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Title:

5KA Broadcast script (handwritten) re economic and business institutions

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1/2/60.

Good evening. So often do unthinking people talk about the way in which our economic & business activities are organized as if it was static, unchangeable & unchanging, that I want to say a few words tonight about just what goes on.

In fact, our economic & business institutions are constantly changing their character. Let me show you how.

Some years ago a substantial amount - 56% of the credit facilities obtained by industry for ~~its~~ its activities came from the banks - and if one could control the general volume of credit allowed by the banks, one could determine the rate of investment. Whether we had inflation or not was vitally affected by the amount of credit lent out.

But this has changed. The banks are responsible for only 21% of credit to business now - and the hire-purchase companies ~~and~~ are responsible for 16% of credit now, ^{as compared with 26% ~~at that~~} in addition comes from insurance companies. As there is now no constitutional power in Australia because of the limiting terms of the Commonwealth Constitution, to control the operation of hire-purchase companies, our interest for inflation in terms of ^{economics} stress is thereby very much lessened. And you can see how changes now contemplated by the makers of the constitution, are taking place.

But this shift in activity and power from one kind of institution to another is not the only sort of change which is taking place.

The most significant change is

that the effective control of Australian firms heavy & light industry, & means of information is being steadily concentrated into fewer & fewer hands.

How has this happened. Shareholding in Australian companies are widely spread. The average shareholder, of course, is not very much interested in the policy of the company. He is interested in getting a dividend - getting some return for the money he has invested. This means that a small & minority group, ~~of~~ shareholders, well organized, can maintain effective control of a company.

A recent authoritative study by M.F. Whelton - Senior Lecturer in Economics in the University of Sydney, said "The precise % will vary with the circumstances, particularly the degree of dispersion, & the nature of the dominant minority group. If the dispersion is very wide, & holdings consist of very sharply from a cohesive minority group, then a % as low as 10 or 15% is sufficient to maintain control."

It is not you see, that the effective controllers of companies are the owners of companies - but our joint stock company system allows a few people to wield great power with other people's money.

Now of course if firms are not large and there is competition then this does not have much social effect. But there has also been a constant tendency for competition in industry to be eliminated and for businesses to amalgamate or be swallowed up. The more this goes on, the fewer people effectively have a say in what our business & economic policy

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as a nation will be, and the work passed over
the lines of all of us do they effectively exist.

Apart from amalgamation & takeovers,
there are other ways in which this concentration
of power & economic control takes place.

Many of the small groups of people in Australia
who hold the directorates in various heavy
& light industry & ~~transport~~ transport,
& newspapers hold numerous directorates
in companies of differing types. This makes
the effective control more so.

For the whole group of Australian companies
100% wholly owned essentially the control and
ownership is divided, - i.e. the shareholders
do not effectively control the companies,
in one 2/3 of the cases & in over
50% of the funds invested.

He says "The evidence assembled here shows
that most of these companies (i.e. the
widely representative groups of companies
examined in the study) have largely "de-
personalised" or "collectivised" capital &
concentrated power into small director groups
of virtually self-perpetuating oligarchies,
with varying degrees of virtual ownership."

It so happens that occasionally
these groups seek to eliminate one
another's capital control the are found the
other of large concerns. We find this
in the recent case of "takeover" bids &
operations. But these groups, controlled
whether or not concerned here this particular
device, a favorite one being that each
of the two concerns they control has
a majority interest in a company in
the other.

So in the way time the small

set of people who are thus acquiring vast
personal power to determine Australia's
future & to affect the lives of every Australian
without ~~being~~ the people who are so
affected being able to call them to account
in any way - scoldously preach - with
tongue in cheek - the virtues of competition
& have expected that it is that there
should be no governmental interference
with their activities. They say that
government interference is regimentation
& a denial of individual liberties.
That is nonsense. Governments are
accountable to the people. It is only
through government's planning that the
people of Australia can have a say in
their own future. What we are faced
with in Australia is not the question
freedom of government interference
- the question is shall the people
control the wage policies, or shall the
~~the~~ wage policies control the people.
Goodnight.

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Good evening. So often do unthinking people talk about the way in which our economic & business activities are organised as if it was static, unchangeable & unchanging, that I want to say a few words tonight about just what goes on.

In fact, our economic & business institutions are constantly changing their character. Let me show you how.

Some years ago a substantial amount - 56% of the credit facilities obtained by industry for its activities come from the banks – and if one could control the general volume of credit allowed by the banks, one could determine the rate of investment. Whether we had inflation or not was & is vitally affected by the amount of credit lent out.

But this has changed. The banks are responsible for only 21% of credit to business now – and the hire-purchase companies are responsible for 16% of credit now as compared with 2% pre-war & much in addition comes from insurance companies. As there is now no constitutional power in Australia because of the limiting terms of Commonwealth Constitution, to control the operation of hire-purchase companies, our control over inflation in times of economic stress is thereby very much lessened. And you can see how changes never contemplated by the makers of the Constitution, are taking place.

But this shift in activity and power from one kind of institution to another is not the only sort of change which is taking place.

The most significant change is

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that the effective control of Australia's finance, heavy and light industry, & means of information is being steadily concentrated into fewer & fewer hands.

How has this happened. Shareholdings in Australian companies are widely spread. The average shareholder, of course, is not very much interested in the policy of the company. He is interested in getting a dividend – getting some return for the money he has invested. This means that a small minority group of shareholders, well-organised, can maintain effective control of a company. A recent authoritative study by Mr E.L. Wheelwright – Senior Lecturer in Economics in the University of Sydney – said 'the precise % will vary with the circumstances, particularly the degree of dispersion, & the nature of the dominant minority group. If the dispersion is very wide, & holdings taper off very sharply from a cohesive minority group, then a % as low as 10 or 15% is sufficient to maintain control.'

It is not you see, that the effective controllers of companies are the owners of companies – but our joint stock company system allows a few people to wield great power with other peoples money.

Now of course if firms are not large and there is competition then this doesn't have much social effect. But there had also been a constant tendency for competition in industry to be eliminated and for businesses to amalgamate or be swallowed up. The more this goes on, the fewer people effectively have a say in what our business & economic policy

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as a nation will be, and the more power over the lives of all of us do they effectively exercise.

Apart from amalgamation & takeovers, there are other ways in which this concentration of power & economic control takes place. Many of this small group of people in Australia who hold the directorates in firms, heavy & light industry, transport, & newspapers hold numbers of directorates in concerns of differing types. This makes the effective control more so.

For the whole group of Australian companies Mr. Wheelwright estimates that control and ownership is obviated – i.e. the shareholders do not effectively control the companies, in over 2/5ths of the cases & in over 50% of the funds invested.

He says, "the evidence assembled here shows that most of these companies (i.e. the widely representative groups of companies examined in the study) have largely 'de-personalised' or 'collectivised' capital & concentrated power into a small directing group of virtually self-perpetuating oligarchies, with varying degrees of minority ownership."

It so happens that occasionally these groups seek to eliminate one another & capture control the one from the other of large concerns. We have seen this in the recent spate of 'takeover' bids & operations. But those groups controlling more than one concern have their protective devices, a favourite one being that each of the two concerns they control has a majority interest as a company in the other.

In the meantime the small

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set of people who are thus acquiring vast personal power to determine Australia's future & to affect the lives of every Australian without the people who are so affected being able to call them to account in any way – sedulously preach – with tongue in cheek – the virtues of competition & how essential it is that there should be no governmental interference with their activities. They say that government interference is regimentation & a denial of individual liberties.

That is nonsense. Governments are accountable to the people. It is only through government planning that the people of Australia can have a say in their own future. What we are faced with in Australia is not the question freedom or government interference – the question is shall the people control the monopolies, or shall the monopolies control the people.

Goodnight.