

SPEECH BY THE PRIME MINISTER, THE RT. HON.
R.G. MENZIES, AT THE COMMONWEALTH CLUB,
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Mr. Chairman, Mr. Premier and ladies and gentlemen:

That last remark 'You are just as welcome as you were 27 years ago' is one of the greatest masterpieces that I have ever listened to. Because, you see, 27 years ago it didn't matter what I did, so far as you were concerned - I was acting Premier of Victoria. (Laughter) The Chairman conceals the intervening period except for the time when I came as Leader of the Opposition. But there are one or two other preliminary remarks that I would like to make.

First of all, when I was standing out in the lobby seeing the "great" go by I was delighted to encounter Stanley Skipper. (Applause) He looked to me to be almost exactly as he was when I first knew him a mere matter of 32 or 33 years ago. And he said to me "I have been practising at the Bar for 60 years." Well if he had been a politician I would have said, "You're a liar!" (Laughter) But you don't talk like that to distinguished lawyers. However I am delighted to know that he is here; and fascinated to think that this Club, now so well known all over Australia, was established by him - what 50 years ago? It seems almost unbelievable.

Now you said, Sir, that I must have forgotten what it was like to be Leader of the Opposition. On the contrary I remember it very well. And I remember some of the rules for getting out of Opposition and getting into Government. But I am keeping them to myself. (Laughter) Why should I egg on my friend Mr. Walsh? (Laughter) Why should I give the priceless secrets of the art of Opposition to my friend, Mr. Calwell? Certainly not! Some day I will write a chapter in a book about it. That will be, I think, rather helpful to whoever is leading the Opposition then. And who knows who that will be?

Now I know that this is not a political gathering in a Party sense and I don't propose to make any Party observations. But I would like to say a little to you about one of our domestic problems, our national domestic problems, which has an international flavour; and something about the international problem itself.

Perhaps I might say something about the second, first, because I was reminded of it when the Chairman was introducing various people and we were applauding them. I have the bad old habit, if my left hand is otherwise engaged, of smacking the table by way of applause. I had to go to the General Assembly of the United Nations to discover that that is not done any longer. Because the first time at the General Assembly that somebody made a speech that I agreed with - and that didn't happen for a couple of days - (Laughter) I beat on the table in front of me, only to find myself checked by my colleagues who said, "No, no; no, no. When you smack the table, that's disapproval. Look at K. and his colleagues along there." (Laughter) And of course when your disapproval is exceptionally violent the drill is to take your shoe off and hit the table with your shoe. (Laughter)

But I couldn't help thinking at that Assembly what a strange world it is that we live in - twelve or thirteen new members of the United Nations last year, most of them from Africa in particular. New nations, the very names of some of which most of us had never heard. And they are members of the United Nations. In round figures now a hundred nations in the United Nations; and people making a play for their support,

particularly our distinguished friend Mr. Khrushchev. Everything directed to propaganda; to either terrorising people or persuading people or demonstrating the weakness of the effete Western powers. It means that we have entered into a phase of international affairs that is almost infinitely difficult.

We are a little bit inclined ourselves, aren't we - most of us I think are - to assume that when a country wins independence, all you have to do is to say to it, "Very well now, you just have a Parliament, and elect a Parliament, and get a Government and everything in the garden is lovely?". It is quite untrue. Most of the new nations will go through periods of practical dictatorship before they ever achieve what we would understand to be a system of self-government. You can take the whole of the African countries, with the possible exception of Nigeria, which has been brought to self-government by splendid degrees by the British authorities, and which has, incidentally, a magnificent Prime Minister, but with that exception you may take them right across and you will find that almost inevitably the head of the Government will do things that no head of a Government in Australia would dream of doing - except perhaps the Premier of South Australia.
(Laughter) (Applause)

True, there is a Parliament. But as I said to one of my distinguished friends from one of these countries only last year, "Tell me, is your Opposition Leader still in gaol?"
(Laughter) And the answer was, "Yes".

Well these things are slightly different from the circumstances that we understand. And they mean that there are a great number of these new countries, particularly in the north of Africa and the centre of Africa whose constitutional future, if I may put it in that way, remains uncertain or, at any rate, experimental. Now this throws a great responsibility on the rest of us: not to be in too much of a hurry to think that our system of government is necessarily the right one for them, but to develop an attitude of sympathy and helpfulness.

I know there are some people who say that "charity begins at home" and who have some reluctance about the substantial sums of money that Australia finds under the Colombo Plan, under various aids of an international kind. I want to say to you that what has been done before must be vastly increased in all the Western world in the future if we are not to permit such economic disorder to arise in these countries as will make them readily responsive to the Communist pressure.

Not long ago the Communists of the Soviet Union and the Communists of China had a great Conference in Moscow. It must have been a pretty lively one judging by the echoes that have reached my own ears, because there are material differences between them. But in the long run what they appear to have emerged with was this: "We are not going to seek to achieve our aim by overt military action because that involves too great a risk of destruction. But we still will seek to achieve our aims of Communist propaganda by means of persuasion, pressure, threat and economic penetration."

You may take it, that as I talk here today the economic penetration goes on in all these new countries in Africa and in all the countries of South-East Asia which stand between Communist China and ourselves, the pressure goes on. If this is to be met it will be met not merely by military means, because the other side exist on internal lines of communication and are, in a military sense, much more compact than the Western world can be, but must be met by encouraging

mutual understanding, by extending economic and technical assistance to the very limit of our capacity. If we don't if we say "What has that got to do with us?" then we will, some day, we or our sons and daughters, have a very rude awakening.

It used to be said about us in Australia - and not so long ago - that we didn't care a hoot about international affairs; they didn't concern us. There was a certain amount of truth in that charge. I think we take a vastly greater amount of interest today in international affairs than we did. And I hope that is true, because disaster for us won't be the product of internal events; it could be the product of events engendered in countries outside Australia altogether. Therefore we must play our part:

It is one of the tragedies, I think, of modern thinking that the United States of America which has done out of its wealth so much to help new countries, so much to help underdeveloped countries, should have received not many thanks, a good deal of abuse, a good deal of misunderstanding. And I warn you, as I warned the General Assembly when I spoke there, that the great stroke of propaganda that is being engaged in is an attempt to persuade ordinary men and women, particularly in the uncommitted countries, that the whole argument in the world is an argument between American capitalism and Soviet communism, with all the rest of us, presumably, just onlookers. This is a ruinous alternative. It isn't a case of the United States against the Soviet Union. It is a case of free countries, with free institutions, against countries with slave institutions - not America versus the Soviet Union, but Communism against all the rest of us.

I turn away from that subject although those things came prominently into mind in looking at the representatives of 99 different nations at the United Nations last November.

Now I want to say something about one of our own problems which has an international flavour. Every now and then some Government - it happens to be mine at present - sets out to do something about our balance of payments, about the state of our overseas reserves. And a lot of people - very naturally, I don't blame them at all - say "But why couldn't these things have been fixed up once a year, or once in two years; why don't we have some steady consistent, unchanging approach to these matters?". I want to say a word about that.

Why do we have balance of payments problems in Australia? Why is it that the balance of payments problem for Australia is probably more acute, more changeable, more subject to violent fluctuations than is the case in any other country that I know of? We need to start by understanding this. You see the great bulk of our exports to the world consists of primary products - wool and wheat and meat and butter and so on. And the price that we get for these things varies very sharply. If there is a rise in the price of wool our export income is up £80 million, a £100 million; everybody is happy. If the price of wool declines by £80 or £100 million then exactly the opposite state of mind is produced. And apart altogether from the state of mind, you can see the export income of Australia going up and down, year by year, like a yo-yo. This is one of the remarkable things that applies to our export earnings.

But while our export income rises and falls very sharply our demand for imports doesn't fall very sharply because the demand for imports depends so much on the internal purchasing power that we have in the country. And as we have

been going through a quite remarkable boom in Australia the local purchasing power is high, and so the demand for imports is high. In spite of all recent measures the import bill in January was considerably higher than the import bill in December or November or October. We have an almost insatiable appetite for imports. When we have bought all that we can buy here we buy imports. And the result is that you tend to have a high line on the import side, and a fluctuating line on the export side. And therefore your reserves go up and down, and measures have to be taken from time to time to arrest the fall lest the fall should become inveterate and involve you in serious international troubles. In other words most of the time, internationally speaking, we live beyond our means - we use capital, as a nation, to pay for our purchases on current account. No business man would do that - and no Government ought to do it. Therefore, constantly, Governments - I don't care what Government it may be - find themselves compelled to do something about this marked fluctuation in our balances of trade.

You may say to me, "Well, why doesn't that trouble other countries?". Let me point out to you that in actual total figures, not per capita, Australia is one of the eight great trading nations of the world. In the first eight! It is a remarkable thing for a little country of ten million people - in the first eight trading nations in the world. And so constituted is our economy that our international trade is a far greater proportion of our total trade than is the case in the United States of America, or even in the case of Japan - though we think of Japan, don't we, as a formidable and aggressive international trader. A greater proportion of our business crosses the seas than is the case in either of these very great trading nations. And so we are more vulnerable.

If somebody could come along and say, "Well here's a beautiful notion, the world is going to stabilize the price that it will pay us for our wool", it would be a marvellous episode - as long as it was stabilized on the right level. If these things happened, so that our export earnings moved very little in one direction or the other our position in relation to the whole of our international trade policy would be much easier, and our balances of payments would present much smaller problems.

But it happens that in the last seven years the terms of trade have moved steadily against Australia. If you took the terms of trade at a sort of parity of 100 in 1953, they are now 65. The terms of trade have moved more sharply against Australia than they have against any other country whose figures are recorded. Now that is not the fault of Australia. It merely means that our exports are not commanding the same price and that our imports do command a high level of price. Therefore, translating it into the terms of trade we are in an adverse position.

How this matter ought to be solved in the long run is, of course, a problem for all of us. How it can be dealt with in the short run is a problem for all of us.

Talking about the short run first we speak, very properly, about increasing our exports. That is right. But all the matters that have been discussed about increasing our exports are in essential terms long range matters. You don't suddenly increase your export of manufactured goods over night; you don't suddenly over night increase the export of beef from the North; you don't attend to any of these things just like that, hastily - they are long range remedies. But in the short

run any Government may have to do some very difficult things because, for the reasons that I have mentioned to you, you can begin a year with overseas reserves standing at a handsome figure like £500 millions, and end the financial year with them standing at £250m. This is an enormous fluctuation. This doesn't occur in a country like Great Britain where the exports are manufactured commodities and there is, therefore, a greater stability of price and production and sale.

Because of this fluctuation there are those who say - and I respect their view very much - "Well in order to meet that, in order to keep your reserves at a stable level, since you can't control the price of your exports, you can't control that variable line, you must have a variable line of imports by having a fluctuating series of physical import restrictions". Now I wonder what the business community in Australia would think of that, if you had a system of import controls which varied roughly with the line of our export income so that it was here today and gone tomorrow, up next month and down a few months later. I don't think, you know, that that is practical politics. You may impose restrictions on imports to give you a sort of average result for a reasonable period of time, but you really can't have your import level, by Government action, fluctuating with the same degree of rapidity up and down, as your export earnings.

This, therefore, presents a problem which is not to be solved over a dining table or between two club arm chairs. It doesn't possess the noble simplicity that so many of us think it does. The fact is that doing what we can in Australia to deal with these abnormal short term variations, we must increasingly look for the long term solution. And the long term solution is that this country should become an exporter, not only of wool and these great commodities that we have lived on internationally, but of manufactured commodities. And why we shouldn't I don't know. It won't happen overnight. I have an infinite belief in the skill and resourcefulness of Australians, whether they are employees in a factory or managers or whatever they may be. And I don't think that we ought to despair, with all this great new Asian world opening around us, of being able to match the United States of America or match the United Kingdom in the production of goods for export.

The great point about it is this. Many of us here today remember the depression of the early 30's. That depression arose from a variety of circumstances, most of which were entirely outside Australia. But one of the circumstances was that the price of our export commodities fell to the gutter almost overnight. The price of wool - you remember it? It seems fantastic to look back on wool at 6d. or 7d. The price of wheat - dear me, nobody would believe it if they didn't know about it, and you just told them as a fable that at that time the price of wheat was getting down to under 2/-d. a bushel.

The result was that with our export income drying up we became no longer an interesting subject for overseas investment; the capital market dried up and we found ourselves confronting a tremendous economic crisis. So tremendous that, although we now get a little disturbed if unemployment rises to three quarters of 1% of the work force, by 1939 as I well remember, we were rather content because unemployment had been reduced to 10% - not three quarters of 1%. These days ought to be remembered for those reasons.

But the great reason for all this was that economically we stood on one foot at that time. If our export income fell down, we didn't have the internal economic structure of manufacturing, primary, secondary and tertiary industries to enable us to absorb the shock. That kind of thing couldn't happen to us today because this is now a powerful industrial country.

You look back to South Australia before the time when the Premier and I put our heads together to move munitions establishments into this State and begin a great era of industrialisation. Why if you go back to 1930-31 in South Australia here was a State dependent entirely on primary production and therefore liable to all the unprotected shocks of changes in the world market. But today it is a great industrial State. Australia is a great industrial country. And therefore we are able to balance ourselves. What I am saying to you is that in the long run if we are going to avoid in future having too frequent changes in the application of monetary and financial policy we must strive to be in a position where not only in domestic terms we stand on two feet - primary, secondary - but in export terms we stand on two feet - primary and secondary. When we do there will still be some fluctuations in our export earnings, there will still be some movements in our balance of payments, of course. But they will be much more gradual when they are composed of a variety of elements instead of depending entirely on one.

Now, Sir, I am sorry-I told you, you told me - that I was to finish at five to two and at present I am in that chastened mood in which I am everybody's humble and obedient servant.
