent upon the State.
2. An uncontrolled and unregulated free competitive enterprise would tend to destroy the weak, impoverish the poor, and reduce that dignity of the individual

man and woman which it must be the purpose of democracy to create and enhance.

3. By seeking a compromise between these two extremes we do not, as in the case of many compromises, arrive at a weak solution. Paradoxically, we arrive at a strong one. When we blend the two ideas, with common sense and a spirit of co-operation, we secure a modern state in which there is more to distribute because private citizens have been encouraged to produce more, for profit and reward, and have been helped to regard life as an adventure and not a folding of the hands with a feeling of absolute security. In that state the private entrepreneur will observe his social and industrial responsibilities, partly because government requires him to do so, but, even more importantly, because he realises that the adventures of discovery and risk investment, and advances in skill and management, will reap their richest harvest if the people employed in the enterprise feel that they are getting their share in advancing prospects and their full recognition as human beings.

In brief, it is in co-operation that we will do best. Within that framework, there will still be conflicts about wages and hours and long leave and retirement benefits and health schemes, and even mutual criticism of government's bureaucratic tendencies and the insensibility of the individual manufacturer to the overall economic needs of the country. But they will all be more readily resolved if all concerned are conscious of the paramount need for co-operative effort in what is seen to be the common cause.

I will conclude by elaborating this a little.

Interdependence in leadership is designed to nourish a sense of interdependence among the people, and in turn to be nourished by it.

In my experience, all democratic governments are accused by their opponents of sudden changes of policy. I will not argue about this, except to say that changes of emphasis, and changes made from time to time to meet special circumstances, are not necessarily changes of policy. Rigidity of mind and common sense must frequently be in conflict.

But I do believe that if we are to avoid what will appear to be sudden decisions, or if we are to avert some of their unhappy consequences, we must face up to some of the underlying elements (not always visible) in a sound national progress and a developing economic strength.

I have, I think, time to mention two of them.

One of them is public morale. If people know what a government is aiming at, and what great industrialists are aiming at, and they have respect for the honesty of purpose of the leaders in each field, they will be less liable to panic or to depression. This was gloriously proved by Winston Churchill during the war. Great things though he did in many fields, his vital contribution to victory was his fostering of morale. He saw more clearly than most, and expressed more clearly than any, that morale was the essential basis of survival and of victory.

What he did in war is no less necessary in peace. Our economy tends to be plagued by booms and depressions. These close relatives do not arise from purely material factors or possess some inevitable character. Each is contributed to, if not entirely created by, psychological factors. In the more primitive days of banking, the "run on the bank" was the psychological cause of insolvency much more frequently than it was the result. In modern times, we have seen depressions accelerated by caution and pessimism on the part of management as much as by fear in the minds of the customers. As I once heard a noted economist say, back at the beginning of the thirties, "Prices fall because they fall!", i.e., because people tend to stop buying on a falling market. If people understood the reasons for temporary fluctuations, if they understood the purpose of government financial measures designed to increase or reduce the volume of purchasing power, to restrain inflation or to encourage expansion, they would be less inclined to aggravate their own problems.

This is, of course, easy to say. The civilian problems of peace are less concentrated and less intelligible than the civilian problems of war. But, if we had, in government and in industry, a clearer sense of co-operation, of joint responsibility, we might make a massive contribution to the spirit and morale of our people.

The other element goes beyond an understanding of what we, government and industry, are doing and intending. It concerns itself with what private citizens make of what they are doing and intending themselves. For it is upon their self reliance and enterprise that our whole structure must be based. They are under great temptations today, in the era of what has been called "the welfare State". It will be fatal if they come to regard the government as the only creator of all good things, as the perennially solvent guarantor of personal prosperity for all. For governments, and government departments, are administrative rather than creative, nor can any government guarantee or financial provision be any more effective than the sum capacity of the people, as producers and earners and taxpayers, to provide.