

ANNUAL CONFERENCE OF THE GRAZIERS' ASSOCIATION
HELD IN SYDNEY ON 9TH MARCH, 1964

Speech by the Prime Minister, the Rt. Hon. Sir Robert Menzies

Sir and Ladies and Gentlemen :

You know, Mr. McMaster is quite right - I said I would be very pleased to be here, and then a little bit later on, somebody said, "Well, the Queen Mother is not able to come out to Adelaide to open the Festival. They would like you to open it", and I said, "Oh, yes, I would be very pleased to do that", not looking at the dates. Then somebody else said, "We'd like you to make a powerful speech for about an hour on Sunday night to an Administrative Staff College in Victoria" and once more, not looking at dates, I said, "Yes, I would be delighted." Then somebody said, "We would like you to make a great speech at the College of Surgeons and lay a foundation stone on Friday," and I said, "Yes, I would be very pleased to do it", and so here I am, pleased for the fourth time in the third State (Laughter) in one weekend.

But I must say, Sir, that I really am pleased to be here not only because I have happy memories of the last time I spoke here but also because I think that there are one or two matters that the Graziers' Association and the Prime Minister, whoever he may be, ought to discuss together from time to time because this is, in a sense, and I don't need to say it to you, the age of slogans. Somebody coins a phrase, somebody prints it, somebody quotes it and before long I am hearing it on all sides. The fact that it is wrong doesn't seem to matter very much. Among the phrases that have been enjoying some currency in Australia in the last few years is one that I just want to say a few words about because I won't detain you unduly.

It has been put on a variety of occasions to me and to other people that there is an inevitable conflict between stability and growth. These are the very words in which it was last put to me and I raised an interrogative eyebrow and demanded some evidence of the truth of this proposition and because the fact that I questioned it seemed to be regarded as rather remarkable, I would like to question it now with you, and give my reasons.

What they say is that there is an inevitable conflict between stability and growth. Now, of course, this statement begins by being hopeless because you are dealing with two utterly different matters. Growth in Australia is a physical matter - growth because we will have more land under cultivation - growth because we will produce more wool - growth because we will have more minerals discovered and developed and used - growth because we will have greater and better water supply - growth because we will have more roads, more basic industries established on which to build a superstructure. Growth, yes, we are all in favour of growth and so have our predecessors been in Australia because few countries in the history of the world have grown as much or as fast as our own. But growth is a physical matter. You may measure it in that sense.

Stability, in the sense in which we all employ it, is a monetary matter. When you say you want stability with growth, you say we want stability of monetary values - in other words, we want to avoid inflation and, at the same time, we want to develop and develop and develop the material resources of the country. I am at a loss to understand why it is thought that these two things

are incompatible. They are not. The best evidence of that is that we have had two or three years now in Australia of the most enormous physical growth and development and we have had practically a dead level in the consumer price index. We have had, so long as we keep it, stability in a monetary sense and growth in a developmental sense.

Now, Sir, I mention this because time after time, people think that when you talk about stability, you mean stagnation in physical growth, forgetting that you are talking about a monetary conception and that when you talk about growth, some people will say, "Oh, you must be very careful" under the impression that you are talking about an inflation of the currency. The two things are utterly different. The two things are entirely reconcilable and in my opinion, it is one of the great businesses of statesmanship in this country to do all that we can to reconcile them, to prevent the cost level from rising, to prevent inflation from wrecking the foundations of growth and at the same time to have all the development, all the growth, all the added productivity that we can achieve. Now this seems to me, Sir, to be so simple as to be almost elementary, to be almost a truism, and yet I am perfectly certain that before long I will walk down the street and I will encounter some very well known man in the business world who will say to me, "Of course, my dear fellow, growth and stability are incompatible."

Now, I hope what I have said will indicate to you I don't believe that to be true. Apply it to the businesses in which you as graziers are engaged. Well, you have a vested interest haven't you, in avoiding inflation. So have I as the head of the nation. Don't let us forget that there are many many people in Australia who have a vested interest in inflation, to whom some degree of inflation represents positive advantages and, for all I know Sir, there are more of those than there are of you, and that is why it is very important politically not just to count the heads but to calculate the ideas, to work out with some sense of justice what ought to be done. I would merely begin always by saying to myself, "Well, recognise that you have very many people who have a vested interest in inflation, who are not exercised by it."

Sir, I have even heard economists - and one speaks with immense respect for economists (Laughter) if only because they present such an infinite variety of opinions, but I have heard economists, well-known - if not eminent, at any rate well known - who have said about 2% inflation a year is a pretty good idea. This will be the proof that the country is moving. And when I occasionally say, "Well, that's a splendid idea. That means that when we go out to raise money for public works for the development of this country, we ought to be saying, if you are right, to the investors, 'Well, I understand that you will write off your investment at the rate of 2 per cent. a year'". When the last great inflation was on in Australia, the Loan market used to fail, the Commonwealth Government had the somewhat dubious advantage of having to supplement the Loan market in order that these public works programmes could go on and it used to cost us, on the average, about £60M. or £70M. a year out of the Budget and that meant that the taxes either didn't come down or went up. My experience was that when we had performed this act of singular magnanimity without any obligation, we were able to go out at the next State election and hear ourselves being attacked for our taxation policy by the very fellows who had collected £60M. or £70M. a year out of us to maintain their works programme. These are just the ironies of life. (Laughter) So long as one doesn't become sleepless over them, one survives them.

But the fact is that every time we had an inflationary process, the Loan market has been adversely affected for the most obvious reasons. Yet I am perfectly certain that there are very few people left in Australia who don't realise that any development, whether it is in primary industry or secondary industry or tertiary industry, any development is conditioned upon an adequate supply of funds for government works. It doesn't matter whether they are the Snowy for electric power or whether they are some water storage with the consequent reticulation of water for irrigation, whether they are for roads with consequent improvement upon transportation - it doesn't matter what they are, all these basic services we look to the government or governments to provide and we all want them to provide them if they can out of Loan money because this business of providing them out of revenue means that today's taxpayer is unduly loaded to supply his sons' uses and purposes in twenty years' time. And so we would like to have them done out of Loan money, and today we are increasingly getting them done out of Loan money.

Today we have a Loan market which is most remarkably successful, and one of the reasons for its success is not that they go home and say their prayers - you know, these financiers say their prayers and say, "Isn't it wonderful to have the Menzies Government" - I think most of them doubt it (Laughter) but it is because there has been stability in the currency, because inflation has been checked and therefore one of the by-products is that the Loan markets have been well supplied and therefore the works programmes of Australia have been able to go on apace.

Now you, as I said, have a vested interest in avoiding inflation. After all, you meet the local costs if there is inflation, if there is a steep step up in the wage rate, and if the techniques of production haven't kept step with them, you will find that your costs, whatever they may be for, are rising and that your price still remains, as I daresay it always will one way or another, at the mercy of the buyer. Now, it is quite true that prices have been healthy of late. We have known periods, haven't we, in which they have been very bad. We have known one or two periods in which they have been embarrassingly good. I won't go back on it. (Laughter). But above all things you do represent a great industry which cannot afford to be, and which we cannot afford to have, priced out of the world market or priced out of existence, and therefore you have a vested interest in some stability of costs, or at any rate in a cost level which is supportable if you are to continue your industry at a reasonable profit and sell your commodity on the world's market at a reasonable advantage. This is all perfectly true.

How do we meet this kind of thing? How do you meet it? Well, you meet it of course in one sense by constantly aiming at more efficient production. I mean by constantly aiming at a bigger clip per sheep, let's put it that way. By constantly aiming, as I hope everybody will, at maintaining wherever possible the quality of our wool. These things represent better methods, better grazing methods, better ways of handling the various problems of classifying wool, all this kind of thing - these are matters that you, in a managerial sense can look after. You are not the masters of what you will pay but you are, in a sense, the masters of how you will handle your business.

But in the long run, you know and I know that if we were to have an acute inflation in this country, not all the skill, not all the enterprise, not all the application of art and science to your industry could prevent you from having your costs rise against you and perhaps at a time when the world's demand was sustaining one of those occasional falls that it does. Therefore, I say to you and I say it with warm approval, you have a vested

interest in avoiding inflation. I don't mean to say, Sir, that any government can sit down and guarantee that there never will be a fall in the value of money. That would be an absurdity because there are many instruments of policy in this country which don't belong to governments at all and there are many circumstances which bear upon the value of money which exercise a pressure. This is a vastly complex thing.

Somebody tells me the central bank, the Reserve Bank, under Government persuasion if necessary, has ample power to avoid this. Of course that is not true. The Reserve Bank has great power to do a great number of matters and every time it does one of them in the normal fashion I am pleased about it, I don't mind saying, because I prefer the occasional nudge to the economy to the sudden hit by some large emergency scheme on the part of a government. But give all the powers the Reserve Bank has in - and they are not by any means all the powers, the financial powers in the country - give in what the Commonwealth may do with its limited powers, it is still true that there are many agencies in the country which affect the supply of money, the price of money, the value of money which, at the moment, are not under compulsive authority in Australia. But that doesn't mean that the Government of the country - indeed the governments of the country - should not constantly have in their mind the great truth that stability in the value of money, stability in the value of savings, stability in the value of investments is one of the great conditions which enables growth to occur.

There is an argument that goes on, and I don't want to enter into it, about overseas investment in Australia. We have had a very great deal. It goes on. I, myself, believe that it is not unrelated to the remarkable stability of this country. Political stability - I don't mean by that that I am Prime Minister or something, but I mean by political stability that this is not a country that changes its government by revolutions or assassinations. I have been Leader of the Opposition myself and still alive which is a remarkable thing (Laughter) in our country. But stability, stability of government, stability in broad economic ideas, a steady growth, the possibility of immense resources - these are the things that induce people overseas to put their money into Australia and they put it in for growth, not as a hiding-place, but for future growth. They put it in for future growth because they believe as I do that growth in the country depends entirely or primarily upon the fertility of the soil from which you are going to grow and the fertility of the soil depends a great deal on the stability of the country; the sort of stability that means that people are not going to lose their investment in a wild inflation or lose their investment in some wild political "bouleversement", some revolution.

We ought to remember these matters and remember them with very great pride, but we will do best, Sir, on all these matters if we don't become the victims of slogans. What I have said to you today was designed primarily to dispose of the slogan which seems to me to be so false - that you can't have stability and growth at the same time. I am happy to say that if I am relieved by God or man from my responsibilities in a reasonable time in the future, I should like to have enough time off before my ultimate departure to look back and say, well, we did show, with the help of the people of Australia that you can be stable and that you can be fast-growing at the same time. To Australia this is tremendous. To Australia's greatest industry, this is vital and so I therefore have given myself the great pleasure of coming here, wishing you well in all your undertakings in the course of this conference and saying to you, if I may, that you are not to be beguiled by the siren voices that will occasionally be heard. You just stick to the good old rules of being sound, sensible, forward looking, skilful and responsible. That's all I ask of you (Laughter) and I daresay that in your turn, you would say, "Well, if you would even live up to that, old boy, we would be a lot better off than we are."

Sir, I declare the Conference open.