

SPEECH BY THE PRIME MINISTER, THE RT.
HON. R.G. MENZIES AT THE LIBERAL PARTY
COUNCIL MEETING IN CANBERRA, ON MONDAY
14TH NOVEMBER, 1960

Mr. President and ladies and gentlemen,

Before I begin I just want to say in amplification of what the President said about Mr. Holt, that he's not late just because he's late; he's late because the plan is delayed. Otherwise he was looking forward very keenly to being with us at the beginning of this meeting.

This meeting is, of course, so I gather, the last one that will occur before Election year. I don't know when the Election will be, but I do know it will be next year. And if we have our council meeting a little earlier than the usual time, we will be at that stage, all taken up, no doubt, with election ideas. Anyhow elections are a kind of fever that is inclined to grow for about twelve months before the event.

And, therefore, perhaps, this is a convenient time for taking stock, a little, of our policy - I know there is going to be a good deal of discussion about the Platform - a very convenient opportunity for looking around us and identifying, so far as we can, clearly, what lines we are following.

And I want, as usual, to do that by taking up two broad topics: the first of them, naturally, the external position of Australia in the world; and the second, the domestic position. Because I venture to believe that on each of these matters something may be said which I hope will be of advantage to us.

In the first place, talking about the external position. There is a problem which is constantly with us - you see it occasionally reflected in various commentaries. And that is the problem of reconciling a good neighbour policy with our friends in Asia, particularly, a good neighbour policy which we resolutely pursue, reconciling that with our national duty to ourselves to strengthen our co-operative associations with the great powers of the Western world.

It is foolish for anybody to say that one should be pursued to the extinction of the other. What we have to do is to keep them both in existence and strengthen both of them as much as we can.

Now, Sir, recently I went to the United Nations. It is a strange experience, I confess. I had always escaped going there in the past, so that I was having my maiden effort. And the General Assembly of the United Nations is a very strange body - 98 nations there, each with the same vote - a country with half a million people having the same voting power as the United States of America; two countries of half a million each, able to out-vote the United States of America. Quite all right so long as the General Assembly is a debating body, which it was designed to be.

But as the new nations come into existence - and there were about 15 this year - so it becomes very tempting to some people to throw the emphasis away from the Security Council, which has some executive function, and into the General Assembly, which was designed to have none, but in which votes, perhaps, may be more easily collected, than in the smaller body of the Security Council.

And therefore you may frequently find some Western powers voting one way, and some another, on almost any question that comes before the Assembly. To make a comparison between the utter monolithic solidarity of the Communists with the scattered views of the democracies, is to compare utterly unlike things.

Then in the third place, it is a dangerous fallacy to talk about the "neutral" powers. Many of them are uncommitted, I agree. But neutral? Words can be used in a very loose fashion.

India, for example, is supposed to have a doctrine of neutrality. In reality it is a doctrine of non-alignment. They won't enter into specific treaties with people - they wouldn't come in on the South-East Asian Treaty for example. But they are faithful members of the United Nations. And if the United Nations on some occasion, were to pursue war-like action to enforce something, then I've not the slightest doubt that India would play India's part as a member of the United Nations. Just as she sent troops to Korea in the Korean incident.

So that that is one form of neutralism, if you care so to describe it.

There are other places in the world, not quite so conscious of the importance or commanding significance of the United Nations, who are neutral in the strict sense. That is to say, they say: "We will not fight anybody, except in defence of our own immediate frontiers. Apart from that, we accept no obligation; we enter into no agreement".

So there are two different kinds of neutralism, you see. One is what I call a "participating" neutralism, under the United Nations Charter; and the other is an "absolute" neutralism.

Now it is very important that we should have these things in our minds, because this movement to divide the United Nations up into three alleged groups, so that they may balance each other, can have enormously dangerous implications for the world.

First of all it would destroy the United Nations as a body possessing any cohesion. And in the second place it would tend to create hostilities and senses of difference, when perhaps there was no occasion for either; tend to make us look at all the new African countries as if they were the same kind of countries, the same kind of people, all to be put in a basket together and treated as the "neutral" countries, or the "uncommitted" countries of Africa.

We do have some funny ideas in the world. Nobody looking at Europe ever supposed that an Italian, and a Frenchman, and a German, and a Dutchman were the same; that you could put them all into one neat package and say that they all possessed the European mind, or that they all possessed common interests in Europe. They do, I know. But it has taken centuries to bring them to a point where, in the economic field, they co-operate, one with the other. But nobody would dream of making that kind of error about Europe.

But when we look at Africa with a dozen or twenty new nations in it, people are very much inclined to lump them all together and say: "Well there you are; now all these people have just come to independence. They are bound to have

the same kind of ideas; you can put them together in a neat parcel and take it for granted that they will make up a natural logical bloc, or group".

Well, I just don't believe it. The best speech, the greatest speech, that was delivered at the United Nations General Assembly in my hearing was that made by Sir Abubakar Balewa, the Prime Minister of Nigeria.

Nigeria is the biggest single nation in Africa. It is four times the size of Ghana, its neighbour, though we've heard a good deal more about Ghana. The Prime Minister of Nigeria is a man of quiet strength and authority and great wisdom and great experience. His balanced, measured utterance was so utterly inconsistent with any idea of forming a bloc, or of falling into the orbit of somebody else: it was independent, yet intelligent; it recognised the obligations to the world, and yet he was obviously setting out, leading his country in a proud destiny, friendly to the British, because the British had brought them to independence; an inheritor of all the best ideas in our own form of self-government. A wise, strong, thoughtful man.

Not all leaders are like that. Not all the countries in Africa produced men of that type. There are some countries in Africa well advanced in the art and practice of Government - like Nigeria. There are others who are just beginning in a very, very 'prentice fashion. They all deserve our interest; they all deserve our help. But don't let us fall into the error of thinking that they are all the same. Because they are not.

And that is why I believe that this mischievous proposal to divide the United Nations, a proposal of which we have not yet heard the end, must be borne in mind by us so that we may resist it while we can.

Now while I still believe, and believe without any reluctance, that we must pursue in Australia our good neighbour policies with our Asian friends, we must be willing to contribute to the economic advancement of these countries through the Colombo Plan, or South-East Asian Treaty, or by whatever mechanism may exist. I believe all that. It doesn't need to be made a matter of persuasion with this audience, that that is of very, very great importance.

But I still - you may call it antiquated, if you like, I don't mind - but I still believe that the very foundation of our foreign policy, and of our defence policy is close communion, close co-operation with the Commonwealth, and, of course, outstandingly, with the United Kingdom, close co-operation with the United States of America; and the making and maintenance of defensive arrangements such as those contained in the ANZUS pact, and the South-East Asian Treaty.

These are the great practical things which affect the security of Australia. Friendship with your neighbours - that's good; that must be cultivated. We must at all times look for ways and means of eliminating points of difference, so far as we can - and there are not many points of difference. We must be helpful. We must be neighbourly.

But in a practical world, it is essential that we should never forget that it is upon the rock of the Commonwealth, and of the Commonwealth's association with the United States of America that our national security is built.

All I need add on that is that as the ANZUS Pact was negotiated by your present Government, and the South-East Asian Treaty also, I think we can claim that in the field that I have just been discussing we have a respectable, concrete, constructive policy and achievement

Now I just want to turn from that to the ever present domestic problem. And I'm going to say something about this, which is designed, I hope, to help you to meet certain criticism which I know commonly spring up.

One of the great criticism that I hear, and that I read, because strangely enough we don't entirely live in an ivory tower, is that this Government changes its mind on the economic field too quickly, that it proceeds by "fits and starts". This is one of those easy, slick phrases that come trippingly to the tongue, and therefore have great currency - "fits and starts". They do something now, and they do something quite different in six months' time.

It is very odd - if you consider that that criticism has validity - that the country appears to have proceeded with such a remarkable degree of stability all these years; that really, the ship hasn't shown any signs of foundering. It has encountered storms; it has had its difficulties. But it goes on; its voyage continues. And for 99% of the people of Australia it is a very happy and successful voyage.

Why then is it said that we proceed by "fits and starts", that we change our mind?

Now the answer to that is, that the people who make these criticisms fail to understand the difference between an economic policy and the measures that you take to give effect to it. Because a policy may be constant; but the measures taken to give effect to it must vary from time to time according to the circumstances. To take another metaphor: the strategy remains the same, but the tactics have to accommodate themselves to the circumstances of the month, or of the year, or of the day, sometimes.

It would be a very stupid Government, indeed, which having said "This is our policy: we believe in stabilising so far as we can the value of money. We believe in building up the population as much as we can. We believe in having employment to the fullest extent" - all this kind of thing - if, having said that, it took no notice of the circumstances at all and just went blithely on as if nothing had changed.

Let me give you an example of that which is sufficiently detached from the Government to make one impartial about it.

The Central Bank has an enormous responsibility in dealing with credit policy, in dealing with monetary supply. And one of the things that is available to the Central Bank for its purposes, is a certain instrument which enables it to affect the liquidity of the trading banks and therefore their capacity to make advances to creditors. And that is the procedure of the Special Account, Special Reserve Deposits.

If the Central Bank, desiring to maintain stability in the liquidity of the bank over a term, finds that the liquidity is getting too high and that advance policy is therefore making credit rather inflationary, it can call up the Special Account. (I'll call it "Special Account" because that was the old name). It can call up deposits from the

Banks to Special Account. And that means they take some of the liquidity out of the structure.

In three months' time, pursuant to the same policy, but dealing with the circumstances as they arise, it may be releasing money to the banks from Special Account in order to increase their liquidity. Because the circumstances change, quarter by quarter. You could, quite simply, draw a graph showing what the normal movements of liquidity are in the Banking structure, quarter by quarter.

And a sensible Central Bank, it pulls in or it puts out, according to the circumstances of the time. Because its objective is to maintain a steady management of the liquidity position of the banks.

Nobody says that the Central Bank is proceeding by "fits and starts". Because most people, I think, realise that that is what a Central Bank is for. A Central Bank ought to be watching things every week, and every month - and it does - and taking whatever adjusting steps are within its power to achieve its overall purpose. And the same is true about Governments.

Unless you are prepared to make your policy apply to changing circumstances, then your policy will come to ruin.

Now what is our broad policy? I won't profess to state it exhaustively, but I will mention eight or nine aspects of it. You need have no fear that I am going to elaborate them. Nor do I put them in any order of significance but just as they come to the mind.

To restrain inflation: Now that is a great principle of policy. It is not very easy. Certainly not something that can be done by a single stroke, or a single act - not at all. To restrain inflation involves the use of a variety of weapons, from the Central Banking procedures outward. And those weapons must be used according to the circumstances of the time. You may tighten up on credit today; you may loosen up on credit in three months' time. Both will be pursuant to the same policy.

Recently - to take the most up to date example - we announced early this year - do you remember? - I announced myself a four-point programme, one of the points being that we would strongly support the Central Bank in its restraint upon credit. And we still continue to say that.

But we know perfectly well that a restraint upon credit, which may have to be particularly powerful in a particular time of the year, for a variety of reasons, may ultimately have to be eased out so that you don't get too acute a deflationary effect.

And so it is quite possible to be restraining credit hard in December, and letting credit out in June.

These are not inconsistencies; these are merely the sensible applications of the one policy, the policy being to restrain inflation. And, of course, under our current circumstances something intimately associated with it to protect against undue run-down our overseas reserves.

We have a policy - a second item in our policy - to maintain employment. This is tremendously important, socially and humanly, in the country.

But full employment sometimes becomes, as at present, in at least New South Wales and Victoria, over full employment, with all the consequent troubles of increased turnover, loss of efficiency, increased costs. And a Government must watch that kind of thing, ready, occasionally to help, where there is some unemployment developing, by making provision for loan money and so on, as we have from time to time in the course of the last few years; ready, on other occasions, to put some pressure on the economic system to reduce the liquidity of the banks, to reduce, or control, advances of credit, partly so that over-full employment may not exist or be continued, with all its evil, economic consequences.

We have a policy to build up population. And, in fact, that has been maintained, I think, remarkably, when one considers the aspects of this matter which, from year to year, have made us wonder whether the inflationary pressures of population growing at this rate by migration, were not too great.

But we have in that particular matter accepted the risk. And I think with the warm approval of the people of Australia. The result is that the country is far richer, far more productive, far more solidly based, far more capable of resisting depression, than it was 10 years ago, if only because it has all these hundreds of thousands, and now well over a million, of people who have come from other parts of the world, and have brought their own skills, and their own contribution with them.

We have a policy to develop our basic resources. and we have had the opportunity of giving effect to that in some rather dramatic ways, the most dramatic, of course, being the great Snowy Mountains Scheme. Another one in Queensland on which we have ultimately been able to make most helpful arrangements, is the Mt. Isa Railway in Queensland. One could give other examples. But these are just sufficient to point out that this is one of our great items of policy; that the country's basic resources should be developed.

But they won't be developed if we lose control of the value of money, if inflation gets utterly out of hand. Because unless inflation can be checked, sometimes by stern measures, always unpopular measures, then we will find that the money is losing its value so quickly that loans will fail, we will have to redeem all the war loan that comes in for conversion, instead of having it converted into new loans, and the effect of that on the Budget could very well be disastrous.

Therefore while we seek to develop our resources, don't get the idea into our minds that you just have to think of something, put it down, and start doing it. Because whether you can do it at any particular time will depend, very largely, on your general view of your economic and particularly your currency position at any given moment.

Another item of our policy is to encourage production. And I venture to say that there has been a very considerable amount of success in that field, for which Liberalism all over Australia, Federal and State, I think, can claim considerable credit: the encouragement of production - primary productions, secondary productions. But that doesn't mean you simply say, "Well that's our policy. Therefore anybody who wants a protective tariff can have it. Come along in the morning and get it". No.

In all these matters there must be judgment as to the merits of the proposal, as to how it fits in with the general community interest. And if you are going to have judgment of that kind, then you don't exercise it on January 1st and call it something done for the rest of the year. Because the thing about judgment is that judgment has to be exercised every day of the year, as all the circumstances change or develop or whatever may occur to them.

We have a policy to increase our markets overseas. This is one of the great problems on which I believe immensely good work has been done. And I pay tribute to my colleague, the Minister for Trade, for what he has done in that field by his terrific energy and enthusiasm. I believe, and he believes, that we have just scratched the surface, in effect, so far - that there are markets available for Australia, not just for Australian wool, or whatever it may be, but for things that we make in Australia, things that we process in Australia, markets available which will surprise us if we can go about getting them in the right way.

But we will have to find out the circumstances of every case. We may have to adopt methods that are new in some old countries, and methods that are old in some other countries. Judgment, judgment has to be exercised from day to day and from month to month.

But if it turns out that some trade promotion policy is adopted in Country A and happens to be exactly the opposite policy to the one employed in Country C, I hope I won't be told that we don't know our own minds. On the contrary. It will be the best proof that we do know our own minds, and know how to deal with individual cases in an individual way.

I mentioned earlier about our reserves. That is another great item of policy. Continuity of trade is essential to Australia. We are one of the great trading nations of the world, in absolute terms.

Some countries have a tiny fraction of their total trade moving across the seas. We have an enormous fraction of ours. We are intrinsically one of the great trading countries of the world.

For the maintenance of our standards of living, so high, as they are, it is essential that we should at all times be able to ensure the continuity of trade, ensure a reasonable flow of imports, to match an outflow of exports by maintaining overseas financial reserves which will act as a buffer against a sudden decline in export income, or a sudden onrush of imports.

All this, in a financial sense, is quite elementary. But to maintain reasonable reserves abroad again requires, not some dogmatic idea that having said something goes in March, you must continue to do the same thing in September, but a sensible approach which says to you: "You watch your reserves; if they are building up, then you may be in a position even to encourage a further inflow of goods into the country; if they are not building up, but are running down, then you must watch that. Because after all, if you get to a point you may have to do something rather drastic about imports" - and that is the last thing that I want to have to do, nor am I contemplating it - "but you may have to take measures."

And, of course, on top of all that, don't forget

that the flexible, and yet successful way in which these things have been handled, has been looked at by the rest of the world. The most important critics are not those in some newspaper here. The most important critics are the shrewd people overseas who have their own funds to invest and who make it their business to know exactly what the economy of the country is in which they propose to make an investment. These are the people whose opinion may be valued.

And with all our "fits and starts", a few years ago I was able to say to you that private inflow of capital amounted to £100 millions a year. In the last financial year it amounted to £200 millions.

It is important from our point of view, not only to the development of our economy, to the employment of our people, but also to the maintenance of adequate reserves abroad that we should continue to enjoy this inflow of capital. That is our policy. It is not the policy of our opponents. But it is ours. And because that is our policy, it becomes even more important that we should constantly watch the movements of inflation or deflation; the movements of credit expansion; or of credit contraction; the movements of our overseas reserves. Because, it is upon the securing by flexible judgment from month to month of the best results for stability, that this great inflow of capital will depend.

If the economy of Australia was as jerky, as uncertain, as some wishful thinkers would have us believe, we wouldn't be receiving the tangible confidence of the business world to the extent that we have been receiving it. And it is vastly important, therefore, that all of you who are so important in this organization - who carry so much authority in this organization - should find yourselves able to reject some of these superficial criticisms, and to understand why it is that a domestic economic policy which isn't flexible, which isn't prepared to appear to reverse direction in three months or six months, would be a dangerous policy.

We have another item of policy and I will just mention it before I conclude: to increase facilities for higher education.

Now this is a matter of great contention. The Commonwealth began, at the time we came back into office, apart from finding some fees for rehabilitation of trainees and so on after the war, had no educational obligations in terms of money outside its own territories. None. I - because I confess that it all began with me - said, "We must do something about the Universities because the Universities are going to close unless we do. No State can carry the burden of University training to the extent that it is going to be demanded in this country".

Dear me! Every figure that the Murray Commission set down by way of prophecy of University population has been falsified. Before we are ten years older we will have a hundred thousand people qualified for, and demanding University education. The capital expenditure, the whole vista, even as one could see it eight years ago, was quite appalling, and to my mind, something that no State, within the normal reasonable limits of its Budget, could hope to accomplish.

The only alternative then, would be enormous increases in fees, something which would frustrate University development, or something that one waits for rather in vain in a country where there are rich people, a much more enlightened outlook on the responsibility of the rich for their Universities, than we have seen so far.

I mention that just for good measure. Because if one goes to America one sees exactly the opposite so remarkably demonstrated.

Now we have taken it on. We had the Murray Committee's report. We adopted it. It cost the Commonwealth over a three-year period, £20 million. This, as we looked at it at that time, was a fabulous sum of money. We have just had the first report of the Universities Commission for the second three years and the Commonwealth contribution goes from £20 to £39 million, and the States even greater.

Now why am I mentioning that to you? Just to say, "What a good boy". No, not at all. But to point out to you that the people who are constantly coming along and saying, "If you can do it for the Universities, you can do it for everybody else, for every other kind of school" have no conception of the financial implications of these matters.

When this thing began eight years ago, nine years ago, whenever it was, one or two of my colleagues said to me, very sensibly, that "if you once get into this field, you will be told you have to find money for secondary education as such and primary education as such, and aren't we buying into a dangerous field?".

Perhaps in my folly I said: "If we can strike a good blow for the development of the Universities, the tertiary educational places in Australia, we will do something that will have its reaction on all forms of education and training in Australia, and we will deserve well of the Republic.

So, I tell you about that in order that you may understand quite clearly that in this great field we have voluntarily, with no constitutional obligations whatever, accepted these phenomenal financial responsibilities. And we ought to be busy making it clear to people, how good this is, how great this is for a great Australia in the future, instead of succumbing to the rather slick logic of the people who say, "Well if you can find it for one purpose, you can find it for another".

The ninth principle of policy is to maintain industrial continuity of work on just terms. And there again, to an astonishing extent, this has been achieved. We have been flexible. We have from time to time made changes in the industrial arbitration structure, admittedly one of them forced on us by a High Court decision, but the others were made as an exercise of judgment from time to time. In the result, while all stoppages, or threats, are well advertised, the fact is that there has been a greater continuity of work, and therefore a greater effective contribution to productive effort in Australia, in the last ten years, than I can ever remember before in the political history of the country.

Now, Sir, all these things are our policy. As I have said to you, they all require individual treatment: you must adapt your tactics to the circumstances of the time - your fiscal action, your credit controls, your import policies. All these things must be applied with intelligence, with judgment. We must never be afraid to undo what we have done, when undoing it was always contemplated at the time we did it, as one of these flexible instruments of policy. We are not to be nervous about that. We won't have been changing our policy. We will have been giving effect to it.

Now I hope that what I have been saying to you on that field doesn't strike you as too much of a technical, or

academic exercise. It isn't. I think there is nothing more important than that we should go into the last year of a Parliament, not barren of ideas for the future, but that we should go in, feeling a proper pride in what, between us all, we have been able to do, feeling a proper confidence in the future of the country.

I don't believe for one moment, having regard to the history of our land and its recent experiences, that the people of Australia are going to hand the matter over to people who have shown a much greater faculty for quarrelling with each other, than they ever have for understanding the simplest problem of the nation. I don't think that is going to happen.

But we are not to live entirely on the division of our enemies. It is far better to live with pride, with courage, with confidence in our own faith and in our own right. (Applause)
