

SPEECH BY THE PRIME MINISTER, THE RT. HON.  
R.G. MENZIES, AT THE ANNUAL FEDERAL COUNCIL  
MEETING OF THE LIBERAL PARTY, AT CANBERRA,  
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Mr. President and ladies and gentlemen:

I must begin by agreeing with the President, not for the first time, that we can look forward, I believe, with no kind of pessimism, to the electoral events of the future. It is quite true that we have a very great problem in the Senate, a problem rendered, on the whole, more difficult by some recent unhappy events. But that means that we must concentrate our attention more than we ever have before on the Senate vote, and on the Senate voting. I know that the Federal Executive has had this very much in mind; I know that some of the State Executives, at least, have. When one considers the number of informal votes that come to be put into the ballot box in a Senate Election it is a pretty serious reflection on the intelligence of our people; and a pretty serious reflection on the effect that we have had in making, at any rate, our own supporters understand how to vote. Because don't let us be superior about this: it is pretty safe to say that a good half of the informal votes are cast by people of our political persuasion. And indeed, perhaps more. A lot of work will have to be done. All of us who go and make speeches in the campaign are not to be content just to feel that on the platform somewhere the names of the three Senate candidates are displayed. I think we want to make a great resolution that every time we speak, before we conclude, we will say something about the Senate vote, we will say something about the Senate candidate, and draw specific attention to how you can make an effective vote in their favour. I say that to all my brother practising politicians, to all candidates, and to all those who will be speaking in support of candidates.

Now I want, if I may, to do what I usually have done in the past on this occasion, to say something about one or two issues overseas, one or two external problems, and something about internal problems. I will take the external ones first because as it happens we have, in the last few weeks, almost in the last few days, been witnessing the occurrence of events which will have a profound effect on the future of the world.

First of all we have seen the tragic death of the Secretary-General of the United Nations. Now the Secretary-General of the United Nations occupies a post, the full significance of which may not have been seen when the United Nations was established. But as time has gone on he has become the chief functionary of the United Nations; he has become, in a true sense, its Chief Executive Officer; and, in a very large degree a director of operations which occur under the United Nations: a species of - what shall I say? - managing director with rather more power than the average managing director would possess.

The result has been that whenever the Security Council has passed a resolution - and that does happen occasionally - whenever the General Assembly has passed a resolution, and the Secretary-General has been instructed to take certain steps, it has been he who has been going to the spot, who has been trying to bring contending parties together, trying to arrive at some means of pacification in some part of the world. While Mr. Hammarskjöld had his critics - I was guilty of criticising him myself more than once - I think that everybody outside the Soviet Union regarded him as a man of great integrity and remarkable talent. And now there is no Secretary-General. Now there is, I imagine, a species of paralysis in the administration of the United Nations. And this is the great opportunity for Khrushchev

Last year, in November, at the Assembly, you will remember that he devoted most of his efforts to attacking the Secretary-General, to attacking the principle of a single Secretary-General and of advocating what has now become familiar as the troika - the three horses driven abreast. He said there ought to be three Secretaries-General, one from the Communist countries, one from the West, and one from the so-called uncommitted countries, each of them with a power of vote. In other words three Secretaries-General unable to take a single decision, or make a single step, without unanimity.

Well, of course, as everybody knew, and as he knew we knew, this was a mere attack upon the existence of the United Nations. The whole idea was to render it completely futile because, of course, Communism flourishes in troubled waters and any organisation which engages the support of 99 or 100 nations in the world, most of whom want to have peace, is something that stands in the way of Communist aggression. So all of us understood at that time in New York that this was an attack on the existence of the United Nations - certainly upon its capacity to function. I am hoping very much that this week when the great go there to speak they will make it quite clear that the troika principle in the United Nations is intolerable and will, under no circumstances, be accepted. It is about time that Khrushchev was made to understand quite clearly that there is a point beyond which he can't go. Anyhow this is his great opportunity.

And while this is occurring, and while these threats will be made and manoeuvres performed, there will be great agitation, great pressure: "But we haven't a Secretary-General, we must do something otherwise the whole thing will become paralysed". You see the tragedy of it? All the pressure will be in favour of a quick compromise: we must have somebody, and that is the time in life when you are liable to make errors, and to be forced into positions that you wouldn't want to adopt under any other circumstances. Therefore we are going to witness a very significant week in United Nations history, and therefore in the history of the world, since the Great War.

Now while that is going on we have had some remarkable experiences in Great Britain and, to a trifling extent, in Australia. You all remember that at the last Prime Ministers' Conference we unanimously said, in a declaration about disarmament, that the first thing to do was to bring about a suspension of nuclear tests because, as we said, the danger didn't so much arise from the great responsible powers which have the bomb as it would arise from the extension of this power to other countries less responsible and therefore more likely to bring about, by accident or by design, some great world conflict. The right way to do that was to get an agreement between the great powers, the nuclear powers, that they would not have any more tests either in the air or below the surface. It sounded rather simple. They had been working on it in Geneva for a long time; they had got within measurable distance of each other; there were some arguments left about the nature of the inspection body and how many inspectors there ought to be and what the nature of the managing committee ought to be. But on the principle that you ought to suspend these tests, on the principle that there ought to be international control, on the principle that there ought to be some effective international inspection to see that the agreement was being carried out, on these matters there was no disagreement in principle at all.

Well you know what has happened. The Soviet Union, having gone along month after month, month after month, sparring for time, agreeing to something and then cancelling its agreement a few weeks later, having almost exhausted the patience of the Western world, but not completely, suddenly announces that it is going to renew its testing and poops off six or seven testing explosions within the next three or four days.

Now I have had something to say about that in another place. But I want to say something about it in another connection today. Aren't we a strange lot of people in the Western world? I think we are probably more sensible than most because so far we haven't had anybody attempting to organize 10,000 people to sit down and disrupt the traffic of a city. What for? Because they are against the bomb. We had a poor bedraggled remnant who came up here to Canberra the other day; I gathered from somebody that they were on the same line. They don't go to the Kremlin; they don't go to the people who alone have shown that they don't want to ban the testing of bombs, the one group of people who have absolutely ruined the world's prospects of cutting off further tests. They don't go to them, no. They sit down in the heart of London just making nuisances of themselves, challenging the police to take action about them.

What do they think, if they think at all? It can't be very easy to think if you are squatting in Trafalgar Square, or in Parliament Place. But let us assume that they think. What do they think they think? Do they blame the Government of Great Britain for the fact that there are nuclear tests going on? Or are they, in fact, whether they know it or not, weakening the resolution of the Western world and conveying to Khrushchev and his people the belief that there is an enormous body of opinion in Great Britain which believes that Great Britain ought not to be in the nuclear business, and that Great Britain will not dream of using nuclear weapons, and that in Great Britain there is a wave of pacifism which is completely inconsistent with the will to fight, the will to defend? That is what they are conveying to the Soviet Union. In short, these misguided people are increasing the danger of war, not reducing it. And that I think is something that we have to have very very clearly in mind.

If the complaint is that there are tests of bombs, whose fault is that? If the proposal is that we should, in the West - and I use that word comprehensively because we don't have nuclear weapons in Australia - but if the proposal is that the West should throw away nuclear weapons because of the appalling character of a nuclear war, then all I can say is, to use the famous old phrase that was used about George Lansbury once in the Sunday Observer, "This is the very ecstasy of suicide" - because it would be.

Bury all the nuclear weapons deep in the sea - if you can bury these wretched things deep in the sea - put them out of the mind of man, put them out of the capacity of man to produce, put them out of existence in themselves, and the result would be that in terms of what we are pleased to call conventional forces, the Soviet Union plus the satellites could dominate Europe, could overrun Europe in a few days. And that is not a position that the Western world wants to be in.

There is another matter which is, in a sense, external to us - I want to say very little about it - and this is the discussion that is about to begin over the Common Market. I am not going to rehearse the arguments - you have all had the opportunity at any rate of hearing the views of the Government, and of reading a pretty carefully composed statement that I made on the matter myself - but I would like to tell you, in a summary way, what the procedure is.

At this moment we have officials in London and they are having a lot of discussions on commodities - it may be butter, it may be dried fruits, it may be canned fruits, meat, wheat. All the various commodities that are involved in our trade pattern have been under discussion between our people and other Commonwealth people and the officials in Great Britain. Not with the idea that the British officials can say "Well, that is what

we are going to get for you" because they don't know what they can get; not that our people are saying "If you get that we are quite satisfied". But the real thing is that they are exploring the ground and examining how far it might be possible to deal with this commodity in terms of tariff, or how far with that commodity in terms of quota, or with that other commodity in terms of some special levy arrangement. There are myriads of fashions in which these matters can be dealt with. And they are having, therefore, exploratory talks.

But before long the negotiations with the Six will begin. It is anybody's guess as to how long they will take. The first estimate that came to us was that once begun they might take nine months. There are some now who think that they might not take so long as that, that there might be either sudden agreement, or sudden disagreement on some vital matter. But I think that we have to face up to this fact that the Government of the United Kingdom would not have announced that it was applying for membership and proceeding to negotiate the terms unless it felt that the argument for going in was, from its point of view, tremendously powerful. We want to face up to that. We mustn't just regard this as a sort of debating society gesture. No country like Great Britain, having, after great reflection in 1956, decided to stay out of the negotiations for the Common Market, and now in 1961, having decided to go in to negotiations for the Common Market, makes that tremendous change in outlook and opinion without the most profound thought, and without a pretty clear determination I should think, in its mind, that if it can get any kind of arrangement which seems reasonable in relation to the Commonwealth, in relation to the Free Trade Association, in relation to British agriculture, then it will accept membership on those terms.

Therefore we must negotiate closely, valiantly, intelligently; and we must conduct ourselves in all these negotiations at the moment, and next year particularly, with a sense of responsibility and with considerable authority. For once people have to be reminded, I think, that this job, this enormous negotiation that will affect the whole course of Australian overseas trade - and affect Australia's internal economy possibly quite profoundly - must be conducted by people of judgment, of experience, and, above all things, of authority in the great countries with whom we negotiate. This is no job for unknown people; this is no job for untried people.

We have, I am happy to say, a pretty good repute in these countries overseas. We not only can talk to a country like the United States, but the United States encourages us at all stages to speak up and say exactly what we think, frequently asking us for our views. Our views may be right or wrong, but they are respectable views in these countries. In Great Britain, as I don't need to tell you, we as a senior Commonwealth member, and as a country so intimately associated with Great Britain in every way, have a voice that is listened to. On the Continent of Europe increasingly, our voice is heard. We will need to have every bit of prestige that we have been able to acquire, every bit of influence that we have been able to exercise, in these negotiations, because we have much to lose; but we have a great deal to gain by putting forward, effectively putting forward, the position of our industries and their irresistible claims in a growing country to be growing industries with growing markets.

Now I don't imagine for one moment that the Common Market is, in the true sense, a political issue in our next election. It ought not to be. We ought to have a complete community of interest on these matters in Australia. I confess

I was disappointed when, having made a statement on this matter which was, I thought, completely objective and balanced, putting the problem and explaining the nature of the Treaty of Rome and the nature of the arrangement, I was disappointed when the Leader of the Opposition, instead of saying, as I would have expected, "We are one people on this matter; this is no Party matter; we will all stand together to do the best thing that we can for Australia on this matter", moved a vote of censure on us for some silly reason, and then proceeded to make a highly comic speech which those present will remember. I don't understand the position of the Opposition - but then I never could! And they can't - which is perhaps one of the great sources of their weakness.

Now I want to turn away from those matters and say something about the internal position; and I do this very largely by way of reminder, and by way of record.

We have had an experience in the last few months, in the last year or so, which has given rise to violent opinions, to great fluctuations of fortune on the part of the Government. Having encountered a boom in 1960 - a boom, the existence of which is admitted by everybody, except, strangely enough, the Leader of the Opposition - we took steps to deal with it. And of course whatever steps you take to get rid of a boom are bound to be unpopular with a lot of people. They have to be, because booms are very profitable for a lot of people. They are unprofitable for the ordinary man and woman who finds the value of his money running out, who finds that things are becoming dearer, while a lot of other people find that their profits are rising in an astronomical way.

You can't quell a boom by letting industries run along exactly as they were. What do you take economic steps for? Take an example: We found that one industry, which was an outstanding example of tremendous boom conditions and inflationary pressure, was the motor car industry, with a delivery of vehicles on to the register of about 1,000 a day - an almost fantastic state of affairs for Australia. Well, were we to let it go? I know there are people, including some so-called economists, who think that inflation is not a bad idea: "It's not a bad thing; let it ride; let it go; let the boom go until it bursts". The fact that for every hundred people directly affected by measures against a boom, there will be thousands and thousands of people ruined by the burst after the boom, the collapse after the boom, this doesn't trouble some of these so-called experts very much at all. It troubles us.

It is the first duty of a Government, in the economic sphere, to look for progress - of course, of all things progress and development for the nation - on a basis of stability which does justice between man and man in the community. What would you think of a Government which paid no attention to an inflationary boom, which did nothing about it? I dare say it would get an awful lot of votes in the next six months; but it would lose an awful lot of reputation six months thereafter. And the country would lose far more than the Government itself lost in terms of reputation. There are times, and we know it, and we have some reason to be proud of it, when you must, if you follow the light that you see, take steps which will be unpopular with some. In the course of nature they are going to be unpopular with some people who normally vote for us, people engaged in business activities of one kind or another. We can't help that.

Now if you are going to dampen down the boom, if you are going to take steps which will prevent the motor car industry,

for example, from being the outstanding example of inflationary pressure, of course you are going to reduce the demand for cars. What is the use of playing with words on these matters? Of course you are going to reduce the demand for cars. That is the object of the exercise. And if you reduce the demand for cars then you are going to reduce the employment, in a direct sense, of people who are engaged in producing the cars. There is no use people getting into a great flutter over this and saying "Look at them, deliberately creating unemployment". You are not deliberately creating unemployment; you are putting people out, if you like, of employment in an over-flush industry. But you are releasing those very people for employment in other industries. A lot of people were paid off from various activities. Mr. Bolte down in Victoria for the first time found he was able to get the men he needed in the railways and in the tramways, which had been gravely understaffed. There is a movement of employment. But what I want to say to you is: for Heaven's sake don't be afraid of these people who put it all on a purely sentimental basis. If you are going to put down a boom, then you must be prepared to hit a few heads in the process. And we have done it. And the boom has gone. I dare say some of the people engaged in speculative activities in land curse the very sound of our name. I hope they do. And they no doubt will complain. But speculation in land was becoming a minor tragedy in Australia. How on earth people - simple, ordinary people - could afford to buy a block of land to put a home on began to elude my imagination.

All these are aspects of a boom and they have all been dampened down to a point where all talk of the credit squeeze - let me say quite plainly - is purely a matter of history. There is no such thing as a "credit squeeze" today. I know everybody who can't get the finance that he wants attributes it to the credit squeeze. Of course! But if you were to say to him, "What do you mean by 'the credit squeeze'", I doubt whether you would get an answer. The banks are liquid, much more liquid than the conventional minimum of liquidity that they observe. The only restriction on the banks' capacity to advance today is one that everybody would approve of, and that is that they are asked not to finance speculative activities, and they are asked to keep their attention very clearly on export industries and on home building. Now these are very good Central Bank directives. That is all that is left of the credit squeeze.

But of course, you know, a lot of people who have been over-trading, playing it up when the boom was on, are naturally going to find that things are not so easy when the boom is exhausted. In the old days they would have said, "Well there you are, I played it up and the boom burst and I've got it in the neck. What a fool I was". But today it's "the credit squeeze". It isn't the boom that produced their trouble they claim; it's the corrective measures of the Government that produced their trouble. Now you want to keep some of those things, I believe, very clearly in mind.

Well in effect, what has happened? The boom has been brought down, has been quelled. Inflation has, for all practical purposes, been arrested; not completely yet, but the Consumer Price Index, as you have all observed, is becoming comparatively stable.

One of the great problems that we had, the problem of the running down of our overseas reserves - a very serious problem for a great international trading country like Australia - has been solved. At the beginning of the year, or at the end of the last calendar year, as we saw it, we had a great chance, if we did nothing, of seeing our overseas reserves

run down to a point of danger. All the advocates of letting a boom roar along, I think, would hardly have been satisfied if they had found at the end of a financial year that our overseas reserves were not competent to pay for more than two or three months of normal imports, most of which are for manufacturing. But we took our steps and in the result our overseas balances at the end of June were healthy, remarkably healthy. And apart altogether from a borrowing or drawing made according to our rights, from the International Monetary Fund, our overseas reserves were near enough to £500m. But if we had done nothing, if we had not taken these economic measures, then our reserves overseas would have been, well, with a bit of luck, half that.

The result of this, of course, is tremendously important, because if our reserves are high and healthy, if our credit is so good with the International Monetary Fund that we are able to put in a sort of premium against run-down with them, then our progress in Australia becomes more and more assured. Don't forget - I know you all know these things, but have them in mind as you go into an election - that this country can't go on at its rate of development unless it has more and more capital from outside. Ten and a half million people can't generate the capital that is needed to develop a continent the size of the United States of America. It can't be done. Therefore we are chronically a capital-hungry country; and a capital-hungry country depends very fundamentally on its repute and credit abroad. If my Government, so disastrous a Government as I now learn, hadn't been able to establish in the sources of investment overseas, or helped to establish, a reputation for reliability, a reputation for being credit-worthy, a belief in the minds of people in the immense possibilities of expansion in Australia, then I don't know where we would be. But as it is, as you know, last year in the boom year, we had a very large investment of capital from overseas in Australia - between £100m. and £200m. This is tremendously significant. Not public borrowing, but private investment, productive investment. This year, in spite of all the disasters that we are supposed to have brought about by the credit squeeze, and by our policy, investment from overseas has reached a record level. We have had much more capital flowing in in the year of corrective measures than we had in the year of boom.

Now this is a tremendous thing. Don't let us pass it over lightly. We were complimenting my friend Mr. Bolte just a little while ago about the result of his election. He wouldn't have won his election if it hadn't been that in the economic climate that I believe we have helped powerfully to create, he himself has been able to pursue a driving policy in Victoria which has developed the State, developed its industries, and given people a feeling of high optimism about their own State. This, I am sure he would agree with me, is the dominating factor in the position that he met, and enabled him to increase his majority although unemployment was already the theme of the Opposition.

So I remind you that if the object was to arrest inflation it has been substantially achieved; if the object was to preserve our balances and strengthen our balances overseas it has been more than successfully achieved; if the object has been to reduce the inflationary pressures, and particularly speculative pressures, then I think everybody would agree that it has been achieved.

The one thing, the one thing that remains which is unpleasant, is that we have some unemployment. We don't answer that by saying "Well we have always had some", because, of course, there are people who are normally not likely to be

employed - we know that - in a large number of millions of people. But forget about that. If we have at any stage even 50,000 or 60,000 who are willing to work, who are competent to work, and for whom there is no work, that presents a problem which, in an economic sense may be regarded as fairly small, but in a human sense is serious, in a human sense must engage our constant attention. As a man said to me recently, and I thought he put it very well, "You can with great truth from an economic point of view in Australia say you have  $1\frac{1}{2}\%$  or  $2\%$  of people who are out of work, and that means you have 98 or  $98\frac{1}{2}\%$  who are in work, which is perhaps a better and more positive way of putting it. But to the man who is out, and who oughtn't to be out, unemployment is 100%".

Now that is, in a human sense, profoundly true. That is why we have concentrated so much effort, so much attention and no small amount of money on helping the re-employment of people in some of these areas by providing, to a greater extent, the means of finance in local government, by making greater provision in relation to housing in arrangement with the States, by entering into an arrangement with the States that in the first half of the financial year they would tend to accelerate their works expenditure in relation to the total. All of these things have been directed, essentially, to getting rid of what is, in mass, a small amount of unemployment; but what is, for the worthy individual, a very serious human problem.

We are doing that and I am bound to tell you that I am quite optimistic about it. We observed that in the last month the figures of those registered for unemployment, registered as unemployed, fell and that the number of vacancies rose, though there may be a little variation here and there I'm told in the future. But I myself will be very greatly disappointed if, in another month or two, we don't find that the figures on the one side are continuing to fall, and the figures on the other side are continuing to rise.

I mention that matter to you not because I have the slightest sympathy with an Opposition which, in order to win an election, will try to create a panic about employment. There is no occasion for panic about employment. Unemployment is, I repeat, in the economic sense, in the statistical sense, smaller here than in any other country, any other free country, you might care to mention. It is, in a sense, nominal. But our great human responsibilities are to put unemployment out of existence as quickly as we can for the people who are willing and able to work in Australia.

All round, Sir, I think that one can report that the policies have worked well. The best proof that most of them have worked well is that we have been able to abandon most of them once they achieved their results. For 1962, as I have said repeatedly in other places, I am a complete optimist. I think that economically in 1962 we may run some risk of some boom conditions; but no risk of a depression at all. I would like all of you to say to those people who keep preaching depression that they are the only people who could produce one. Today a depression on the old model is just not possible.

Therefore let us go into this battle with some pride in what we have done. We have been doing it now for 12 years. The country is in pretty good shape; it attracts increasing attention all round the world; it is, in a true sense, regarded more and more as the country of the future. I am very proud to have had some connection with the foundation laying of the last 12 years and I believe that this Party is going to have, as it looks back in another 10 years, a great pride in showing that it was, from the beginning, the Party of the future, that it has gone on being the Party of the future, and that it has given great encouragement to the people of Australia and great growth to Australia itself.