

"MEET THE PRESS"

Television Interview given by the Prime Minister, the Rt. Hon. R. G. Menzies, on Channel TCN, Sydney on Sunday, 4th November, 1962.

MR. McNICOLL : Good evening, Ladies and Gentlemen. We are very honoured to have as our guest this evening, the Prime Minister of Australia, the Rt. Hon. R.G. Menzies. Mr. Prime Minister, good evening. The members of our panel : Mr. John Gibbs, who is financial editor of the "Sunday Telegraph," Mr. Alan Reid, whom you well know from Canberra, and Mr. King Watson, the Editor of the "Daily Telegraph." Mr. Prime Minister are you satisfied that we are spending enough money on defence?

PRIME MINISTER: I think so. I think that the programme announced the other day by Mr. Townley is pretty good. It represents some increase, and will represent a little more as the next three years go on. But the essence of it is a well-balanced programme and, of course, it is a flexible programme. It is not to be assumed that, because you have a three years' programme that you are unable to alter it in case some new circumstances blow up. We are hoping we will not have new circumstances.

Q. You are ignoring the motives that may have prompted it. What do you think of Dr. Cairn's suggestion that the two Parties should come together on the volume of taxation that should be devoted to defence spending?

P.M. Well, it is very interesting to me to gather that Dr. Cairns thinks we ought to spend more money on defence, because I have been under the exactly opposite impression for years. But I think the Government will take its own responsibility on that matter. Certainly, until recently, we were spending far more money on defence than our opponents wanted to spend. They appear to have had a change of heart recently.

Q. Would increased spending at this stage on defence, in view of the expanding economy, retard the development of that economy?

P.M. Well, I think it would. But, of course, there are times when you have to prefer defence to development, but there is no occasion, at this time, to sacrifice one for the other. The truth is that to spend substantially more on defence, and I don't mean a few millions, but a very large sum more, would mean more manpower devoted to defence, more resources devoted to defence, and therefore less manpower and less resources available for other matters, and what we have had to do, and it has been a very difficult task, is to balance the urgent need for increasing the population and resources of the nation against the undoubted need to have an effective defence force.

Q. Some people talk about our defence in terms of an arms race with Indonesia. Is this the way the Government sees the problem?

P.M. It never occurred to us. We have had a three years programme operating, and we are now having another three years programme. It has no relations to some arms race with Indonesia. It is all related by what is regarded by our competent advisers, as the nature of the threat, our strategic position, and emphasis upon having forces which are available immediately and can be made mobile and be made effective in a few days. In the past we have had a capacity for producing soldiers, but it has taken months to put them into the field. We, for the first time in time of peace, have permanent, professional, ready, well-armed and highly-trained mobile forces.

Q. Is our state of preparedness much better than it was in 1913 and 1939?

P.M. When I look back on 1939, when I was Prime Minister for the first time in April, 1939, I think it was, our defences today are much more powerful.

Q. To what extent, Sir, could we rely upon America in the event of a crisis in this part of the world?

P.M. If the crisis consists of an attack upon us, and that includes Australian New Guinea and Papua, then I would have no doubt whatever that America would instantly come to our assistance. I am happy to say we stand very well with the United States of America. They regard us as their friends, and even though they are a very great country, and we are a very small country comparatively, history shows that great countries like to have some friends, even small ones.

Q. One point is how the outside world views our safety. Is the amount of capital investment coming in? Has there been any diminution in the flow in recent months?

P.M. No, there has not. In fact right through the somewhat controversial period in Australia, the capital has kept flowing in. You are quite right when you suggest that this exhibits confidence in our future which, of course, must include confidence in our future security.

Q. But, Sir, how is that capital made up? Is it capital investment into factories, or is it investment money going into, say, buying shares in B.H.P. ? Have you any figures on that which would guide us?

P.M. Well, I can't give you a percentage, but as you know, it is a bit of each. Portfolio investments, I think, rose in proportion some little time ago, but I would have thought that, overall, looking back over a term of eight or nine years, the bulk of this money has been for investment in industry.

Q. And do you think that there is any hot money - money that may come in temporarily, and goes out again?

P.M. I don't think there is very much hot money. There is some, of course, which is the product of credit buying at a time of import restrictions, and so on. But I think the quantity of that has fallen away considerably. I am quite certain that the great bulk of what we call new capital money coming into Australia is not just for portfolio, not hot money, but is for direct investment in Australian industry.

Q. A.L.P. policy demands a nuclear-free Southern Hemisphere. Is this in the realm of practical politics with you, Sir?

P.M. Well, quite frankly, from the point of view of Australia, it is the craziest proposal that I have ever heard.

Q. Why, Sir?

P.M. Because they say : "We want a nuclear-free zone. No nuclear weapons are to be installed or used in the Southern Hemisphere, south of the Equator." Now, here we are. America is our friend and our ally under the ANZUS Pact, and you have places like Manus, south of the Equator, all included in the Labor resolution. Are we to say to the United States of America - "Look, we want to tell you that under no circumstances, if you have to fight alongside us and for us, under no circumstances can you use nuclear weapons, or fire one off from Australian soil, or from any place south of the Equator." What do you suppose the Americans would say? I know very well what they would say. This is a suicidal policy. We do not want to be a nuclear power ourselves if we can avoid it. I personally believe that the fewer countries that have nuclear weapons, the better. There is less chance of an accident and, therefore, I stood out against it and so has my Government in the case of Australia. But the question of our defence arises in its crucial form if we are attacked. If we are at war. And to say to the most powerful ally we have in the world "Don't you come here with guided nuclear missiles. Don't you come here to defend us. You keep away with those things. We won't have them" - this is the policy of suicide.

Q. In view of the Chinese-Indian instance, would you accept an assurance from mainland China on nuclear weapons without adequate supervision?

P.M. No! No! I am getting old, I know, but have not become so decrepit as to accept assurances from those sources.

Q. Mr. Prime Minister, over the last week there has been the greatest interest in Cuba. Do you regard it personally as a great coup for Mr. Kennedy, the outcome of the Cuban missile trouble?

P.M. I think, if I may say so, that we ought to avoid claiming something as a coup. I do not think that our relations, or his relations, with the Soviet Union are by any means conclusive. This is just his first move, and a very successful one. But, I think we don't want to get into the atmosphere of saying, "Ah. Khrushchev was compelled to do this or that." And yet we know that when President Kennedy made this dramatic announcement, there were quite a few people around the world, maybe even some here, who said : "Oh, this is a very dangerous thing. This is brinkmanship" or whatever the word is. We in the Cabinet

P.M.  
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happened to be sitting when this news arrived and I at once, afterwards in the House, as you know, made a statement standing behind this statement by President Kennedy. It's very interesting to realise that it was the first statement of support he had from anywhere, and I think that we did not lose marks by our promptness on that matter. The second thing is that, undoubtedly, this display of firmness was the thing that has been needed for a long time. I have had a theory, based upon knowing something of Khrushchev, that the air would begin to clear the first time he had sitting opposite to him, metaphorically or physically, a man of immense power, who must be the President of the United States, who could say to him, "This is not to happen. If it does, then the consequences will be yours." My theory is that the first time that happened and he believed what the man said, we would begin to see a little light in the gloom, and that is what happened here.

Q. In that case, following that through, do you think that possibly, while it was terribly dangerous for a while, and a very anxious time for everybody, that the scare the people have had, that the next time the big powers make the next moves, especially America and the U.S.S.R. and meet on the question of disarmament and nuclear testing and so on, that they may be more inclined to make some progress towards the road to disarmament?

P.M. I am not without hopes that this may be so because, you see, the Soviet resistance to the proposals about nuclear testing has really been outrageous. Everybody else wants to get rid of nuclear testing, to bring about this business of further development in this field to an end. Everybody does. But, of course, naturally, the Western Powers want to have a system of inspection both ways. But, as you know, you cannot take some people's word very easily, and as the Russians said: "Nothing doing." They may perhaps change their minds now.

Q. So you had the opportunity now to to meet and have discussions with Mr. Kennedy on three or four occasions. What is your opinion of him? Is it growing all the time?

P.M. I think so. I saw a considerable amount of him a year ago - 15 months ago and then this year I have twice had considerable talks with him, and I think he grows in stature all the time. It is impertinent of me to talk about the President of the United States but, still, I have met a lot of people in the course of my life, and I have some reason to work up an opinion about them. I like Kennedy very much, and I respect his intelligence very much, and I think he is a man of courage, and this is a pretty good combination, intelligence and courage.

Q. Apparently he has a rather remarkable wife?

P.M. I have never had the pleasure of either seeing her or meeting her.

Q. Have you not?

P.M. But our Ambassador tells me she is charming.

Q. Australia's balance of payments in the September quarter showed a deficit of £90 million or more, and this included the invisible, of course, and imports rising, and most people in the trade expect that, as the economic recovery continues in Australia we may get more imports. Does this suggest that we may have another balance of payments crisis?

P.M. No. I don't think so. We thought, and I am sure you have thought in all relevant times in the past year, as the economic position strengthened, there would be an increase in imports. It inevitably happens that way - particularly remembering that a good proportion of our imports consist of materials for local manufactures in Australia. Therefore, it is no surprise to find that imports have been rising. But the rise in the imports has not reflected itself fully, as you know, in the overseas reserves, because of this remarkable inflow of capital to Australia. But there is no doubt about it that the tendency for imports to rise is, I think, a continuing one when the country is well and happy, and therefore our great problem is to do what we can to stimulate exports in order to cut down the difference.

Q. With this expansion, Sir, the banks have been a bit confused lately over the Bank Act. There has been a calling up of the extra deposits into frozen funds. Some banks have apparently seemed to feel that this is a contradiction, and they adopt the attitude that if we are going to expand, we need all the credit, so why call up the funds?

P.M. I do not want to become involved in a technical argument with an expert, but the banks have been, and are, extremely liquid. No bank would deny that. There is a very fine state of liquidity. A very high percentage, and therefore they have a very high capacity to make advances. Perhaps some of the weakening of confidence in the last twelve months has reflected itself in the fact that people who could get finance from the banks have not done so. This is a weakness of confidence on the part of the customer, not on the part of the banks. But, still, they are very liquid. Well now, the Reserve Bank - it has the power to call up special reserve deposits, and it is intended to exercise this power to maintain a general control over the credit position. That is what a Central Bank is for, as you will agree. Now, this time they have made a call. Not a big one. Relatively speaking, a small one. We gave some thought to this, because we were informed as to what the Bank proposed. I can tell you my own view, which was the view of the Government on this occasion. We have been accused in the past, in 1960, of delaying, and then doing something too big and too sudden. This time, let us learn from that experience. Don't let us quarrel about giving the economy a little nudge occasionally, and this is a nudge. It is better to do a little bit at a time and see the effect, than to save it up until perhaps the autumn of next year, and then come out with a call to S.R.D. (Special Reserve Deposits) three times as big as the one that has just been made. I think the lesson I have learned from all these things is that it is better to do things a little at a time, at the right time, than to delay them for reasons of the kind you have just mentioned, and then find yourself compelled to take some much more severe action if you are going to keep the economy on an even keel. No. I would not quarrel with what the banks have done at all.

Q. From what you have said, Sir, some people may interpret the fact that your action is precautionary, but it also indicates that the Government is very confident at the moment that this recovery and expansion is going to move along at a pretty fast rate - perhaps, what - in a few months?

P.M. I think that the recovery is going along very well. I know there are differences of opinions on this matter, but all the industries that we have indicate that there is a very considerable and marked recovery, and everybody wants that to continue, but nobody with whom I have had discussions, business or otherwise, wants it to develop into an inflationary boom. And that is why, instead of waiting for some highly inflationary circumstances to arise, it is a very good thing to do whatever little dampening down has to be done at the right time. But we want a high level of prosperity, a rising level of prosperity, but we don't want the conditions that existed in 1960 to recur, nor does any panel of business or financial men with whom I have had discussions.

Q. If you were a doctor, Sir, and Australia was your patient, and you were running the measure over your patient, would you say that the patient internally was now in a healthy condition?

P.M. I think so. Very healthy indeed, and if I were a doctor - which, my dear boy, Heaven forfend, because the patient would be dead - the thing I would be afraid of about this very healthy patient of mine would be that we must not let him run into a high blood pressure.

Q. I am sorry to hark back on the question of funds, Mr. Prime Minister, but there is one other point which I think should be cleared up. In England, the Bank of England recently reduced the amount called up into their equivalent to our S.R.D., from two per cent. to one per cent. and they pay, I think, four per cent. interest on this money. Now, this one per cent. rise of ours has increased our percentage to  $11\frac{1}{2}$  per cent. on which we pay, I think, three-quarters of one per cent. Why the discrepancy?

P.M. Why draw an analogy between our condition and the condition in Great Britain?

Q. I think the banks draw the analogy. I think they think they have been hardly done by.

P.M. This is permissible as a debating point, but the position of the United Kingdom is affected by her own balance of payments problem, her own circumstances, just as ours are by our own circumstances, and you can't identify these circumstances.

Q. If, Sir, our circumstances improve, does that suggest that the banking system might receive that overhaul, or flexibility that was referred to early this year, as far as fixed deposits are concerned, and the call-up into the S.R.D. Is there likely to be a more flexible attitude towards the banks?

P.M. I think you can take it that the door is always open for that. We had extremely useful discussions with the trading banks, who were most helpful on this matter early this year, or earlier this year, and we certainly will be very happy at any time to discuss in the light of the circumstances from time to time.

Q. Do you think they are capable of handling their own lending operations? We have seen the release of funds to the banks. We know that they have increased the limits and approved new overdrafts, but the public has not taken them up. Do you think they are competent to operate and supervise the proper lending of funds?

- P.M. I do. I have the greatest respect for the capacity of the trading banks to do these things, and we don't want to interfere in the exercise of their own discretion and experience. They know far more about it than we do sitting in a room at Canberra. We are concerned with what I would call the wholesale aspect of credit. They are concerned with the retail use of it. But, in that field, they are the masters as far as I am concerned.
- Q. Is your slim majority in the House of Representatives giving you much worry, Mr. Prime Minister?
- P.M. That is the only slim thing about me. No. You know, it is very interesting. I am by way of being an expert on this matter, because I once had a majority of half of one. That is to say, an Independent, years and years ago. A majority of one is not a bad majority, as long as everybody is present and correct, and your team is in good order and enthusiastic, and I must say that the morale among my own members has been superb. I really have not had any worry about our Parliamentary position the whole of the year. In fact, my opponent, my friend, Arthur Calwell - he is a friend of mine - complained one day that I was behaving as if I still had a majority of 32. I answered that that was just how I feel.
- Q. I understand that Dame Pattie thinks that you have never felt better in your life, and that it has added ten years to your life having this slim majority. Is that right?
- P.M. Well, she knows me better than I know myself, but I wouldn't deny it. I always, I think, if I may say so, do best in difficulties, and I have had them.
- Q. Sir, reverting to the economic one. If your guided optimism, and the optimism of your Labour Minister, Mr. McMahon, over the placement of school leavers is unjustified, is the Government prepared to take measures to get a rate of absorption that will ultimately, within a discernible period, absorb them?
- P.M. Now, that is an easy question to answer. After all, as you know, this is true under our predecessors. It is true under us, and will be true under our successors. You must have some rise in the number of people applying for work in January and February, because you are going to have whatever the number may be - 50, 60 or 70 thousand people - leaving school, and the moment they register, they appear on the nominal unemployment list and, therefore, you will always have a little rise, perhaps a big one, in January, the real test. Now, this is what happens a couple of months thereafter when these have been absorbed. My colleague, Mr. McMahon, is justifiably proud of the fact that quite shortly after the last January and February flush, the bulk of these school-leavers, the great bulk, had been absorbed into employment, and he is very confident that that problem can be handled more easily this year, and I would share that confidence, because I believe that the morale of the manufacturing and business community is rising. I know there are still a few people that have some complaints, naturally. But the general impression I get and, indeed, I got it the other night at the Chamber of Manufactures Dinner, is that there is a good state of optimism, a good disposition to look forward, and a good disposition to realise that there is no occasion to be gloomy about the future. Those things, of course, will translate themselves into productive activity, increased business in the retail stores, the whole line running back to the manufacturers. All this affects the tertiary industries, transport and so on. I share the optimism of Mr. McMahon.

Q. How about outside Australia, Sir? What about replacing some of these markets that we are likely to lose with the Common Market discussions?

P.M. Well, I think that this is of the first importance. I think that increasingly - well, let us put it this way: there are two tasks here. As far as the Government is concerned, we have been trying to do it for years, to provide certain financial means, and so on, for assisting the development of exports, particularly in manufactured goods where there is such a fertile field for purchase in South-East Asia. But the other thing relates to the other responsibility, that of industry itself, because we are always a little bit disposed in a conservative way, to say that the things we make which can sell in our own country must be the things that other people ought to buy if we send them to another country. That is not necessarily true. We want to diversify our production. I think there is an immense amount of room for the application of scientific research to manufacturing procedure and products so that, if it turns out that Thailand wants a particular type of thing which is readily saleable, we should put ourselves in a position to make it. There is a great challenge here for Australian industry which is eminently capable of meeting it so long as it does not think too constantly that the development of export markets is a matter for the Government alone.

Q. Well, that suggests what has been mentioned lately. People have been thinking we may have an inferiority complex, that we cannot match people in these overseas markets.

P.M. Well, if we have, we ought to get rid of it. An inferiority complex is, anyhow, a silly thing.

Q. Do you think that this present impasse in the Common Market talks is put down to the fact that Britain is not very happy about the insistence of the other countries on her cutting out her subsidies to her farmers. Do you think that there is any element of hope in it of Mr. Heath pushing some of the things that we have asked him to push for us, or is it purely his domestic matter?

P.M. Well, you know those have been rumours that have been published. I am quite certain myself that some of his greatest difficulties at present arise from his pushing our views on the temperate products that concern us and, I am sure, he is doing this very well. But whether Great Britain has improved her negotiating position by the events of the last week or two, I do not know, because the Government seems to have made it overwhelmingly clear that it is going in. Well, I respect that view. I do not want to repeat what I have said about it. But it did not strike me as being as strong in a negotiating position as some I have seen occupied by the Government of the United Kingdom.

Q. Are any moves by the U.S. likely to help us replace the losses that could emerge from Britain's entry into the E.C.M.?

P.M. The new trade law which President Kennedy has now got through Congress, and which gives him a discretion to deal with tariffs up and down within the broad limit, I think and he thinks is going to give him a great opportunity of intervening in trade discussions and so to speak "offering a cutlet for a cutlet", if that phrase is not



P.M. (Contd.) too old-fashioned. "We, the United States, are prepared to concede this as long as you concede a lowered rate of duty on certain commodities passing into Europe." Some of those commodities, with which America will be concerned, also concern us. Then we would be in a position to secure the advantages of the reduced common external tariffs on, say, canned fruits.

Q. This is under the General Agreement on Tariffs and Trade?

P.M. Yes. It ought to be negotiated through G.A.T.T., as they call it. But the capacity of the American administration with this flexible instrument that it now has should not be underestimated. It is, I think, full of promise. I don't say that this is going to solve all our problems by a long, long chalk. But it is going to be helpful.

Q. May I ask you a personal question, Mr. Prime Minister? Do you ever get depressed or downhearted by the fact that you never seem to be able to say or do anything right in the eyes of the "Sydney Morning Herald?"

P.M. Never. I am not easily depressed anyhow, I assure you. If I were, I would not still be in office. I would be dead, or I would be certified.

MR. McNICOLL : Sir, I would like to thank you very much indeed for coming along this evening to talk to us and I know that I will be expressing the views of those watching the programme tonight in saying how pleased we are at the wonderful accord that you obviously came through with President Kennedy, which I think is something very close to Australia's heart at the present time.

PRIME MINISTER : Thank you. Thank you very much. I have been delighted to be here as perhaps the viewers have gathered.

MR. McNICOLL : Ladies and Gentlemen. Good evening from "Meet the Press".

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