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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

CURRENT ECONOMIC POSITION AND PROSPECTS

OF AUSTRALIA

February 23, 1954

Department of Operations
Europe, Africa and Australasia

CURRENCY EQUIVALENTS

U.S. $1	=	£A 0.45 (8 shillings and 11 pence Australian)
£A 1	=	U.S. $2.24
£A 1,000,000	=	U.S. $2,240,000

CURRENT ECONOMIC POSITION AND PROSPECTS OF AUSTRALIA

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Basic Data

Population	8.9 million
Area	2,970,000 square miles
National Income	£3,579,000,000
Income Per Head	£402 or US$896

National Expenditure (1952/53)	£ Million
Public Authorities	855
Financial Enterprises	44
Gross Private Investment	590
Personal Consumption	2493
Gross Domestic Expenditure	3982

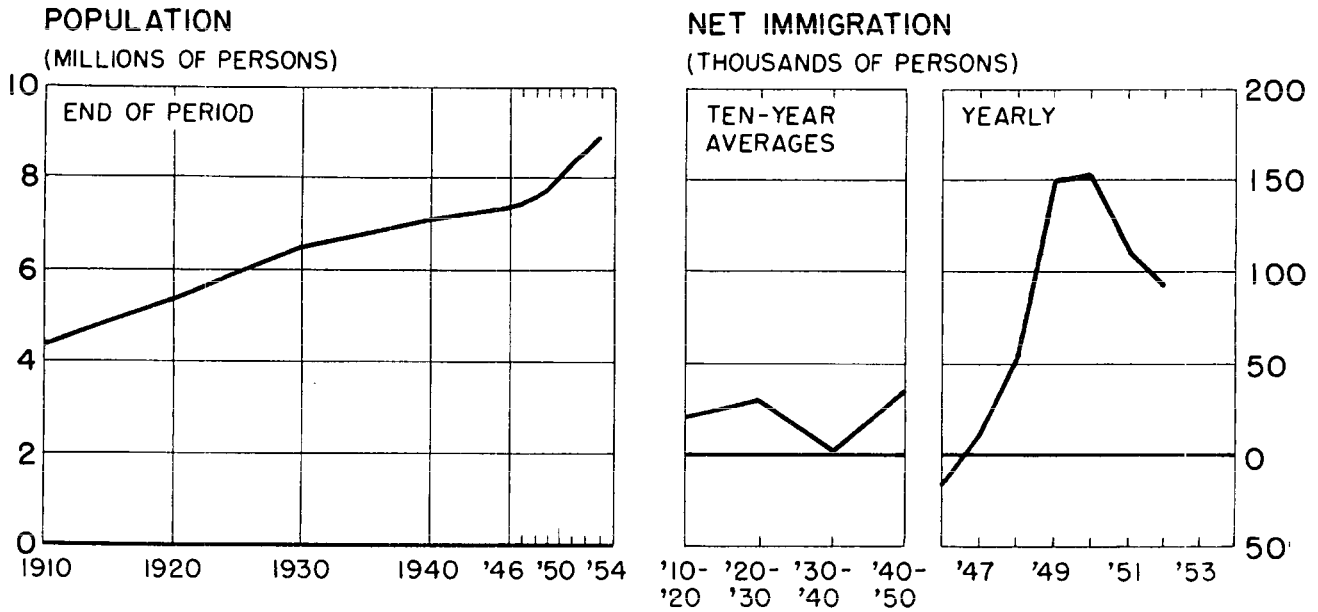
Total Exports (1952/53)		852
Of which:	Wool (including sheepskins)	49.5%
	Wheat and flour	10.5%
	Meats	7.7%
	Other foodstuffs	14.4%
	Metals, manufactures and machinery	7.2%
Total Imports (1952/53)		510.5
Of which:	Machines and machinery	17.5%
	Oils, fats and waxes	14.5%
	Yarns, fibers, textiles and apparel	9.4%
	Motor vehicles and parts	5.7%

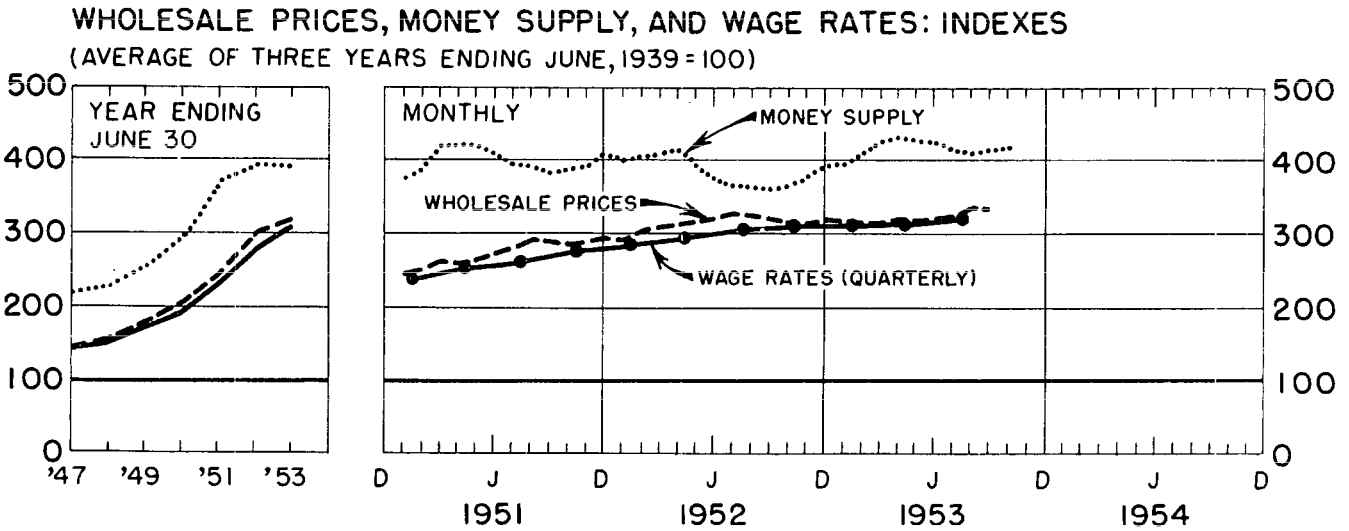
Foreign Exchange Reserves

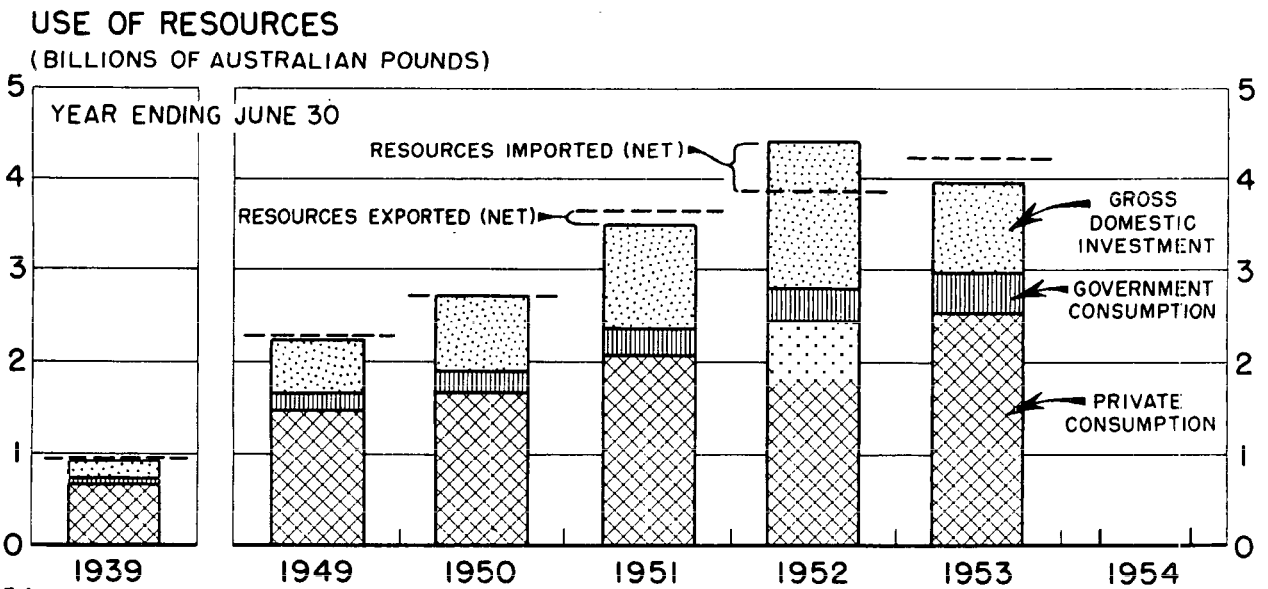
Commonwealth Bank's holdings of gold and foreign exchange (October 1953)	US$ 1,094 million

External Public Debt	US$ Million
Total	1,301
Of which a) payable in sterling	958
b) payable in U.S. or Canadian dollars or Swiss francs	343

AUSTRALIA







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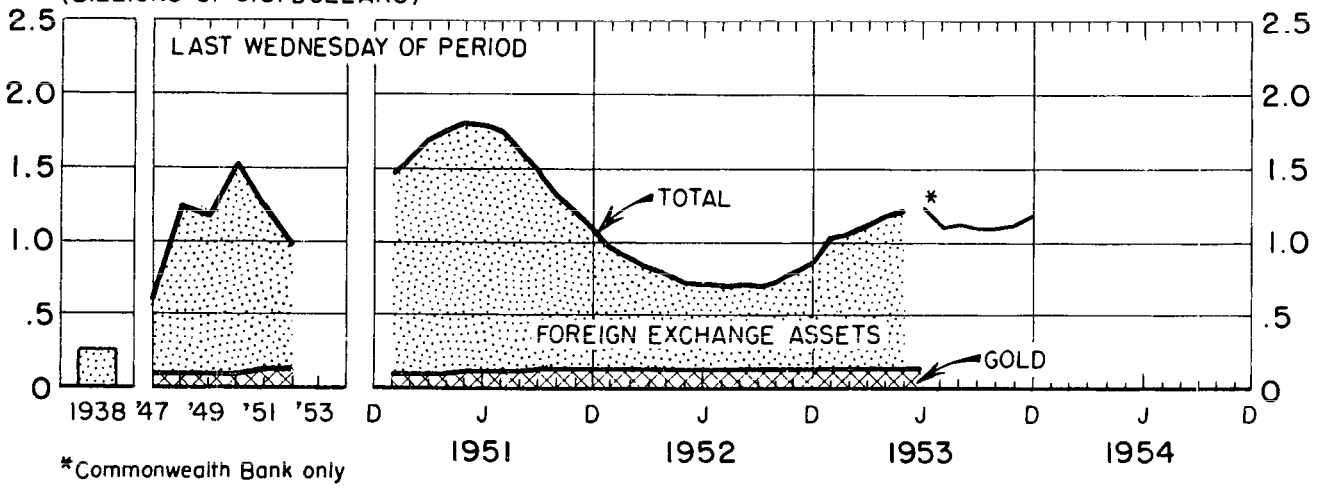
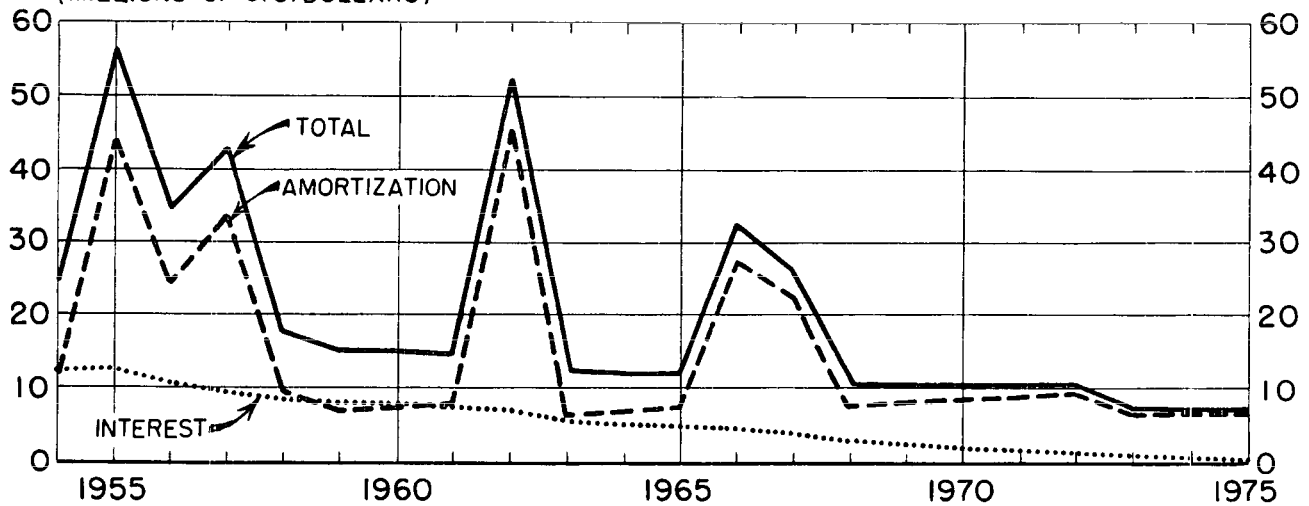
AUSTRALIA

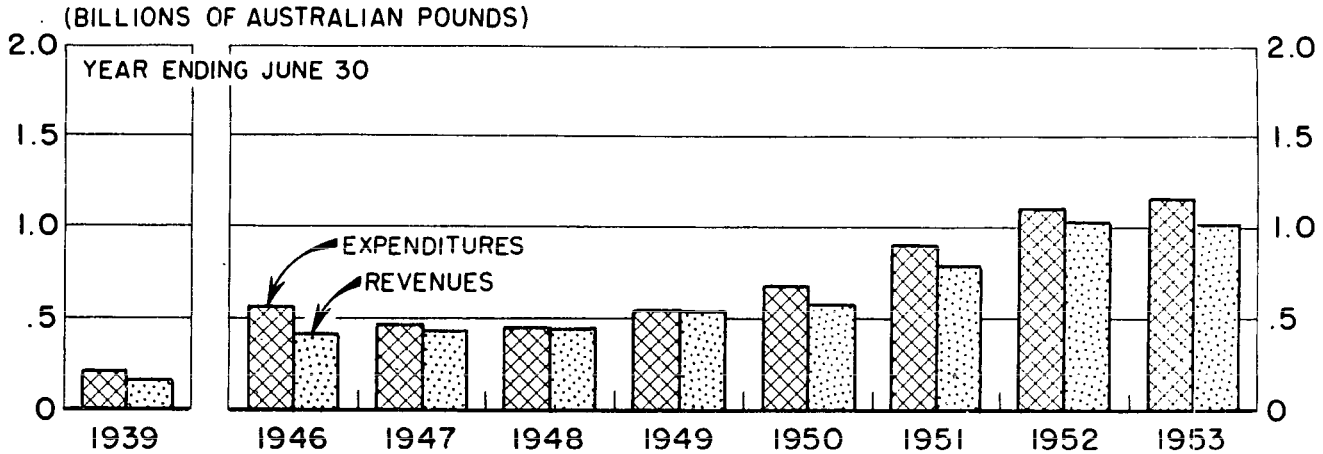
GOLD AND FOREIGN EXCHANGE ASSETS (GOVERNMENT AND BANKS)
(BILLIONS OF U.S. DOLLARS)



TOTAL DOLLAR DEBT (PAYMENTS EACH YEAR) AS OF DECEMBER 31, 1953
(MILLIONS OF U.S. DOLLARS)



CONSOLIDATED PUBLIC AUTHORITIES REVENUES AND EXPENDITURES
(BILLIONS OF AUSTRALIAN POUNDS)



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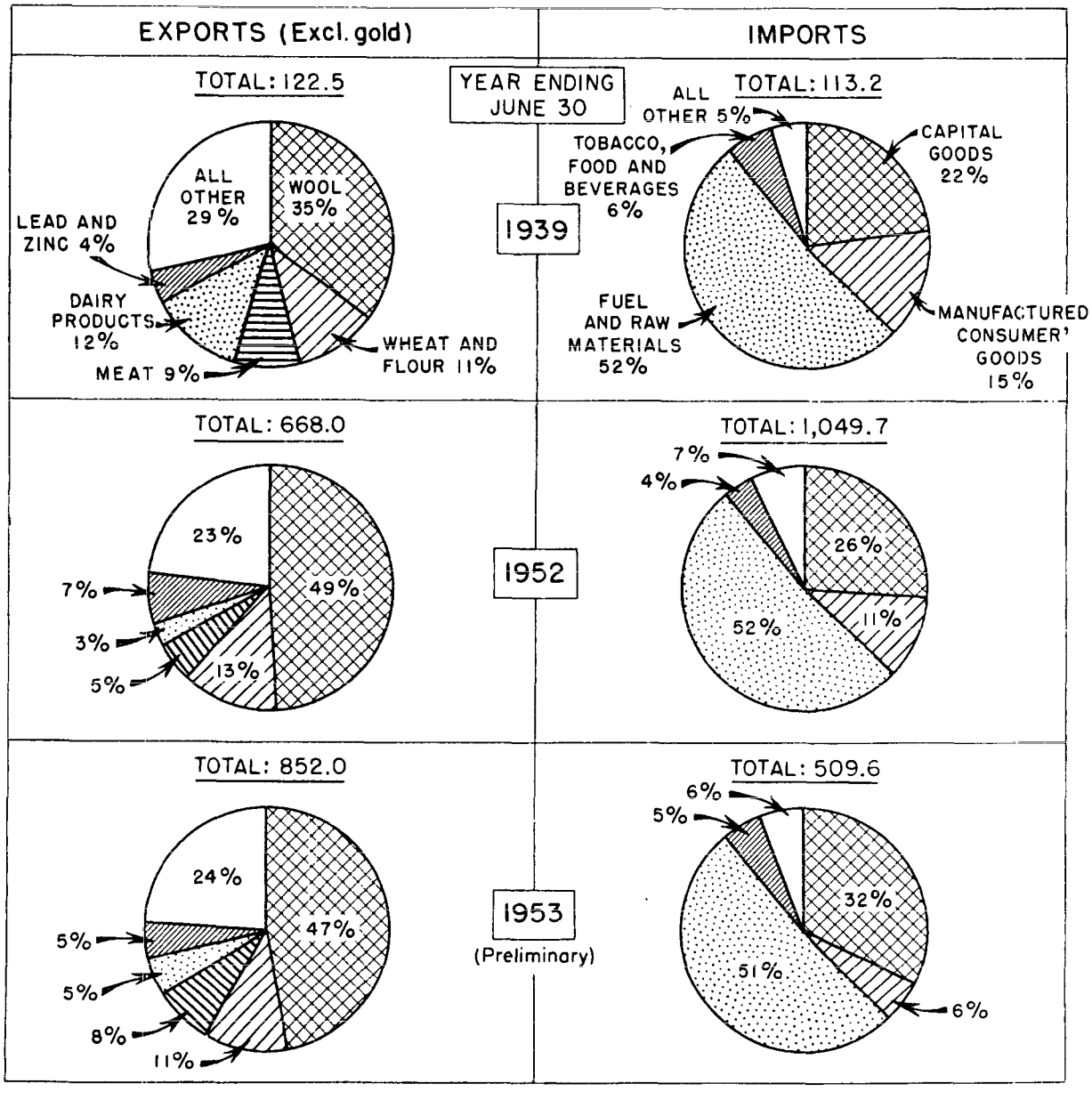
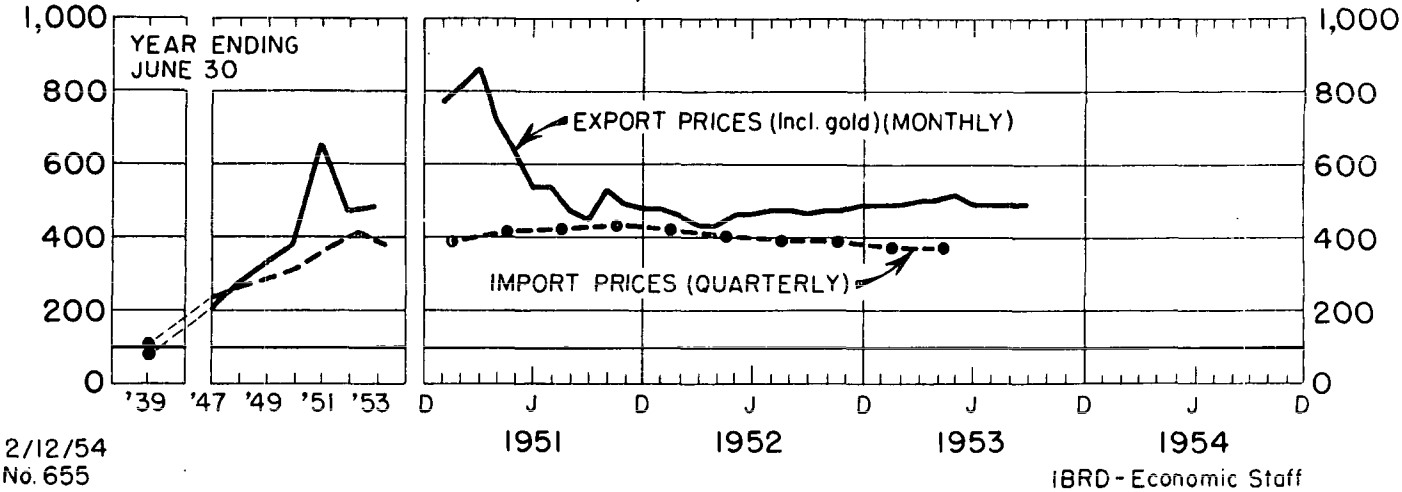
AUSTRALIA

COMPOSITION OF EXPORTS AND IMPORTS
(TOTALS IN MILLIONS OF AUSTRALIAN POUNDS)



EXPORT AND IMPORT PRICES: INDEXES
(AVERAGE OF THREE YEARS ENDING JUNE, 1939 = 100)



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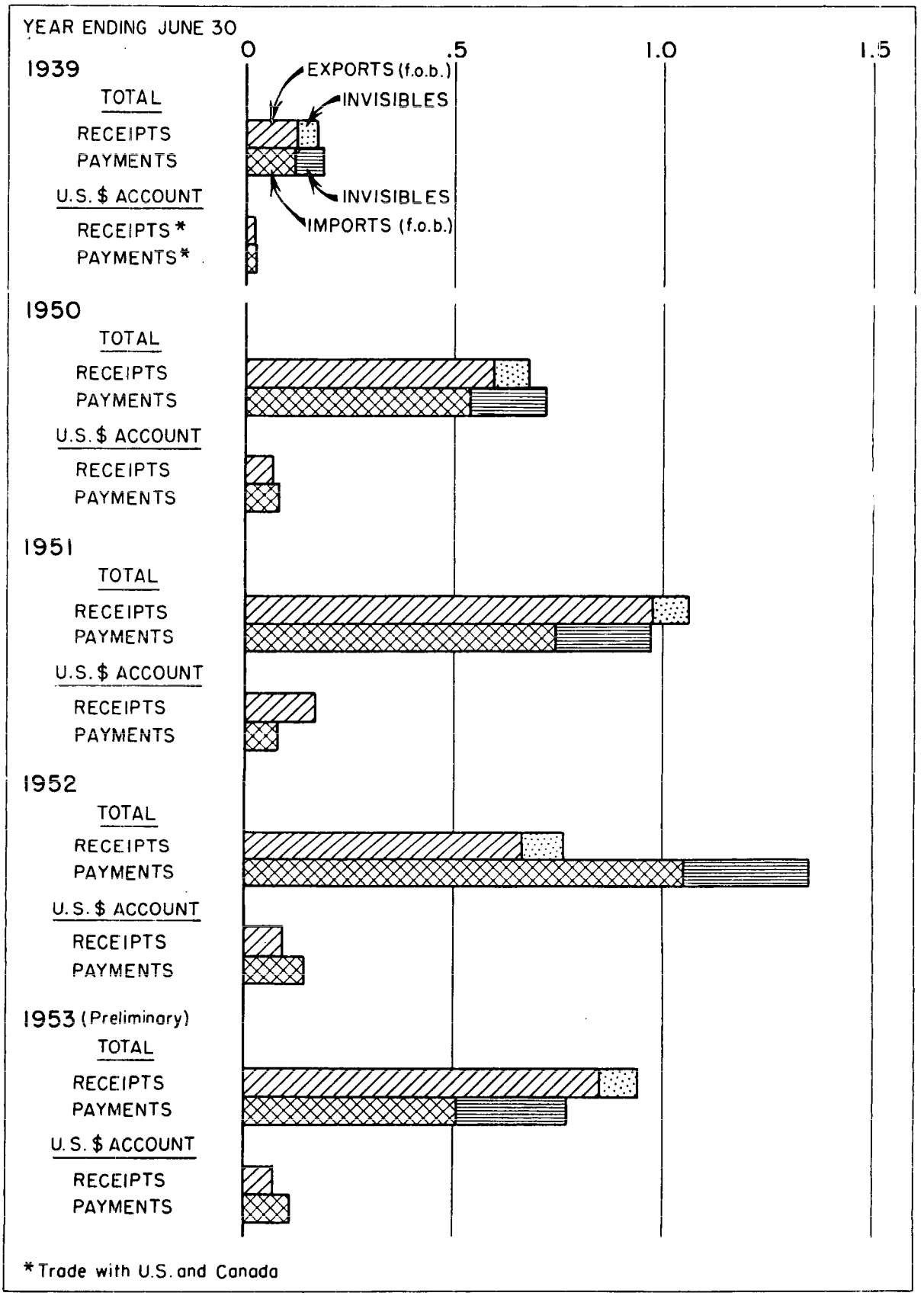
AUSTRALIA

BALANCE OF PAYMENTS ON CURRENT ACCOUNT
(BILLIONS OF AUSTRALIAN POUNDS)



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Summary and Conclusions

1. The persistent inflationary pressure which has characterized the Australian economy during most of the postwar period was brought to a halt in early 1952 owing to the combined effect of Government anti-inflationary fiscal and monetary policy and to a large influx of imports which led to uncomfortably high inventories, created temporary difficulties for local industry and greatly reduced the liquidity of the banking system. During 1953 the forward movement of the economy was resumed but the previous rapid increase in prices was largely avoided. The balance of payments, which closed with a substantial deficit in 1951/52, produced a sizeable surplus in 1952/53 owing to combined effect of import restrictions and a lower level of economic activity. For the current year the indications are that the international accounts will be approximately in balance. An important influence upon the stability of the Australian economy is the price of exports, particularly wool, and a significant part of Australia's difficulties over the last three years has been the result of the violent fluctuations in the price of wool. However, since its fall from the advanced levels of 1950/51, the wool price has remained unusually stable. As long as it continues so, the prospects for Australian stability are much improved.

2. With the virtual cessation of the inflation and the disappearance of the seller's market, not only in Australia but elsewhere, there has been uneasiness about the level of costs which the inflation has left in its wake. Some industries have demanded higher tariffs and although the Government has made it clear that import restrictions would be as temporary as possible, some currency has been given to the idea that the restrictions would have to be maintained in order to protect vulnerable industries. The Bank has now become associated with Australian secondary industry through its loans and it is therefore desirable to give some account of the present situation. Accordingly in Part II of this report there is a description of the Australian wage determination system, which plays an important part in influencing the cost structure of industry as a whole, and an outline of the principles underlying the Australian tariff system.

3. The report ends with an account of the dollar position and its relevance to Australia's creditworthiness. It is there concluded that Australia would encounter difficulty in dealing with its dollar debt only in the event that she could not rely on the central reserves of the sterling area and therefore had to rely solely upon her own dollar earnings. While there is little reason to doubt that in these circumstances she could meet her obligations, it would entail some difficult adjustments and would almost certainly mean a slowing down in the rate of economic development. But since the purpose of the loan is to develop and strengthen Australia, the benefits from the loan should well outweigh any risk involved.

CURRENT ECONOMIC POSITION AND PROSPECTS OF AUSTRALIA

I. Recent Economic Developments

1. During the past eighteen months the Australian economy has been much more stable than at any other time since the war. For most of the postwar period the economy had been experiencing a greater or lesser degree of inflation which was particularly severe from about mid-1950 until 1952. In 1950 the Government took strong anti-inflationary action which, in combination with the deflationary impact of a substantial balance of payments deficit brought about a very marked change in the economic climate. In March 1952 the Government was forced to impose restrictions upon the import of commodities from sterling countries in order to protect its exchange reserves. In that year the sharp upward movement of prices virtually ceased, there was a temporary check upon some sectors of production and some unemployment appeared for the first time since 1945.

2. But by early 1953 the effects of the import surplus seem to have been largely overcome and employment began to rise again. During most of 1953 there was no clear evidence either of inflation or of deflation, although towards the end of the year a few inflationary indications, such as reports of overtime working, began to re-appear. It is probably true, though it is too early to be certain, that the problem of inflation has been overcome but it is at least clear that it has been reduced to manageable proportions. Many of the investment and consumption backlogs which played a prominent part in adding to the inflation have now disappeared. The economy as a whole is much less liquid, the total money supply having fallen from an amount equal to 45% of the national income in December 1948 to only 39% in December 1952. Reflecting this general change in the economic climate is the shift in the subject matter of public economic debate; whereas previously it had turned upon methods of halting inflation it now concerns itself much more with the problem of the high cost structure in Australian industry that the inflation has left behind.

(a) National Income and Use of Resources

3. From 1945/46 to 1951/52 the Australian economy had at its disposal a constantly increasing total of real resources. Without allowing for any increase in internal productivity in industry (always extremely difficult to measure), it has been calculated that the available resources in the form of gross national product plus imports less exports increased on the average by about 7% per annum over this period. This increase has been due, in roughly equal proportions, to an increase in internal production and to an improvement in the terms of trade. In the early postwar period (up to 1948) this increase was used to build up stocks and to increase both consumption and private investment from low war-time levels. Later on, after 1949/50 public capital expenditure began to absorb a larger proportion of the available resources at the expense of consumption and private

investment. From 1948/49 to 1951/52 only 20% of the increase in the available resources has been devoted to consumption (which, in view of the rising population, has meant a slight fall in real consumption per head) while the remaining 80% has gone into either public or private investment.

4. With the year 1952/53 there came a reversal of all these movements. The available resources in money terms fell by 10%. At the same time both public and private investment also declined and there was a large scale liquidation of stocks after the exceptionally heavy imports of the previous year. The resources thus released were sufficient to prevent a fall in aggregate consumption and to make possible additional expenditure on defense (See Table 15 of the Statistical Appendix). The fall in investment reflects the slowing up in economic activity during the year.

5. The rate of investment measured as a proportion of available supplies had been increasing steadily from mid-1947 to mid-1952 (see table below).

Table A

Investment and Available Resources

Year	Proportion of Resources Devoted to Investment (excluding stocks) %
1938/39	20.2
1947/48	18.4
1948/49	21.5
1949/50	24.2
1950/51	25.9
1951/52	26.9
1952/53	27.5

In 1952/53 this increase came almost to an end. This would emerge more clearly from the table if allowances were made for the very high imports in 1951/52, which caused an "abnormal" increase in available resources in that year, part of which was carried forward and used up in the following year.

6. Since 1950 the Commonwealth Government has been concerned to limit public capital expenditure in the interests of inflation control. One of the reasons why this proved extremely difficult was that during the earlier years, owing to easy monetary conditions, State and local authorities undertook large commitments which greatly restricted the flexibility of public capital expenditure as a whole. This condition has been largely overcome so that it is now easier to plan and execute public investment programs within the economic capacity of the country.

7. An analysis of public capital expenditure over the last five years shows that an increasing share of the total has been taken up by electricity and railways. Expenditure on electricity increased from £17 1/ million in 1948/49 or 11% of the total to £88 million in 1952/53 or 22.2% of the total. Expenditure on coal and briquette production also increased rapidly up to 1951/52, after which the greatly eased supply situation brought a sharp reduction.

8. Unfortunately no complete analysis is possible of the direction of private investment as there are no data on investment in agriculture and rural industries. The most important fields for private investment were engineering and vehicles (including private motor vehicles) which has absorbed on the average 22% of private capital expenditure (excluding rural industries) and food processing, drink and tobacco which increased its share of the total from 8.8% in 1948 to 14.6% in the first half of 1953. For further details concerning private investment see Table 3 in the Statistical Appendix.

9. It is not easy to give any general conclusions about the effects of investment in Australia upon production and productivity. In April 1952 the Government drew up a series of targets for agricultural production for 1957/58. Owing to an exceptionally favorable season many of these targets were reached in 1952/53 although, with the exception of the wool target, it is not expected that they will be maintained. There are several public land development and land settlement projects in Australia, some of which are proceeding satisfactorily although it is now expected that the most marked increase in agricultural output over the next few years will come from increased production from existing farms owing to mechanization and improved farming methods. The consequences of increased mechanization of Australian farming are only just beginning to be felt; no firm statistical evidence is yet available but the Bureau of Agricultural Economics is confident that the results will be marked over the next few years. Of particular importance is the increase of wool production owing to the initial success of the myxomatosis campaign against rabbits.

10. It is not possible at the moment to say what the ultimate results of myxomatosis may be. This is the first time that it has been possible to observe the effects of the introduction of a new epidemic disease into a population of mammals on a large scale. It is thus a scientific precedent. The success which has already been achieved has been largely due to a favorable relation between the density of the rabbit population and that of mosquitoes which transmit the disease. When either of these falls below a certain critical figure the disease ceases to spread. There is therefore no possibility of the rabbit population being eventually reduced to near zero. What can be hoped for is that it may be held to a much lower figure than formerly. Much will depend upon whether resistance to the disease can be transmitted from one generation to the next. No one can be certain on this point but there has been no evidence of such a development so far. It has been very roughly estimated that the rabbit population has been reduced by something like a third. Wool production in 1952/53 was 20% greater than in the previous year; some of this, though not all, can be ascribed to myxomatosis.

1/ Throughout this report the sign £ refers to Australian pounds.

11. The productivity of Australian agriculture has been increasing fairly steadily over the past two decades. Indications of productivity have to be read over a long period as figures for any one year reflect largely seasonal conditions but there has been an upward movement in output per man of about 50% since the 1920's. Output per acre and per unit of livestock have also increased by nearly 14% over the last 20 years.

Table B

Agricultural Production

	Pre-war	1952/53	Estimate 1953/54	Target 1957/58
Wool (m.lbs. greasy)	997	1280	1300	1200
Wheat (m.bushels)	165	193	170	191
Meat ('000 tons)	982	1151	1080	1175
Sugar ('000 tons)	805	947	1277	1228
Butter ('000 tons)	191	163	159	170
Milk (m.gallons)	n.a.	1228	1175	1350
Cheese ('000 tons)	25	47	43	40

12. Very little information is available concerning changes in productivity in industry. It is widely believed that during the postwar period in Australia, although there has been a considerable addition to capital equipment per worker, until recently much of the resulting possible improvement was offset by the reduced labor and managerial effort caused by the inflationary conditions. Thus it may well be that the greater stability of the last two years has brought a more rapid increase in output per head.

(b) Balance of Payments

13. From the end of World War II until the Korean boom the Australian current balance of payments exhibited neither large deficits nor large surpluses. In 1946/47 and 1949/50 there were moderate deficits and in the two intervening years there were small surpluses. But after June 1950 the current payments position underwent violent fluctuations. The increase in export prices led to a current surplus of £100 million in 1950/51. This caused an intensification of the internal inflation and it became a part of Government policy to increase imports for the year following. In fact a general easing of the world supply position occurred just at this time with the result that imports came in with unexpected rapidity, and exceeded the previous year's total by about 42%. Although this increase was in fact not much larger than the increase in imports from 1949/50 to 1950/51 (which was 38%) it was accompanied by a fall in the value of exports of over 30% owing largely to the decline in wool prices. Thus a great strain was placed upon Australian exchange reserves. At first the Government hoped that imports would decline spontaneously but in March 1952 restriction on non-dollar imports had to be imposed. In the event, the year 1951/52 closed with a current deficit of £585 million of which £464 million was met by drawing on exchange reserves.

14. In the following year import restrictions, a lower general level of economic activity and a good agricultural season again combined to reverse the picture and international accounts closed with a surplus of £171 million. During the current year 1953/54 with the greater overall stability of the economy it is not expected that the balance of payments will depart very far from an equilibrium position. Foreign exchange reserves have been rising slowly since June 1953. Import restrictions are still in force although they have been relaxed in many ways since their first imposition. To remove them completely from sterling goods should not be too difficult, providing speculative purchases could be prevented. As mentioned previously, agricultural production, which provides the bulk of Australian exports, should increase satisfactorily over the next few years. Much will therefore depend upon the future world demand for Australia's products. One obviously important factor is the effect of competition against wool from synthetic fibers. The exact degree of pessimism which it is appropriate to adopt on this score is still a matter for argument but it has been estimated that, in ten years time, U. S. wool consumption will be lower than it is at present despite rising population and incomes per head. In the short-run, however, it is not likely that the adjustments required of Australia will be so rapid as to cause serious difficulty; in the longer run this shadow on the horizon may be viewed against the rising suns of uranium and oil. The latter is described more fully in the Technical Report.

15. On the capital side of the balance of payments Australia has received an inflow of private capital, including re-investment of income earned by overseas companies, which has averaged around £70 million per year over the last few years. At the same time public authorities have been repaying outstanding debt while the Commonwealth Government has been borrowing from the Bank, and recently from Switzerland, and has purchased currencies from the Fund. The effect of these movements on the balance of payments is obscured by the existence of unidentified capital movements. From July 1948 to June 1952 there was an apparent total inflow of funds amounting to £340 million. Some of this represented funds moving to Australia in anticipation of export purchases, a tendency which in the earlier years was accentuated by a common belief that the Australian pound might be appreciated. In 1952/53 the flow of unidentified funds was reversed; the exchange crisis had disposed of the notion that any currency appreciation was likely and there was also the effect of a lag in the settlement for some of the imports of the previous year.

16. Although private capital has been moving into Australia fairly steadily over the postwar period there has frequently not been a corresponding deficit on the current balance of payments which would have indicated a using up in Australia of the resources thus made available. Until 1951 the tendency of Australian exchange reserves was predominantly upwards; the capital inflow was, in effect, invested in exchange reserves. The explanation lies partly in the difficulty in obtaining supplies from soft currency sources and partly in the persistent upward movement of export prices. When both these factors suddenly ceased to operate Australia then utilized much of the capital inflow of previous years in a somewhat chaotic manner and in a few months.

(c) The Commonwealth Budget

17. For the first five years after the war the Commonwealth Government was able to balance the current budget while reducing the tax burden from wartime levels. At the same time the easy money situation enabled all the State loan programs to be covered by public borrowing in the domestic capital market. These conditions prevailed until 1950 when the State works programs increased, the loan market contracted and the prospect of a budget deficit appeared. In 1951/52 there were two departures in fiscal policy - firstly, the Government budgeted for a current surplus in an effort to stem the inflation and secondly, it undertook to supplement the amount which could be raised on the public capital market for State loan programs by providing additional funds from its own resources. The first of these only lasted for one year since by the middle of 1952 the necessity for further anti-inflationary policy had disappeared. But the second departure has been, of necessity, continued since the State works programs are still too large to be met entirely from public borrowings. The resources used by the Commonwealth Government to supplement the proceeds of public borrowing come principally from accumulations of the Trust Fund, a fund which contains a large number of public accounts of which the most important are the National Debt Sinking Fund and the National Welfare Fund. The counterpart of I.B.R.D. loans is paid into the National Debt Sinking Fund and is thus made available for the financing of State works.

18. Expenditure under the State Programs reached a peak in 1952 (fiscal year ending June 30) of £227 million as compared to £67 million in 1949, £92 million in 1950 and £161 million in 1951. In 1952/53 expenditure was a little lower at £190 million. Of this total some £55 million was obtained from public loans and the Commonwealth Government provided £131 million. The principal sources of the Commonwealth's contribution were a surplus transferred from the Consolidated Revenue Fund (£13.4 million), the counterpart of I.B.R.D. loans (£18.5 million) and issue of Treasury Bills of £71.7 million (see Statistical Appendix Table 12).

19. The issue of Treasury Bills represented a reversal of the anti-inflationary policy of previous years; it was intended to increase the liquidity of the banks and to help ease the economy out of the temporary recession in 1952.

20. The most recent Budget, that for 1953/54, was similar in nature to that for 1952/53. The Treasury estimated that with revenue at existing tax rates there would be a current surplus amounting to about £80 million. The Government decided to grant tax concessions which would reduce this surplus to a nominal figure. It also agreed to support a State Loan Program of £200 million by providing, if necessary, up to £95 million in the form of "special assistance", for at the time of the Loan Council meeting it was estimated that the capital market might provide £100 - 105 million. Furthermore, apart from the I.B.R.D. counterpart, it was not expected that there would be any significant increase in Trust Fund balances so that the major portion of the Commonwealth's £95 million would have to be provided by Treasury Bill issues. However, the strength of the Government bond market was underestimated and in

September a public issue of £50 million brought subscriptions of £66.3 million. A simultaneous conversion operation of £32.9 million was almost completely successful. Moreover, there are indications that the current budget may produce a substantial surplus and the Treasury now hopes that it will be possible to avoid any increase in the Treasury Bill issue this year. Government financial operations for the current year may therefore be described as mildly inflationary and much less so than they would have been but for a recovery of domestic savings.

(d) Monetary Policy

21. Until 1951 the central problem facing the Commonwealth Bank was to control excessive spending made possible by the high liquidity caused initially by war-time conditions but aggravated and maintained by the upward trend of export prices and the inflow of capital from overseas. In administering its control the Bank made strong use of its "Special Account" power, that is, its power to immobilize a certain proportion of the commercial banks' assets in special accounts in the Commonwealth Bank. During these years the proportion of the assets of the major private banks which was held "frozen" in Special Accounts was generally around 40% rising to 44% in 1951, the year of greatest difficulty immediately after the rise in the wool price.

22. In 1951/52 the effect of the large balance of payments deficit was to reduce the liquidity of the banking system owing to the loss of overseas reserves which amounted to almost £480 million. This movement was partially offset by the Commonwealth Bank's purchases of Government securities in order to mitigate the deterioration in the bond market and by financing part of the State loan programs by borrowing from the Commonwealth Bank.

23. The heavy demand for funds on the part of private traders in order to finance imports was met by a release of bank funds from Special Accounts which declined from £570 million in June 1951 to £303 million in June 1952, whereas Bank advances rose by £293 million. Over these twelve months the liquidity of the private banks, as measured by the ratio of their assets with the Commonwealth Bank and their Treasury Bill holdings to their total deposits, declined from 56% to 38%.

24. After the end of 1951/52 the stringent monetary situation began to ease. The fall in exchange reserves came to an end, the bond market became more stable and a large part of the previous increase in bank advances was repaid. However, the conditions of abnormally high liquidity which had characterized the earlier years had disappeared and the Commonwealth Bank was enabled to dispense with most of its qualitative controls over the private banks' advances policy which it had maintained since the end of the war by the issue of periodic instructions. In October 1952 this type of control was virtually abandoned with the sole exception that bank lending was not to be inconsistent with the control exercised by the Capital Issues Committee. More recently, at the end of 1953, the control of capital issues was itself abandoned.

25. As a part of its anti-inflationary policy the Commonwealth Bank ceased to support the Government bond market in the fall of 1951 and at the end of July 1952 bank interest rates were raised to bring them into line with the higher yields on securities and the higher rates in force in the United Kingdom. In August the Treasury Bill rate was raised from 3/4% to 1-3/4% and in November a Government issue was floated at 4-1/2% compared with the 3-3/4% which had previously been the rule.

26. The rise in foreign exchange reserves of £177 million over 1952/53 contributed to a rise in the commercial banks' liquidity ratio from 38% to 48%. At the moment the Commonwealth Bank is operating its Special Account powers so as to leave in the hands of the commercial banks liquid assets (excluding Special Accounts) plus Government securities equal to about 25% of their deposits. During the current financial year there may be additions to liquidity from small additions to overseas reserves and from Government operations. The Commonwealth Bank, however, has offset these influences in some degree by sales of Government securities. The commercial banks have estimated that their advances may increase over the current financial year by £75 million. The Commonwealth Bank regards this figure as rather high and it has requested them to exercise more restraint in lending.

27. In 1953, the Commonwealth Bank Act was passed with two main purposes in view. The first was to amend the regulations governing the proportion of commercial bank assets which the Commonwealth Bank may call up to Special Account. Previously this authority had been very broad for it applied to any increase in a bank's assets since July 1945. Because this authority had not been fully utilized, by mid-1952 the Commonwealth Bank had the legal power to call up additional amounts equal in total to about 40% of commercial bank deposits at that date. Under the new Act the maximum amount of a bank's assets callable to Special Account will be adjusted every year. This change represents a considerable reduction of the legal powers of the Commonwealth Bank. However, taking into consideration the growth in the stature and reputation of the Commonwealth Bank since the Special Account powers were first introduced, the degree of its control over the banking system is not likely to be significantly impaired.

28. The second purpose of the 1953 Act was to establish a new Commonwealth Trading Bank which will take over the functions previously exercised by the General Banking Division of the Commonwealth Bank. This Division had carried on a general banking business in competition with the ordinary commercial banks which regarded it as a privileged competitor. As the Commonwealth Trading Bank, its policy will still be determined by the Commonwealth Bank Board although it will be subject to all central bank controls equally with the private commercial banks.

II. Tariff Protection and the Cost Structure

29. One consequence of the inflation in Australia is that the level of costs has now caught up with that of her trading partners, particularly that of the United Kingdom, after a long period going back to 1939 during which Australia had a substantial cost advantage. This has focused attention on the problem of maintaining a satisfactory cost structure, particularly in secondary industry, so that industrial development may proceed without excessively high tariffs.

(a) The Determination of Money Wages

30. The rate of money wages is one of the important determinants affecting the level of costs, and the Australian system whereby the basic wage was adjusted quarterly in accordance with changes in the cost of living has been much criticized. It has been customary in Australia for many years for industrial disputes to be settled by a system of Arbitration Courts and this has led to the development of the concept of the "basic wage" for unskilled labor. The Commonwealth Arbitration Court has the power to make an order determining the "basic wage" and this figure is usually adopted also by State Arbitration Courts so that it applies to almost all Australian labor. Until last year, this basic wage was adjusted automatically every quarter to changes in a cost of living index. During the period of inflation wage rates therefore never lagged far behind prices and it is commonly alleged that had it not been for this system the cost structure would not have been pushed up as far as it has been. It is, of course, impossible to know what would have happened had there been no automatic adjustments but it is worthy of note that the largest single increase in the basic wage, the one increase that could, with fewest reservations, be said to be a cause of further inflation rather than a mere result of past price increases, was in fact, not a cost of living adjustment at all but was a decision by the Court upon a case before it.

31. Whatever the evils of the automatic adjustment system may be held to be, it has now been abandoned. On September 12, 1953 the Commonwealth Court delivered judgment on a large number of matters under its jurisdiction in the course of which it gave a re-statement of the principles on which it believes the basic wage should be determined. Since the level of money wages is of central importance in economic policy, this is a subject of considerable interest. A more detailed account of the principles underlying the Court's decisions is given in the Annex on "Wage Determination by the Arbitration Court". Briefly the Court decides whether or not a case for an increase in the basic wage is justified by reference to the capacity of industry as a whole to pay a higher wage in the light of the economic situation existing at the time. The capacity of industry to pay is judged by a general survey of the state of the economy; if it seems prosperous an increase in the basic wage is generally granted. In 1953 an association of employers put forward a claim for a reduction in the basic wage and a trades union claimed an increase. Both were rejected. The rejection of the employers' claim was influenced by the improvement in the general economic situation between the time the case began and the time the judgment was delivered.

32. An important result of the whole arbitration system in Australia is that the Government is precluded from pursuing any wages policy since, at least officially, its views are not considered by the Court. The Australian Council of Trade Unions has recently demanded new legislation to deal with industrial matters because of its dissatisfaction with the Court's decision on cost of living adjustments and the Prime Minister, Mr. Menzies, has stated in reply that in no circumstances will his Government interfere with the decisions of the Court.

(b) Competition from Imports

33. The present wage level in Australia which has resulted from the policy, or absence of policy, of the Arbitration Court is one of the important factors affecting the competitive position of Australian industry. Effective competition from imported goods has not been an important consideration for local entrepreneurs since 1939. During the war internal price control measures held local price increases down to about 50% compared to an import price increase of around 100%. Australian producers at the end of the war enjoyed a cost advantage of some 33% and this increased even further in the immediate postwar years until in 1947/48 it reached about 60%. This position came to an end in 1951/52 when Australian prices largely caught up with import prices and the sellers' market disappeared. The problem of absorbing the large imports of 1951/52 created immediate difficulties for Australian industry and led to some slowing up in production and to some unemployment. Some of these difficulties are transitional and are already disappearing and it may still be too early to assess accurately the degree of vulnerability of Australian industry and to indicate the particular industries which are weak. Certainly the postwar period has been favorable for the establishment of new industries and it is only to be expected that there has been some industrial growth based on insecure foundations. In total, however, it is not likely to be large. According to one estimate, only 10% of factory employment in 1951/52 was devoted to the domestic production of the kinds of goods which before the war were imported and only a part of this new domestic production is likely to prove uneconomic. Over the whole field the Department of National Development has concluded that import competition may represent a threat to something in the neighborhood of 50,000 employees with a value of production of some £50 million, or about 5% of manufacturing employment and 1-1/2% of total employment and gross national product. The situation cannot therefore be said to be very serious at the moment but it does indicate the importance to Australia of preventing costs from rising any further in relation to import prices.

(c) The Role of the Tariff

34. The industries threatened by import competition are likely to appear before the Tariff Board to demand increased protection. The Tariff Board has already paid some attention to its policy in the present circumstances and, in its latest report, it states that it does not regard tariffs as the first line of defense against import competition nor is it prepared to increase them to any level which may be determined as the difference between local costs and the cost of imports. The basis of all tariff policy in Australia is to confine

protection to those industries which can demonstrate that they have a reasonable chance of success in the long run. Once it is admitted that some protection is necessary in order to establish "infant industries" in competition with imports from more advanced economies, Australia's tariff policy follows logically from her desire to industrialize. Australia's approach to tariff making has been noticeably more scientific and less subject to interested pressures than is usually the case in this area of economic policy. In 1929, for example, the Government sponsored an inquiry by a group of well-known and disinterested economists into the economic merits of the tariff. The resulting document[1], though critical of some aspects of tariff policy, did, in the main, endorse the policy in its existing form. The Tariff Board, which has sole responsibility for the imposition or removal of tariffs, conducts hearings at which representatives of Australia's principal competitor, the United Kingdom, may present their case. It is not averse to using bounties, with their consequent cost to the Treasury, in circumstances where it believes their use is justified. The fact that an industry is granted protection can generally be taken to mean that a careful examination of it shows that its development does not involve a waste of resources. A criticism of the Tariff Board is that there is no adequate procedure for lowering existing tariffs. As the economy matures it becomes more important to avoid giving unnecessary protection to "infants" who no longer require it.

35. Much of the criticism of Australian protection is, however, directed at a somewhat different point; not against the wisdom of using a tariff as a means to industrialization but against the desirability of industrializing at all. This is a matter which cannot be considered except in conjunction with the question of the size of the population. In the 1929 inquiry into the tariff it was admitted that, based on purely economic considerations, the maximum income per head for Australia could probably be achieved by reducing it to one large sheep run with the necessary subsidiary occupations, a few rich mines and a population of 2 million. Even if the truth of this view is not self-evident, it is nevertheless difficult to make any clear justification for an increasing population in Australia on economic grounds alone. In fact, of course, the case for increasing the population is based on other considerations and if these are granted, the necessity for developing resources other than agriculture and mining, and hence for a tariff, follow as a matter of course. In any case, from the point of view of the Bank, there need be no ground for any uneasiness if part of the development effort in Australia, that part devoted to supplying the basic capital needs of immigrants, is of doubtful value to the existing Australian population. The immigrants come generally from areas with lower incomes per head and their absorption into Australia represents a growth of productivity in the world as a whole.

1/ "The Australian Tariff", J. B. Brigden and others, 1929.

36. A further consideration of great importance, from the Australian viewpoint, is the future prosperity of the wool industry. If the growth in the use of synthetic fibers were to make substantial inroads into the market for wool, a purely or largely pastoral economy in Australia would be much more vulnerable than one with substantial industry.

37. The purpose of the tariff is, in short, to select industries which, with the help of moderate initial protection, will in the long run be able to stand on their own feet. It is not in any way an appropriate weapon to use to deal with the problem of an inflated cost structure. If costs are excessive (and it is not yet established that this is the case except for a few marginal undertakings) the remedy lies in greater productivity and efficiency.

38. The Tariff Board is aware of the pressures which rising costs may place upon it. In its latest annual report it says, "In its function as an instrument for providing protection to local industry, the Tariff could easily be caught up in a spiral of its own creation -- the spiral of higher duties, higher prices, higher costs and again higher duties. This would be the final disaster." The Board goes on to point out that the effect of the arbitration system is that industries appearing before it for increased protection are enabled to argue that in incurring increased labor costs they are merely complying with a legal obligation and, consequently, it raises the question whether there is not a need for greater economic co-ordination in Australia. But as long as an arbitration system is continued the Government's powers of co-ordination in this field will be very small.

III. Creditworthiness and Conclusion

39. Australia's public external debt is now slightly smaller than it was before the war and the relative debt burden, taking into account the large rise in the money value of the national income, has been reduced substantially. The overseas debt of the Commonwealth and State Governments declined from £644 million in 1939 to £534 million in 1951. Since then it has been increasing again owing to Commonwealth borrowing from I.B.R.D. and from Switzerland. The annual liability for interest payments on overseas debt has fallen from the equivalent of 3.3% of the national income in 1939 to only 0.6% at present. Thus the relative external debt burden is now less than a fifth of what it was prewar. Interest charges on the external debt amount to little more than 2% of the value of exports whereas during the depression they amounted to 41%.

40. There is no doubt therefore that the overall external debt burden is low, and lower than it has been for the past two decades. If Australian currency were freely convertible, little more would need to be said on the matter of creditworthiness. Even given the present situation of the sterling area, the

desirability of maintaining Australia's credit would give her dollar debt payments a sufficiently high priority in both Canberra and London to ensure that they were not interrupted on account of any temporary dollar stringency. In cases of emergency, either of Australia or of the sterling area as a whole, recourse may be made to the sterling area reserves. Only if there were to be a serious and long-term worsening of the sterling area dollar position would the ability of Australia to balance her immediate dollar accounts become a decisive factor in her dollar creditworthiness.

41. Australia's dollar balance of payments is a relatively small part of her total payments position. Dollar exports are usually around 10% of total exports although when the U. S. purchased large quantities of wool at high prices they rose to 17%. Dollar imports have averaged 13.5% of total imports over the last three years. The salient features of Australia's dollar accounts are given below.

Table 3

Dollar Balance of Payments
(Millions U.S. $)

	1948/49	1949/50	1950/51	1951/52	1952/53
Exports to U.S.A. and Canada	+132	+138	+372	+193	+150
Imports from U.S.A. and Canada	-181	-173	-176	-298	-235
Trade Balance with Other American Countries	+ 4	+ 5	+ 9	+ 2	-
Trade Balance with Dollar Area	- 45	- 30	+205	-103	- 85
Invisible Balance with Dollar Area	- 74	- 84	- 95	- 89	- 33
Balance on Current Account	-119	-114	+110	-192	-118
Balance on Investment Account	+ 16	+ 66	- 39	+ 26	+ 54
Dollar Surplus or Deficit	-103	- 48	+ 71	-166	- 64
Dollar Financing					
Purchases from I.M.F.	-	+ 20	-	-	+ 30
Loans from I.B.R.D.	-	-	+ 9	+ 56	+ 38
Gold Sales to U.K.	+ 32	+ 30	+ 21	-	-
Drawings on (+) or Contributions to (-) Sterling Area Dollar Pool	+ 73	+ 2	- 97	+133	+ 12
Movement in Australian Dollar Balances (increase -)	- 2	- 4	- 4	- 23	- 16
	+103	+ 48	- 71	+166	+ 64

42. Normally Australia has both a visible and an invisible deficit on dollar account. Only in the wool boom year was there a trade surplus sufficient to enable Australia to contribute $97 million to the sterling area pool. Ordinarily Australia makes a drawing upon the pool although the amount fluctuates as it is the end-result of numerous factors. Australia's ability to service new dollar debt must be considered against this background.

43. In the immediate future Australia faces a period of unusually heavy debt payments. Between 1955 and 1957 dollar bonds amounting to $86.5 million mature. Together with payments due on other existing dollar debt, Australia's total debt payments between now and the end of 1957 will amount to almost $150 million. In addition, Australia has to repay $38 million to the Fund, thus bringing the total required for debt service to nearly $190 million. At an annual rate, this would be over a third of the amount of dollars she might expect to earn from exports to North America, but some of this debt may be refinanced in the New York market, and anyway repayment of the Bank's loans does not begin until this difficult period is largely over.

44. By the end of 1957, taking account of new hard currency borrowings (including the proposed loan) and repayment of all the dollar bonds fallen due, Australia's hard currency debt will have increased by about $94 million. Her annual payments, however, would be lower than in the years immediately ahead because repayment of this higher debt would be spread over a longer period. It would amount, on the average, to about $29 million a year until 1962 and thereafter $26 million a year until 1967. By 1967 all outstanding publicly held dollar bonds would have been retired and Australia's dollar debt would consist solely of Bank loans (with the exception of a very small amount due to the Export-Import Bank) on which the service charge would be $17.5 million per year. Hence, the burden of the proposed new lending by the Bank will come to bear after the period of heavy repayments is over and when the total dollar debt payments are declining.

45. As a member of the sterling area, Australia can be expected to conduct her economic and financial policies with an eye to the flexibility permitted by access to the sterling area's reserves. As mentioned above, this has allowed her to run a deficit on dollar account and under present world conditions it can be expected that she will continue to do so. But this usual deficit is not so large as to be unmanageable should Australia cease to be able to rely on the sterling area's central reserves. If need be, she could stand on her own, though to do so would undoubtedly necessitate making substantial adjustments in her economy, particularly in her pattern of trade. It would become necessary to sell more goods to the dollar area and to reduce the amount spent on dollar imports. In a stable world economy these adjustments might be distasteful, but they would not be inordinately demanding; in a time of world recession with a dwindling dollar market, the necessary adjustments would be difficult and harsh, but they could be made, and in the light of the readiness which Australia has shown in the past to meet her obligations there seems little doubt that they would be made.

Annex

Wage Determination by the Arbitration Court

1. In its beginnings early in the present century the basic wage was clearly related to the "needs" of wage earners; it was intended to be appropriate to "the normal needs of the average employee, regarded as a human being living in a civilized community". Even at that time, however, it seems clear that other factors also entered in. Later on the cost of living adjustment system was adopted in order to maintain the value of the wage awards in the face of rising prices. But at the same time the emphasis moved away from the concept of the wage earners "needs" until in the 1953 case the Court based itself firmly on what it called, "its now well established principle that the basic wage should be the highest that the capacity of the community as a whole can sustain". This was the principal reason for abandoning the cost of living adjustment. As the Court remarked, "There is no ground for assuming that the capacity to pay will be maintained at the same level or that it will rise or fall co-incidentally with the purchasing power of money". This was particularly true, it added, for an economy so much influenced by the prices of exports and imports.

2. In their elaboration of the notion of the "community's capacity to pay", however, the members of the Court are somewhat disappointing. They admit that there is no clear means of measuring the general wage paying capacity of the total industry of a country. They recall that one judge's suggestion, in a previous case, that the real determinant of wage rates was the productivity of labor was not accepted by the other judges, and they add that there is still no satisfactory measure of productivity, or even of production as a whole, available for Australia. They are also unimpressed by the usefulness for wage-fixing purposes of calculations of total "available supplies" for the economy as a whole. They then state that in their opinion the best method of approach is to pay attention to certain "indicators" of the state of the national economy. These indicators are: 1) employment, 2) investment, 3) production and productivity, 4) overseas trade, 5) overseas balances, 6) competitive position of secondary industry and 7) retail trade. If, states the Court, claimants will direct their attention to these indicators much argument, "in particular about conflicting social and economic theories will be avoided. The Court is not .... a social or an economic legislature and we are of the opinion that theories and policies should play no part in its determinations".

3. The case before the Court was a claim by an employers association for a reduction in the basic wage, an increase in the standard hours of work and an abandonment of the cost of living adjustment, and a second claim by a Trades Union for an increase in the basic wage. The employers claimed that a lowering of costs was essential if the country was to maintain its level of economic activity. The Trades Union maintained that the economic outlook was favorable, primary production flourishing, exports expanding, profits increasing and that the basic wage ought to be increased. The Court proceeded, untrammeled by theoretical or policy considerations, to examine both of these contentions by

means of a general survey of the state of the economy as a whole, and concluded that neither could be sustained. The basic wage therefore remained unchanged. The cost of living adjustment was abandoned ostensibly for reasons purely of internal consistency in the thinking of the Court. However, although the Court did not think the situation warranted a reduction in the basic wage, it did regard the level of costs as one of the features of the economy that "cannot be regarded as less than disturbing" and it concluded its observations with some salutory exhortations on the virtues of efficiency on the part both of management and labor.

4. The fact that the Arbitration Court does not subscribe to any particular theory of wage determination may very well be an advantage since it is thus left free to consider any specific factor which may, at any given time, be regarded as important in deciding the "capacity of industry to pay". It is less easy to be happy about the Court's total abjuration of "theories" and "policies" and its view that its decisions should be made "in the light of the existing economic situation at the time". In a sense, it is impossible, in such matters as these, to remain entirely free of all theoretical considerations; the principle that the basic wage should be the highest that the community can afford to pay is itself a theory of a sort and in applying it the Court may be said to be pursuing a policy. The danger is that in pursuing it purely with reference to the economic situation at the time, too little attention may be paid to those longer term considerations which a more profound theory might reveal as important. For example, the increase of £1 a week in the basic wage granted in the middle of the inflation in 1950 was in no way a "cost of living" increase. It was expressly based on the view that industry could afford to pay such an increase. At the time of the judgment this was undoubtedly true but it is hard not to condemn the result as short-sighted. Had the Court been able to pay more attention to the role of profits in an inflation and to the more distant consequences of its actions, the present situation of Australian industry would be somewhat better than it actually is.

5. But a criticism of this nature should perhaps be directed not to the actions of this particular Court but to the arbitration system as a whole. No Court, particularly one which expressly refuses to consider policy matters, is an ideal instrument to adjust principles and objectives in the light of changing circumstances. A Court can only proceed by applying some principle which appears to be simple enough to be workable as a legal criterion. This is one of the difficulties; the "capacity of industry as a whole" to pay any given wage is not a simple notion. Indeed, if it can be said to have any meaning at all, it is a most complex and elusive one.

Table 1

Summary of External Public Debt
(U.S. $ million)
As at December 31, 1953

		$ millions
National and Government Guaranteed Debt		1,248
Sterling bonds		919
U. S. Dollars		296
a) Bonds 1/	158	
b) I.B.R.D.	132	
c) U.S. Government	6	
Canadian Dollars (IBRD)		15
Swiss Francs		17
a) Bonds	14	
b) I.B.R.D.	3	
Debt of Political Subdivisions and Subordinate Authorities		53
Sterling bonds		39
U.S. Dollar bonds		14
Total External Public Debt		1,301 2/

1/ Total excludes $10 million of dollar bonds retired on January 15, 1954.

2/ Excluding: Lend Lease Silver Loan (payable in silver) $8.4m.
Surplus Property Loan (payable in real property and local currency) $5.3m.
Dollars purchased from IMF and not repaid by December 31, 1953 $38 m.
World War I debt to U.K. (Payment suspended)

Source: IBRD Statistical Section

Table 2

Public Authority Expenditure on New Works and Maintenance

	1948/49	1949/50	1950/51	1951/52	1952/53 (a)
			(£ Million)		
Post Office	12	15	22	28	28
Railways	13	19	31	45	40
Roads	31	37	46	56	60
Other Transport	11	15	17	23	24
Electricity & Gas	17	31	53	77	88
Coal & Briquettes	4	10	16	18	11
Water Supply & Sewerage	10	12	18	22	22
Irrigation, Forestry, Land Development, etc.	12	17	21	30	22
Dwelling Construction	15	19	24	36	34
Schools, Hospitals and Other Public Buildings	14	25	33	43	38
All Other	15	18	25	32	30
Total	154	218	306	410	397

Percentages of Annual Total Expenditure

Post Office	7.8%	6.9%	7.2%	6.8%	7.1%
Railways	8.5	8.7	10.1	11.0	10.1
Roads	20.1	17.0	15.0	13.6	15.1
Other Transport	7.2	6.9	5.6	5.6	6.0
Electricity & Gas	11.0	14.2	17.3	18.9	22.2
Coal and Briquettes	2.6	4.6	5.2	4.4	2.8
Water Supply & Sewerage	6.5	5.5	5.9	5.3	5.5
Irrigation, Forestry, Land Development, etc.	7.8	7.8	6.9	7.3	5.5
Dwelling Construction	9.7	8.7	7.8	8.8	8.6
Schools, Hospitals and Other Public Buildings	9.1	11.5	10.8	10.5	9.6
All Other	9.7	8.2	8.2	7.8	7.5
	100.0%	100.0%	100.0%	100.0%	100.0%

(a) Preliminary Estimate

Source: National Income and Expenditure, 1952/53

Table 3

New Capital Expenditure on Buildings and Equipment in Industry Groups

(By private businesses subject to payroll tax - excluding rural industries)

(£ Million)

	1948	1949	1950	1951	1952	1953 1st Half
Manufacturing						
Engineering and Vehicles	21.6	24.1	26.9	40.7	49.2	49.4
Textile	3.5	3.6	4.1	4.5	3.7	3.8
Clothing	2.7	3.6	2.6	4.2	2.6	2.2
Food, Drink, Tobacco	8.2	10.9	15.0	17.8	23.8	32.6
Paper and Printing	6.8	9.1	11.4	14.1	13.3	8.0
Gas and Electricity	5.4	5.2	6.4	8.6	9.9	16.4
Other Manufacturing	11.0	13.5	19.7	27.6	29.5	31.4
Total Manufacturing	59.2	70.0	86.1	117.5	132.0	143.8
Mining	3.3	4.5	6.8	10.8	13.7	13.8
Transport	6.5	7.2	6.8	10.1	10.8	11.0
Wholesale and Retail Trade	17.7	16.1	20.9	30.7	42.0	42.4
All Other	6.3	8.0	11.1	14.9	16.4	13.2
Total Non-Manufacturing	33.8	35.8	45.6	66.5	82.9	80.4
TOTAL	93.0	105.8	131.7	184.0	214.9	224.2

Source: Data supplied to the Mission.

Table 4

Balance of Payments

(£ Million)

	1948/49	1949/50	1950/51	1951/52	1952/53 (Preliminary)
Current Account					
(Credit items +, Debit items -)					
Exports f.o.b.	+521.7	+592.9	+975.1	+664.2	+847.7
Imports f.o.b.	-415.1	-538.1	-741.9	-1,051.5	-512.7
Trade Balance	+106.6	+ 54.8	+233.2	-387.3	+335.0
Invisible Credits	+ 68.8	+ 80.6	+ 90.8	+ 99.1	+ 94.4
Invisible Debits	-144.1	-180.0	-222.4	-296.8	-258.4
Invisible Balance	- 75.3	- 99.4	-131.6	-197.7	-164.0
Balance on Current Account	+ 31.3	- 44.6	+101.6	-585.0	+171.0
Capital Account					
(+ = net increases in assets or net decreases in liabilities and - = net decreases in assets or net increases in liabilities)					
International Reserves	+178.2	+185.7 1/	+192.9	-464.0 1/	+186.2
Public Authority Domiciled Overseas	+ 14.2	+ 29.7	+ 19.8	+ 2.3	+ 2.6
Net Transactions with IMF & IBRD	-	- 8.9	- 4.0	- 24.9	- 30.3
Net Investment in Joint Organization (wool)	- 17.4	- 6.5	- 1.8	+ 0.7	-
Miscellaneous Official Transactions	- 0.1	+ 0.6	+ 1.0	+ 6.3	- 4.6
Undistributed Income Accruing to Oversea Companies	- 6.0	- 16.3	- 23.1	- 24.3	- 20.0
Private Capital Movements and Balancing Items	-137.6	-228.9	- 83.2	- 81.1	+ 37.1
Balance on Capital Account	+ 31.3	- 44.6	+101.6	-585.0	+171.0

1/ Excluding movements due to revaluation of holdings following devaluation of the Australian pound in September, 1949 and to other adjustments of an accounting nature during 1951-52 which were not due to balance of payments transactions.

Source: The Australian Balance of Payments, 1948/49 to 1952/53.

Table 5

Principal Exports[1]

(£ Million f.o.b.)

	1948/49	1949/50	1950/51	1951/52	1952/53
Wool and Sheepskins	238.8	324.9	655.3	337.1	420.6
Wheat and Flour	98.2	88.5	107.0	88.3	89.7
Meats	29.8	35.0	30.4	35.6	65.8
Butter	23.8	24.7	18.5	4.4	20.2
Other Foodstuffs	78.2	70.9	75.2	81.5	122.8
Metals, Metal Manufactures and Machinery	38.8	32.2	40.3	52.2	61.4
Other Exports	35.1	37.5	55.1	68.9	71.4
Total	542.7	613.7	981.8	668.0	851.9

1/ Excluding gold.

Source: Commonwealth Statistician

Table 6

Principal Imports

(£ Million f.o.b.)

	1948/49	1949/50	1950/51	1951/52	1952/53
Foodstuffs and Tobacco	28.1	38.0	47.7	52.9	38.3
Oils, Fats and Waxes	43.2	52.4	69.8	87.5	74.3
Yarns, Manufactured Fibers, Textiles and Apparel	109.2	99.8	138.7	203.6	48.2
Machines and Machinery (excluding Electrical)	40.8	65.5	86.3	126.2	89.6
Motor Vehicles and Parts	34.3	73.1	74.1	84.9	29.3 1/
Other Metals, Metal Manufactures and Machinery	52.9	88.7	129.4	181.9	107.1
Other Imports	105.6	118.7	195.4	313.1	123.7
Total	414.1	536.2	741.4	1,050.1	510.5

1/ The composition of this group in 1952/53 differs from that used in earlier years. On the new basis the equivalent figure for 1951/52 would be £ 80.2 million.

Source: Commonwealth Statistician

Table 7

Dollar Imports and Exports

(US $ Million)

	1949/50	1950/51	1951/52	1952/53
Exports				
Wool	104	319	139	77
Skins	9	10	5	4
Minerals	7	15	23	42
Foodstuffs	11	19	15	15
Other	6	10	12	12
Total	137	373	194	150
Imports				
Equipment and Machinery	38	33	64	60
Tractors and Parts	18	18	25	15
Other Vehicles	21	26	31	24
Aircraft and Scientific Instruments	5	3	4	22
Tinplate	7	12	13	9
Textile Yarns	5	8	8	1
P.O.L.	13	11	36	22
Drugs and Chemicals	3	3	6	3
Tobacco	12	13	15	19
Lumber	9	11	24	8
Paper	7	3	10	10
Other	33	33	61	41
Total	171	174	297	234

Source: Data supplied to the Mission.

Table 8

Production

	1936/37 to 1938/39 (average)	1946/47	1950/51	1951/52	1952/53
Wool (million lbs.)	997	936	1,142	1,080	1,280
Meats (000 tons)	982	885	1,011	949	1,152
Butter (000 tons)	190.8	143.3	163.9	135.3	167.6
Black Coal (million tons)	12.1	14.1	16.4	19.2	18.6
Pig Iron (000 tons)	983	1,143	1,313	1,430	1,679
Gold (000 fine ozs.)	1,466	926	891	909	1,039
Lead (000 tons)	223	176	188	188	193
Zinc (000 tons)	70	70	78	84	86
Electric Power Generated (million kwh)	4,338	7,527	10,503	11,297	12,289

Source: Commonwealth Statistician

Table 9

Wholesale Prices: Australia and Other Countries
(Base 1936/37 to 1938/39 = 100)

	Australia	New Zealand	United Kingdom	U.S.A.
1946/47	143	156	178	170
1947/48	159	173	203	191
1948/49	181	180	218	194
1949/50	205	184	237	186
1950/51	246	210	288	211
1951/52	300	243	321	213
1952/53	319	252	320	209

Source: Commonwealth Statistician

Table 10

Export and Import Prices: Terms of Trade
(Base 1936/37 to 1938/39 = 100)

	Wool	Exports (excluding wool)	Total Exports	Imports	Terms of Trade
1946/47	173	305	203	234	87
1947/48	287	420	283	272	104
1948/49	365	413	332	285	117
1949/50	473	400	383	309	124
1950/51	999	432	654	375	174
1951/52	564	436	473	416	114
1952/53	616	441	482	384	126

Source: Commonwealth Statistician

Table 11

Receipts and Outlay of Public Authorities

£ Million

Receipts	1938/39	1946/47	1947/48	1948/49	1949/50	1950/51	1951/52	1952/53
Taxation								
Indirect taxes	93	209	225	249	283	336	449	426
Less subsidies	3	37	51	29	24	41	35	26
Net indirect taxes	90	172	174	220	259	295	414	400
Income taxes on companies	16	54	71	74	85	101	152	167
Income taxes on persons	26	154	162	199	195	351	399	387
Estate and gift duties	7	13	14	15	17	20	25	27
Total	139	393	421	508	556	767	990	981
Surplus of Public Authority Business Undertakings								
Post office	5	7	2	-3	-3	-7	-1	-1
Railways	10	3	3		-5	-7	-12	-10
Other	17	16	14	16	16	17	16	14
Rent and interest received	6	12	14	15	16	17	22	27
Net increase in indebtedness	24	28	-3	8	87	114	81	(155)
Total Receipts	201	459	451	544	667	901	1,096	1,166
Outlay								
Net purchase of goods and services	118	231	260	332	441	599	819	855
Oversea gifts, relief, etc.		39	2	14	12	1	4	4
Cash social service benefits	30	79	87	102	116	144	172	204
Deferred pay of members of forces		16	7	1	1			
Capital transfers		6	6	5	4	62	1	
Interest paid	53	88	89	90	93	95	100	103
Total Outlay	201	459	451	544	667	901	1,096	1,166

Source: National Income and Expenditure. 1952/53

Table 12

Financing of Major Items in Australia's Public Investment Program 1952/53

Programs	£ Million
State Government Borrowing Programs	160.2
Advances to States under Commonwealth-State Housing Agreement	30.0
Advances to three States under War Service Land Settlement Agreement	5.7
Total	195.9
Financing of Programs	
Net Cash Public Loan Raisings	54.6
Commonwealth Domestic Raisings	14.9
State Domestic Raisings	6.6
Treasury Bills Issued	71.7
Other (including Consolidated Revenue Fund surplus and counterpart of I.B.R.D. loans)	48.1
Total	195.9

Note "State domestic raisings" are the proceeds from savings deposits in the Commonwealth Savings Bank in certain States which, for historical reasons, are used by these States for their Loan Programs. "Commonwealth domestic raisings" are the proceeds from the sales of Government securities of varying maturities to the Commonwealth Bank.

Source: Data supplied to the Mission

Table 13

All Check Paying Banks - Cash, Treasury Bills and Special Accounts as Percentage of Deposits

	Cash		T.B.		Cash and T.B.	Special Accounts		Cash, T.B. Spec. A/cs-
	£ M.	% of Deps.	£ M.	% of Deps.	% of Deps.	£ M.	% of Deps.	% of Deps.
Annual Averages								
1946/47	47.0	6.6	28.5	4.0	10.6	267.0	37.6	48.2
1947/48	54.2	7.2	19.2	2.6	9.8	263.7	35.2	45.0
1948/49	58.3	6.7	24.0	2.8	9.5	323.9	37.4	46.9
1949/50	62.2	6.1	29.5	2.9	9.0	379.6	37.2	46.2
1950/51	71.4	5.5	64.0	4.9	10.4	503.6	38.8	49.2
1951/52	72.3	5.3	61.7	4.5	9.8	468.6	34.4	44.2
1952/53	109.9	8.2	144.2	10.8	19.0	212.9	16.0	35.0

Source: Commonwealth Statistician

Table 14

Foreign Exchange Reserves

(US $ Million)

Date (End of Year)	Gold	Foreign Exchange and Foreign Investments[1]	Total
1938	6	245	251
1945	53	543	596
1946	82	677	759
1947	88	515	603
1948	88	1,126	1,214
1949	88	1,052	1,140
1950	88	1,432	1,520
1951	112	1,107	1,219
1952	113	866	979
May, 1953	112	1,076	1,188
October, 1953	n.a.	n.a.	1,094

1/ Almost all sterling. Foreign Investments (which in May 1953 amounted to only $28 million) are British Government Securities held by the Commonwealth Bank.

Source: International Financial Statistics

Table 15

Availability and Use of Resources

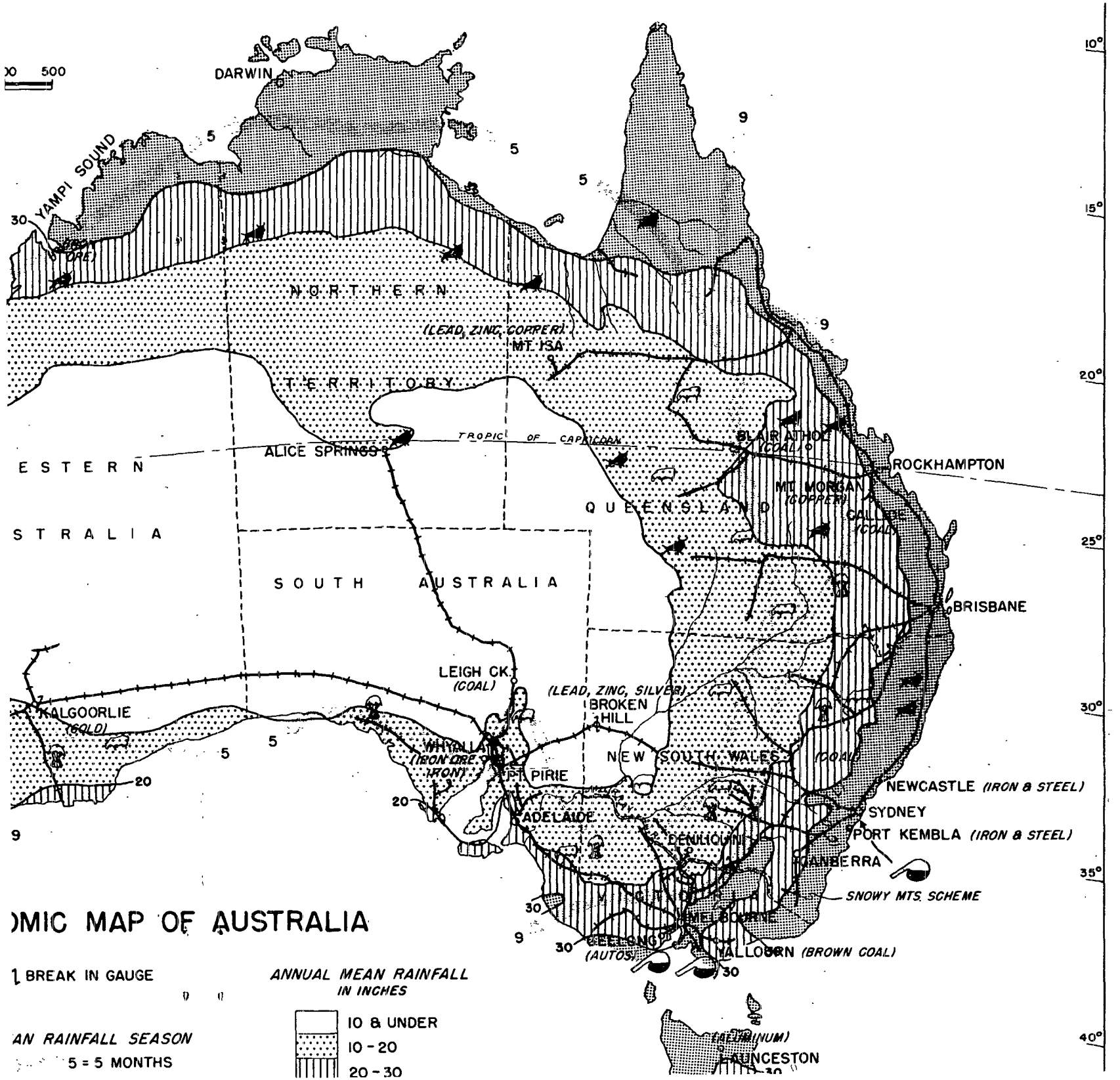
(£ Million)

	1938/39	1948/49	1949/50	1950/51	1951/52	1952/53
1. Private Consumption	656	1,484	1,683	2,058	2,416	2,537
2. Government Consumption	56	172	208	280	388	455
3. Gross Public Fixed Capital Formation 1/	62	154	218	306	410	397
4. Gross Private Fixed Capital Formation 2/	122	321	443	595	770	697
5. Increase (+) or decrease (-) in stocks	+9	+86	+169	+246	+401	-104
6. Available Market Supplies	905	2,217	2,721	3,485	4,385	3,982
7. Net Foreign Investment	+17	+74	+3	+148	-532	+237
8. Gross National Product	922	2,291	2,724	3,633	3,853	4,219
9. Public Fixed Capital Formation as Percentage of Available Market Supplies	6.9%	7.0%	8.0%	8.8%	9.3%	10.0%
10. Private Fixed Capital Formation as Percentage of Available Market Supplies	13.5%	14.5%	16.2%	17.1%	17.6%	17.5%
11. Total of 9 and 10	20.4%	21.5%	24.2%	25.9%	26.9%	27.5%

1/ Includes maintenance of roads and buildings.

2/ Includes motor vehicles for private use.

Source: National Income and Expenditure, 1952/53.


00 500
DARWIN
YAMPI SOUND
(IRON ORE)
NORTHERN
TERRITORY
(LEAD, ZINC, COPPER)
MT. ISA
TROPIC OF CAPRICORN
ALICE SPRINGS
ESTERN
STRALIA
QUEENSLAND
BLAIRATHOL
(COAL)
ROCKHAMPTON
MT. MORGAN
(COPPER)
CALLIOPE
(COAL)
BRISBANE
SOUTH AUSTRALIA
LEIGH CK.
(COAL)
(LEAD, ZINC, SILVER)
BROKEN HILL
KALGOORLIE
(GOLD)
WHYALLA
(IRON ORE & IRON)
PT. PIRIE
ADELAIDE
NEW SOUTH WALES
(COAL)
NEWCASTLE (IRON & STEEL)
SYDNEY
PORT KEMBLA (IRON & STEEL)
DENILIQUIN
CANBERRA
SNOWY MTS. SCHEME
MELBOURNE
GEELONG
(AUTOS)
YALLOURN (BROWN COAL)
(CASSITERITE)
LAUNCESTON
10°
15°
20°
25°
30°
35°
40°
OMIC MAP OF AUSTRALIA
BREAK IN GAUGE
AN RAINFALL SEASON
5 = 5 MONTHS
ANNUAL MEAN RAINFALL IN INCHES
10 & UNDER
10 - 20
20 - 30