

PUBLIC MEETING AT BURNIEon 4th July, 1961Speech by the Prime Minister, the Rt. Hon. R.G. Menzies

Mr. Warden, parliamentary colleagues and ladies and gentlemen:

I won't need to tell you that the hero of that story that the Warden told you was my old friend Sam Bird, whom I missed very much indeed when I called at the "seat of the great" this afternoon to see the Warden himself. I said, "Tell me, was Sam warden of Burnie for 20 years, or was it 25?" They took me and showed me a photograph which seemed to show that he was warden only for 9 years. I don't believe it, I don't believe it. And Mr. Bruce, as he then was, wouldn't have believed it either, because he and Sam had this little interlude that you heard about.

Now I am in a sort of dubious position tonight: I'm not here on an election campaign; I rather like to get around the country from time to time when there is not an election on. They are having one in Victoria but it's not mine - it's a State election. No doubt, if all goes well, somewhere towards the Federal election I will be around, as usual, in Burnie, appreciating the beautiful draughts that flow up the streets from the sea (Laughter) and having a good reception, or a bad one, as the case may be. But on this occasion I thought it might be useful not to make a contentious speech to you, but to say something to you about what is going on overseas, and here; and I know that what goes on here has a very particular interest for all of us.

In the last 12 years I have had a good deal to do, rightly or wrongly, with Australian foreign policy; and a good deal to do, rightly or wrongly, with some of the leaders of the great nations in the world. They are nations with whom we do have some influence - that's the remarkable thing to me. We are a small country, 10 or 11 million people, how could we have any influence with great countries with 180, or 200, or 400 millions? But the fact is that we do.

We have some influence because we go to some pains to understand what the problems of the world are, and are willing, on suitable occasions, to tell our friends what our opinions are, and what our suggestions are. It would be very easy for us to nurse ourselves, comfortably, into a belief that the only problems we have are those that we see at our front door. We have, I venture to say, Sir, very much greater problems in the world at large. Because the first problem for Australia is to remain a free, safe country, able to work out its own future.

(To an interjector: I know that you are delighted to think that there are some unemployed - there have been mighty few during my term of office, mighty few during my term of office. Of all the periods of Australian history that you can select the period of my own Government has seen the highest record of employment. (Applause) I know there are some people who, professionally, want to whip up the agony and make things worse, instead of better. But I happen to be talking to you about something that is much more important than you, my friend, or than me, and that is the peace of the world, the peace of the world.)

I was saying something about a matter that my interjector ought to understand, the peace of the world and how it affects Australia. Australia has found itself engaged in two wars in our lifetime. It is tremendously important that we,

as an intelligent and self-respecting people, should do our best to contribute to the maintaining of the peace and security of the free world.

(Interjections)

Now, ladies and gentlemen - I'm accustomed to this kind of thing - but I just want to point out to you that the world, today, is every bit as uneasy as it has been at any time in the last 10 years. We talk about the cold war as if it were something frozen. The cold war goes on because the Communist powers want it to go on; the cold war goes on because by threat and pressure, by blackmail, by violence where necessary, they keep the free nations of the world all agog, all anxious, all more or less standing to arms. This is the tragedy of the decade. And before this year is out we will have discovered whether all this is bluff, whether bluffs have to be called. Because before this calendar year is out we will know whether Khrushchev's talk about Berlin is merely talk; or whether he means war about Berlin, war about East Germany. These are tremendously important matters for us to be thinking about.

We have in south-east Asia, practically next door to us, problems now bubbling up in the country called Laos, and liable to bubble up in other countries on its perimeter. They greatly concern us. Because if the Communist nations of the world can take over an Asian country whose only ambition it is to live quietly within its own boundaries, if they can take over a country like Laos where do they stop? They have already taken North Viet-Nam which is part of what we used to call, many years ago, French Indo-China. South Viet-Nam is exposed to daily acts of revolution and violence within her own boundaries. Thailand, which we used to call Siam, is there with a long land frontier with Laos. And if Laos goes, Thailand will find perhaps, more difficult to stand. If South Viet-Nam is exposed to attack then we have a problem which concerns every nation which is involved in the South East Asian Treaty, what we call SEATO - Great Britain, France, the United States of America, Australia, New Zealand, Pakistan, Thailand, the Philippines. Here you have a group of countries who, between themselves, have entered into Treaty obligations which, or the performance of which, alone stands between us and aggressive Communism in Asia.

When people want me to put an order of importance on to things I am quite prepared to say that the most important thing in our national life is that we should not pass into the Communist orbit in this world. That is the imperative thing for which Australia must stand, and for which every honest political party in Australia must stand. At this very moment there is a Conference at Geneva about Laos, with much manoeuvring going on. I haven't the slightest doubt myself that the Soviet Union are playing for time because they believe the more time that is occupied in discussion at Geneva, the more opportunities will their Communist supporters have to put themselves into a position to take over the entire country.

We cannot be uninterested in these matters. The very reason why we exist in SEATO, the very reason why we hope under all circumstances to keep American interest in South-east Asia, which I am glad to say is great and powerful, the very reason for it is that if the forward surge of Communism in South-East Asia continues uninhibited, then before we are very much older we can look out across our northern seas and contemplate a Communist world as our nearest neighbour.

Now, Sir, having said just so little, or so much as that, about the international position which is, of course, very grave, which will require cool heads and firm minds, firm judgments, and

firm actions, I want to turn to the position of our own country because it happens that after a period of 10 years which nobody will deny has been a period of the greatest prosperity this country has ever enjoyed ... (Applause) (Interjections)

No responsible person - I'll amend my statement - no responsible person could deny that in the last 10 years we have had the most remarkable period of growth in the history of this country. I am surprised that anybody should deny it in Burnie which itself is a magnificent example of the growth that has gone on during the last 10 years.

Right through this period we have attracted enormous capital investments into Australia, we have seen the most phenomenal industrial growth, we have seen the development of national resources on the grand scale, we have been increasing our population by natural increase and by immigration at a rate even higher than that in Japan; and, in the result we have a country so strong, so respected, so worthy of credit in the world, so full of busily engaged people that we, today, represent in the other countries of the world, the most attractive field of investment that they know.

Now this is worth considering. I know there are people who just take a superficial view, you know what I mean, about these things. (Interjections) But I wonder, I wonder if my friend will know what I mean if I say that there is one rather good way of testing the prospects of the development of a young nation like ours. First of all let us acknowledge - I hope we all will - that 10 million people, 10½ million people, can't, out of their own savings, produce all the capital that is required to develop a continent the size of the United States of America. That is pretty obvious isn't it? Therefore if we are going to develop our resources, if we are going to have great water supply schemes, great power schemes, and great mineral developments, then we must be able to look to the rest of the world for some of the capital, at least, that is required for these purposes. If the people in the rest of the world are not prepared to trust us with their money, then we are going to be handicapped, we are going to be tied down to a lower rate of progress. I want to say this to you that if, over these last 10 years, the investors of the world, the citizens of other countries, had not been willing to invest money in Australia we couldn't have had the immigration programme that we have had, we couldn't have had the same increase in the standard of living, and we couldn't have had the same high level of employment. Now that is perfectly plain English. And I will demonstrate it to you.

About 10 years ago we had a look at the accounts of money coming into Australia to be invested, not in Government, but in ordinary business activity in Australia, and it amounted to something a little under £100m. That was a lot, a great sum of money to have coming in. Last year it was over £300m. And in the current financial year, in spite of the fact that we, who have worked so hard to develop prosperity in Australia, are supposed now to be busy destroying it, the amount coming into Australia from overseas is higher than it was in the previous year. It has reached an all-time record. (Interjections)

(Well if I may put it not in roubles, madam, but in £s Australian (Applause) well over £300m. Australian, and in anybody's language that seems to me to be quite a bit of money)

What happens with it? It develops industry. You go around Australia and look at some of the great industries which give employment to thousands and thousands of Australians and you will be surprised how frequently that its an industry, the financial provision for which has come from outside Australia.

Does anybody complain about that? Is anybody prepared to say to these people, "Don't bring your money here; we don't need you".

I remember making a speech at the last election in a great factory, financed by American capital and my opponent, incautiously, the previous day, said that they objected to this importation of capital, that we were pawning ourselves to the overseas money lenders - a very attractive phrase. But I said it was simple to test. I said to these thousands of men, "You know, you're engaged in earning a good living, a steady living, in a good job with prospects, in this business which is entirely financed from outside Australia. Are you in favour of cutting off the supply of finance? Are you in favour of telling people in Canada, people in the United States of America, they are not to invest their money in Australia?"

I apologise to you for talking so long about so elementary a matter. But I began it and I end that particular thing by pointing out to you that the people who have control of investable funds outside Australia are not to be treated as fools; they are pretty shrewd people. They are just as shrewd as the average financial critic in a newspaper in Australia, just as shrewd. And while a local man wastes his time occasionally by saying "We are confronting nothing but disaster", which is utter drivel, the fellow outside, the shrewdman, who has money to invest, and money to lose, who has to back his judgment with his investment, finds us more attractive this year than he ever did before. Now I ask you to make a mental note of that.

And now perhaps you will allow me to put one or two questions to myself, then answer them myself. I find that is a rather convenient arrangement.

(Interjections)

(Well madam I am sorry to disappoint you, but I like putting questions to myself because I find them intelligible)  
(Laughter, applause)

The first question I want to put is this: Why should the Government of Australia, having presided over these remarkable developments, suddenly go mad and decide to tear down the whole building that they have been working to construct for 10 or 11 years?

Last year, 1960, the prosperity in this country converted itself into a great inflationary boom and I have yet to read any expert, so-called, in any organ of opinion, who denies the existence of the boom, an inflationary boom. Costs were rising, prices were rising, there was a great shortage of labour, with far more jobs than there were men to hold them, or women to hold them, a great shortage of labour, prices rising, costs rising. The effect of that kind of thing is two-fold.

First of all it meant the most tremendous demand for imports. Whenever people feel well-off, whenever overtime is high, whenever wages are much higher than the award rates, whenever there is a shortage of labour, whenever people are feeling good and prosperous, then you will have, always, in the experience of any country like our own, a tremendous demand for imports; because the local production can't satisfy the demand. The result was that imports were flowing into Australia under circumstances which were lowering our overseas reserves - so vital to our solvency - month by month. At the same time, of course, inflation was inflicting grievous injury on people who can't chase the market, but who live on fixed incomes. Whether they are people on salaries, or fixed wages, whether they are people on pensions or social benefits, whether they are people on

superannuation, it is they who are on fixed incomes who suffer murderously through inflation. Therefore social justice required that we should quell this boom, and international solvency required that we should quell this boom.

Now, Sir, it must be at somebody's expense, I'm sure you realise that. I'm sure that you are not so naive as to believe that you can quell an inflationary boom and not touch anybody. Of course you have to touch somebody. The greatest complaints that have come as a result of our measures have not come from people on fixed incomes, have not come from employed people; but have come from others. But you must hit and hurt somebody if you are going to get rid of an inflationary boom.

(Interjection)

(My dear sir the worker is the least affected by this, and will profit most by the success of our policy. All right, I know you don't agree with me, you've registered your point. (Interjections) If I belonged to your Party, Sir, and had no outlook on the problems of the country, I would pray for more and more inflation every month, because that is your only stock-in-trade.)

I have a great responsibility in this matter. It is, of course, deplorable that you should have to encounter any degree of unemployment in Australia. But it is much better to encounter some, by strong measures, and get back to full employment at the quickest possible moment, than it would be to sit quietly by and allow the boom to go on and burst. If it were allowed to go on, and burst, then I want to tell you that unemployment in Australia wouldn't be measured by thousands, it would be measured by quarters of millions. You can't afford to trifle with a great serious economic problem like an inflationary boom.

(Interjection)

(You know I marvel at the vanity of some of you chaps. You sit there and you chatter the same little bits over and over again; I'm sure you have got them written down on a piece of paper. I remember two or three chaps like this years ago at a meeting of mine and they kept saying the most pungent things, but unfortunately when they left at the end of the meeting they left their printed bits of paper behind them. And I read them.)

Now, ladies and gentlemen, let me ask, "What would have happened if we hadn't taken these counter-inflationary measures?" Would it just have settled itself, quietly, with no assistance by anybody? If we had let the boom run on and said, "No, we're afraid to touch it, it will hurt somebody and it will make us unpopular" - as if unpopularity ought to trouble responsible people - suppose we had just stood by and said, "No, we will do nothing about it", the boom would have run on, costs would have risen, prices would have risen. And in the result two things would have happened to this country of ours that I want you all to think about.

The first of them is that our primary industries in Australia, which are our life blood in international trade, which provide over 90% of the whole of the export income of Australia, would have been put at great risk. What a fantasy it would have been if, following the popular course, we had sat down and said "We are not doing anything", and the price of wool had not been adequate to cover the cost of producing wool in Australia, then I want to tell you that this country would be bankrupt in every international sense of the word.

I am not, for myself or for my Government, going to see that happen. We must maintain some hold on these elements of cost, for the sake of our export industries, which have a good battle today in the markets of the world, and may have an even greater battle in the future, much depending upon what happens in Europe. If we are going to hold these exports of ours and these great basic industries, then we must regard an inflationary boom as the common enemy; and instead of complaining about it being dealt with, be thankful that it is dealt with. (Applause)

Now that is one reason. I will just give you one more. In Australia we have six State Governments and a Commonwealth Government. Governments themselves have enormous public works to carry out. I don't think they waste money on them. I have no criticism of the works programmes of the States of Australia, or of the Commonwealth. All I know is that the average citizen in his own district wants them to do more, not less. And what are these public works? These are not fripperies. When a State Government, for example, builds a school, or schools, it is building something vital to the progress of the State; when it makes roads it is doing something vital to the expansion of enterprise, and of commerce; when we spend money year by year, large amounts of it on the Snowy, we are doing something vital for the provision of power in factories in Victoria and New South Wales, and for irrigation in the whole, broad sweep of the Riverina.

You look at any of these public works - housing, schools, roads, transport, water supply, irrigation, power, all these matters that I have been referring to ...

(Interjection)

My friend down here and I are on the same wave length at last (Laughter) He said "Not enough". I think I agree.

But there wouldn't be as much spent on it today if we had an inflationary boom. May I tell you why? Because the money that the States spend on public works, on all these kinds that I have mentioned, comes, normally, from the Loan Market. The States don't use their ordinary revenue to provide capital goods, capital services, capital buildings and works, but Loan money. The Loan Market in Australia improves when you don't have inflation because people have more confidence in a fixed interest investment. The Loan Market dries up when you have an inflationary boom, because people say "The value of my money is running away all the time. What is the point in taking out a 5-year Bond, or a 10-year Bond?" And, Sir, what has happened, in fact, is that my Government, as the first Government in Australia ever to do it, has, every year, supplemented the Loan Market on behalf of the State Governments. We have made up the difference between what the lenders of money would give the Governments, and what was needed for the works programme.

(Interjection)

Ladies and gentlemen let us get away from this. He doesn't understand what I am talking about. But you do, you do. The fact is that unless you can get rid of an inflationary boom the prospects of borrowing money for public works will diminish year by year. Now anybody can understand that. And under the system that we have had this would mean that the Commonwealth itself would find that greater and greater proportion of the money for State works out of its Budget. And what happens then is that the taxpayer of Australia - and that is probably every grown-up person here tonight, and a lot more - has to find the extra money out of revenue for that year.

Does it strike you as reasonable that the taxpayers of 1961 should have to find, in cash, out of their annual earnings for that year the whole capital cost of works which will be enjoyed by their children? I don't think so. I think it is a fair thing that the burdens of these matters should be spread. But the point that I want you to have in mind is that unless you can get rid of inflationary booms, unless you can produce stability in our economy, then the works programmes are going to represent, every year, increasing burdens on taxes and taxes will be steadily increased year by year.

Now I'm not a theoretical economist; I've been entrusted by the people of my country with these matters for a long time, longer than anybody else ever was, and I've got to know something about them. I'm not talking theory; I'm talking hard, practical experience on these matters.

Now, Sir, these are two illustrations of the enormous practical importance of dealing with an inflationary boom and dealing with it strongly, firmly, not being afraid of a little unpopularity over it.

You may think, you know, that we are unpopular. I've been pretty unpopular with some regularity all through my life; and I'm still here. And I don't mind being unpopular in a good cause.

Now, how have these policies of ours been working out? Have we had the discomfort, have we had this temporary phase of some unemployment - not a great figure, but an undesirable figure of course, a miserable figure from the point of view of the people who are out of a job - have we had these results for nothing? Has the policy produced positive results? Has it produced results so positive that we can look forward to a period in the near future in which everything will get back on to its normal tracks, and we will be going about our affairs in the ordinary way? I think the answer to that is "Yes".

There are two or three matters that this policy of ours was aimed at. The first was to protect our overseas balances, money built up overseas in order to pay for imports as they come in. The first thing was to protect those from running away. The fact is that the policy has been so effective that at June 30th, just the other day, the diminution of the balances that we had feared back in November had not happened, because of the policies and the measures taken. I am happy to say that at the end of June ....

(Interjection: Do we have to import things? Can't we produce our own?)

(Well, unfortunately we can't)

(Interjection: Why?)

(If you think that by a stroke even of your pen you could produce in Australia tomorrow £1,000m. worth of goods now imported, then you are the greatest optimist I ever know in my life).

I have no apologies to make about the development of Australian manufacturing during our term of office. It has been phenomenal. I know that something is made, occasionally, of some enterprise that has increased its employment year by year by year over the last 8 or 9 years, not being able to increase it this time, or even to reduce it a little. This is simply one of those

things that happens in any economy. But the point that I am getting at is that the balance of payments position in Australia has been arrested in the most dramatic fashion by the steps taken by us. It was only today, as I was coming across to Tasmania, that I was able to read in a leading article in the Financial Times of London, applauding what had been done in Australia, and this remarkable result.

What about land speculation? Did you like it? Did you think it was a helpful thing? Did any serious married couple of people in this hall, thinking about a house, not worry about the prices that were being run-up for a block of land to put a house on? The land speculation boom in Australia, in all its various forms, was becoming a social menace. That boom has finished.

There are all sorts of other things: the activities in the hire purchase field, admirable up to a point, were reaching such dimensions that people were acquiring liabilities on household goods which they would not be able to discharge if there were one breath of adversity in the family earnings. All this has been quietened down; brought back to a reasonable level. We are not looking for a low-level of activity; we are looking for a high steady level of activity. Therefore when I talk about quelling the boom I talk about bringing matters back to that level at which money, in other words income, wages, salaries, whatever they may be, will maintain some steadiness of value, and enable people to plan their future with some security.

Finally, I just want to say this to you: these are all matters worth thinking about. They are matters, I agree, worth explaining on behalf of the Government from time to time; but, above all, I do want you to believe this simple truth, that 20 men don't go mad, all at the same time, suddenly. If anybody had talked, 12 months ago, about our policy we wouldn't have heard any of these criticisms. People would have said, "Oh, things are going along; in fact they are booming along. Everything in the garden is lovely". And for 10 years, with one or two interludes in which we have had to take stringent measures - and they haven't been extraordinarily popular at the time - for all this period of time, '49, '51, '54, '55, '58, you have voted for us. I don't think many people have regretted that they did. I just want you to understand that if we, in a few matters, take steps which you don't like very much, or which may hurt somebody here or there, we are not taking them for fun.

Now, ladies and gentlemen, I have talked long enough for my good, if not for yours. I just want to say that I am delighted to be here tonight. I really didn't intend to become involved in a political argument; I thought I might have saved that until the next election. But as my friend over there seemed to believe that the next election won't be much good to me, perhaps I was right to take the opportunity of talking about it now. (Applause)

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