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A TALK TO THE NATION

Telecast and Broadcast by the Prime Minister, the  
Rt. Hon. R.G. Menzies, on 8th June, 1961

Ladies and Gentlemen:

For once in my life, as you might say, I'm going to talk about politics - not about party politics, but about the policies of the Nation, the policies that you have been reading about, hearing about and many of you, I've no doubt, have been criticising most heartily.

Political policies of these large proportions have a great effect on your job, on your income, on your whole standard of life, and therefore you have a perfect right to be told occasionally by those whom you have elected to Government what it is they are doing; and how it's going on.

Therefore in the first place I would just like to say to you, because I haven't very much time, I would just like to say something to you about the policy: what is the basic objective that we are after? After ten years, I think you will agree, of unexampled prosperity, in 1960 we ran into a boom, a boom that was large and threatening. We all felt, no doubt, very happy about it except those who were contemplating what would occur when it burst. And what we have been setting out to do in these last 12 months is to quell that boom, to bring it down to a normal state of prosperity and advancement, not an inflationary condition that hurts so many people, but a stable condition.

Now stability doesn't mean that you are just going to get down to a dead level and stay there. Stability, by itself, is no good to Australia. Our population is going up; we have an enormous territory; year by year all sorts of new things are being discovered. This is really the most exciting country in the world. And people overseas, more and more, think so. Therefore when I say "stability" I'm talking about stability as the foundation for a tremendous growth and expansion. But we believe, and we think rightly, that unless you have stability in the sense that the inflation is not running away with you so that the whole value of money changes all the time, unless you have that, you will never attract the investment that you need, you will never have the confidence that you need for developing the country.

Now that is what the policy has been in the broad. That policy, of course, has to vary in its application because circumstances change so frequently, particularly in the case of Australia.

Here we are, an exporting country, with exports that are primarily the products of the land. If there is a drought, our income falls; if the price of wool goes down, our income falls. We are very very subject to fluctuations of this kind and therefore the Government has the immensely complicated task - I think more complicated than most people realise - of doing what it can in its own fashion to stabilise conditions.

Now we have applied this policy in various ways. I won't go into them tonight because you are familiar with them. But perhaps I should say something to you about, first of all, why I believe that it is essential to get rid of the boom because - and here are my reasons as quickly as possible - in a boom costs rise, prices rise. This is all right for people who can stand it; it's no good to people on fixed incomes; it's no good to people on social services; it's no good to the savings that you have in so many hundreds of millions in the Savings Banks, and otherwise invested. And, above all, it's no good to our export

industries, because when the cost of their production goes up they can't pass it on to somebody else. Their price is what the world will give them; just as it is in the case of wool.

Because of that, it is essential from our point of view that we should keep the inflationary processes under control. It would be a terrible thing for Australia and a very bad thing for our future if some day we found that wool itself had been priced out of the world's market; or that the taxpayers in Australia had to subsidise the production of wool. This would be a deplorable state of affairs.

Well we have applied these anti-inflationary measures, and, I think, with some result.

First of all our overseas funds were running down. Now these overseas funds sound a little mysterious, but in reality they are substantially what has been paid for our exports overseas, less what has been paid out for the imports that come into Australia. You always have to preserve some sort of substantial balance overseas. Some people think you ought to have the cost of six months' imports; some may put it a little lower. But at any rate you can't afford to have your overseas funds running down so fast that overseas people lose their confidence; or you are not able to pay for your imports. So that it is very important that the overseas funds should be maintained, themselves, in a stable position.

Well, at the beginning of November when the last measures were announced we were quite apprehensive about what was happening to the balance of funds.

But as a result of the various measures, as a result of the effectiveness of the credit restrictions as the greatest anti-inflationary measure, our reserves have not been running down to the extent that we feared, and will, in fact, end the financial year in a healthy state. So that that particular danger has, I think I can say quite confidently, been averted.

In the second place we thought that the most effective fairest way of reducing an excess of imports, particularly of consumer goods, was credit restriction in Australia. And that has proved to be right because in the month of May that we have just concluded there has been quite a notable "turn down" in the volume of imports into Australia.

Now you may say, "Well all this business in Australia has created great trouble; there's a little unemployment; there's some loss of confidence" - and I'll say something about that in a moment - "Isn't this a great price to pay for controlling your overseas funds, and controlling the inflation?" Well it isn't a great price to pay. Do you know this: We are here - or I'm here and you're there - I'm available to be criticised, I don't mind it, I'm used to it, we have a lot of critics from time to time in Australia. But the people outside Australia who are shrewd, hard-bitten investors, who are looking for a country in which they see opportunities for expansion and development, these people, so far from being frightened off by our policies, have come in more and more. Do you know that in 1959/60, the previous financial year, the investment of overseas capital in Australian business - I don't mean borrowed by Governments but actually in Australian factories, businesses - was an all-time record? It ran into hundreds of millions. This year, in spite of the events, in spite of the criticisms, there is such approval of policies of stability and development in Australia, that the investment of funds is larger than it was last year.

Quite frankly I didn't expect that. I thought that with the inevitable amount of dislocation that must occur when you are dealing with a boom - because you have got to hit something if you are going to deal with a boom - I thought "Well, this may make people a little wary outside". On the contrary! Obviously our credit in the rest of the world has never stood higher.

Now the only other thing that I want to say to you in the time that I have is this. Don't let people persuade you, don't let anybody persuade you that you are living in danger of a depression. If the boom had been allowed to go on it could easily have produced a burst. Our grandfathers could have told us about that in the nineties, in the great land boom and bank smash. The right way to deal with these matters is to avoid the excess of the boom, press it down to get it back on to an even keel. And if we do that, as we are doing, then of course we are not going to have a depression.

We won't have a depression unless the people of Australia lose faith in themselves. Now I don't mind you losing faith in me - you've been very kind to me; you've had some faith in me for a long time. But whatever you do don't lose faith in yourselves.

Every material element in Australia marks us for another 10 years of the most remarkable national growth. These troubles are passing troubles. I'm not denying that there has been some lack of confidence. We're conscious of that. That, indeed, has been one of the real reasons why some productive industries in the manufacturing side in Australia have had orders falling off. Not because people are unable to buy, but because there is a little hesitation: "I wonder what is going to happen: I wonder how long this is going on".

Now, ladies and gentlemen, I tell you I understand that feeling. I don't think it is well-founded. I beg of you, go about your affairs in a normal fashion, do your spending in a normal way, because these policies are temporary policies. As we recover from the inflationary pressures, so will all these policies be diminished. They are not put on forever; they are not put on for fun. They are put on for a purpose, and as the purpose is achieved so they become no longer necessary.

Now I am a complete optimist about our future. I undertake to say that by this time next year many thousands of people in Australia will wonder what they were worried about, because I believe that the maladjustments, the little bits of difficulty that occur here and here, the amount of unemployment that exists, and which nobody likes, these are temporary things. The permanent thing in Australia is that we have a remarkable country, a rich country - it's going to be increasingly rich as we work at it.

But the great elements that we need are a good foundation to build on - that's stability, that's cutting out booms - a clear vision of growth and expansion in the future, and in the individual heart a decent confidence in your own country. All I can say is I have an unlimited confidence in an unlimited future for our country.

Goodnight ladies and gentlemen.

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