

COMMONWEALTH OF AUSTRALIA

SPEECH

BY

The Rt. Hon. SIR ROBERT MENZIES,
K.T., C.H., Q.C., M.P.,

ON

AUSTRALIAN ECONOMY

Ministerial Statement

[From the "Parliamentary Debates," 21st September 1965]

Sir ROBERT MENZIES (Kooyong—Prime Minister).—I present the following paper—

Economic Inquiry—Report of Committee
(Volumes I and II and Index).

I am not proposing to move that the paper be printed because, as honorable members will understand from a glance at the bulk of the report—a bulk that is not at all out of place—a number of minor corrections and alterations of form have come up on revision for incorporation. These, of course, are being dealt with. None of them involve substance. They will not affect the reading of the report by honorable members. But it does seem to me that when the paper comes to form part of the Parliamentary Paper series it is desirable that it should be in its final corrected form. Therefore, I intend, if the House will agree, to present the report later in its final form in substitution for what I present today. On that occasion I will move that the paper be printed. Even then, I would value some discussion at that time with the Chairman of the Printing Committee because some arrangements are in hand for publishing this in book form, as he will understand. I have arranged for the report in the form in which I have presented it to be circulated to honorable members. Now I ask for leave to make a statement in connection with the report.

Mr. SPEAKER.—There being no objection, leave is granted.

Sir ROBERT MENZIES.—On 13th February 1963, I announced the appointment of a Committee of Economic Inquiry, consisting of Dr. J. Vernon—now Sir James

Vernon—Professor Sir John Crawford, Professor P. H. Karmel of Adelaide, Mr. D. G. Molesworth and Mr. K. B. Myer. These are all men of distinction in economic and business affairs; they have devoted immense effort and much time to their labours, and have produced a report of great significance. Some suggestions made by the Committee are not acceptable to us, but this does not qualify our deep appreciation of the Committee's work.

In reading the report, honorable members will have in mind the terms of reference. They are set out on page 1 of the report, and I therefore do not need to refer to them in extenso. They sought an inquiry into and a report upon many questions of fact and of tendencies "having in mind that the objectives of the Government's economic policy are a high rate of economic and population growth with full employment, increasing productivity, rising standards of living, external viability, and stability of costs and prices".

We were asked by the Chairman, before the terms of reference were finally settled, to add a clause that would enable the Committee to suggest "steps which appear to be necessary or desirable to conform with and further the objectives of the Government's economic policy". This, for reasons which will appear later in this statement, the Government refused to do. But it did add to the terms of reference the final clause—

The Committee will report the conclusions reached by it as to the bearing which all or any of the matters so ascertained have upon the achievement of the economic policy objectives above stated.

I mention these matters at the outset, because it is necessary to have them in mind when considering some aspects of the report. For the truth is that, in addition to an exhaustive and most valuable examination of the facts involved in the terms of reference, the Committee has in fact, in many instances, offered its opinions or suggestions on matters of policy. We have no feeling of resentment about this. Indeed, we should perhaps have realised from the beginning that a group of talented men charged with this task would wish, having made their statistical and other investigations, to examine the bearing of the results upon the general economy and thus to offer opinions or suggestions. But it will at once be seen, Sir, that the report, because of the facts concerning the terms of reference which I have just related, must be read and evaluated subject to two reservations.

The first is that, in a free and self governing country, policies will be political. Under the party system, opposing political parties will, not infrequently, have opposing policies. In no case is a political policy the product of purely expert opinion on technical matters. It must cover a wide area of localities and circumstances. It must be flexible enough to meet the problems of international and domestic change. It is commonly pursued and applied in the light of much accumulated experience and political judgment.

Secondly, it follows that, when it deals with statistical or technical or objectively economic matters, this report is entitled to and will be studied with profound respect. My own Government will derive great value and assistance from it. But where the report makes what will doubtless be regarded as advices on political policies, such advices must be regarded, in the well-known legal phrase, as obiter dicta, and not as possessing some binding authority. No government, from whatever side of the House it may come, and indeed no parliament, can abdicate its own authority and responsibility for national policy. It will welcome the assistance of experts, but its tasks will take it far beyond the limits of economic expertise. Political policy in a democratic community does not depend upon purely economic considerations. I will come back to this when I have something to say about the various proposals made by the Committee for the establishment of

advisory bodies in various fields. But at this stage it might perhaps be useful to offer a general view. That general view may be illustrated by a particular example in relatively recent Commonwealth history.

In the early 1940's, proposals were submitted to the Australian Agricultural Council which, as honorable members know is a ministerial body, for the establishment of an institute of agricultural economics, with wider functions and powers than the present Bureau of Agricultural Economics, and with complete freedom independently to carry out and publish the results of research into a whole range of matters affecting primary industries. These proposals were rejected, as my friend the honorable member for Lalor (Mr. Pollar) will recall, for reasons which were admirably summed up by the present permanent head of the Department of Primary Industry when he made his presidential address to the annual conference of the Australian Agricultural Economics Society in Sydney in February 1963. I quote his words—

Governments were asked to finance an organisation removed from political control which could report on the matters of policy but let the chips fall where they may. It is not hard to imagine Governments shying away from the concept of a body which was committed to publish all its reports and advice on policy but whose findings could be used in evidence against Governments which did not adopt them. On matters of fact there could be little argument, political or otherwise, against immediate publication; on matters of policy it could quite often happen that the published report of the independent authority presented only half the story. To be realistic—
Governments—

We are speaking about Governments from both sides of the House—

have political convictions which might not always be in line with the philosophy espoused by the Institute. What the protagonists of this scheme were really supporting was a system where policy should be guided only by expert advice when policy is often a compound of a number of factors, only one of which can necessarily be expert advice.

Dr. J. F. Cairns.—Now the Prime Minister is getting ready to throw out the report.

Sir ROBERT MENZIES.—So far I have proceeded, I venture to say from the ocular demonstration, with the great approval of those on the other side of the chamber who have had experience in these matters.

Dr. J. F. Cairns.—We will see whether we agree with it.

Sir ROBERT MENZIES.—The honorable member never agrees with his leaders. I do not care a hoot whether he disagrees with me. He is looking forward to a government of economists, and will profess to be one.

It will, of course, at once appear to honorable members that, if the only problems in dealing with economic policy in a nation were purely technical, Parliament, which is not technical, and a Cabinet which is not technical might as well hand over to a group of technicians. In such a case democracy would have ceased and a technocracy would have begun. In this matter, of course, my views are in common with those of the real leaders on the other side of the chamber. We hope and believe that these observations, which it is necessary to make, will not be misunderstood or resented by the Committee which has served us all so well.

When honorable members look at the magnitude of the volumes which I place before them, they will at once realise that to invite Parliament to discuss the report too soon would be to ignore the importance and complexity of the report and to ask Parliament to summarise and absorb in a few days matters of such moment as to require prolonged examination. Since the Government received this report, members of the Cabinet have devoted to it weeks of study and Cabinet itself days of discussion, and even now I would say that we are not in a position on many of the matters examined by the Committee to offer definitive views or, in some cases, useful comments.

At one stage we thought we might try to produce a precis or summary of the report in order to help not only honorable members but the public generally to appreciate the matters involved.

Mr. Webb.—When is the Prime Minister going to put on the black cap?

Sir ROBERT MENZIES.—Does the honorable gentleman not want to hear about this? A precis for him would need to be childishly simple. This is notorious. Every time he opens his mouth he proves it.

Mr. Bryant.—Where is the report, anyhow?

Sir ROBERT MENZIES.—It is here, Sir.

Mr. SPEAKER.—The honorable member for Wills will restrain himself.

Sir ROBERT MENZIES.—Let the honorable member have a copy of the report. He says: "Where is the report?" I have tabled it.

Mr. Hayden.—The Prime Minister does not understand the report.

Sir ROBERT MENZIES.—I could never aspire to the honorable member's profound intelligence. I admit myself his humble inferior, but at least I have devoted weeks to studying this report. He has devoted weeks to thinking only of silly interjections. We have decided that to try to produce a precis of the report would not be practicable. Any summary which was brief enough to be read would be open to the criticism that some matters dealt with by the Committee had not been included. Any summary which strove to avoid this criticism would tend to become so long that it would become too long and not adequately readable. What we must, I think, face up to is that this report, the result of most valuable and painstaking and conscientious examination, has a magnitude both in scope and detail never approached by any former inquiry. It would not achieve its purpose if any of us yielded to the temptation to take individual observations out of context. It is therefore, we think, important that, the report having been tabled—I am sure that the Leader of the Opposition will agree with this—Parliament should have a full opportunity of reading it and considering it before any debate on its contents occurs. It would be doing less than justice to the Committee and its report if we were precipitately to engage in arguments which did not arise from a full opportunity for consideration and judgment.

However, in tabling the report after a period of time in which the Government has had a chance of examining and considering it, I will make some observations which may be helpful. I do not, of course, propose on behalf of the Government to make any dogmatic remarks. But I will take two examples which will serve to illustrate the differences which exist between a purely economic approach and the necessarily wider and more complicated approach of the political policy maker. One is migration. On this, the Committee has suggested that

the net immigration target should not be raised above 100,000 a year, at least until the late 1960's.

We, while respecting the reasons submitted by the Committee, are bound to take into account a variety of factors. The contribution made by migrants to the development of Australian resources depends upon more than overall numbers. The higher the percentage of wage-earners—and particularly of the types or skills that we need—the less important will it be to restrict overall numbers. Migrants of the type we want are not equally available from year to year. Circumstances in what I will call the “supplying” nations will vary from year to year, and so will the emigration attitudes of the Governments of those nations. Add to this that the building up of our population by migration has enormous significance for the growth and security of Australia and for that business confidence which promotes investment and expansion, and it will be clear that the Government cannot accept an artificial ceiling on migration for a term of years. We will therefore continue our present policy of securing as large a flow of migrants as Australia can usefully absorb, and of deciding the target number each year.

My second example has to do with the problem of economic growth. I had something to say on this in my policy speech before our last election. I said—

We will press on with growth in no timid or faint-hearted way. We believe, and confidently expect that over the next five years, given good government, growth should at least equal a total increase of 25 per cent. in the gross national product, in terms of constant prices.

What I stated there was a belief that, given certain fundamental conditions our economy, drawing upon its known resources, energies and capabilities and obeying its ordinary initiatives, was equal to adding a full quarter to the “real” national product over a five year period.

The Committee, however, goes a good deal further than this. Its approach in fact is basically different. It appears to set up a certain rate of growth, measured statistically, as something very like a ruling purpose for economic policy—although, to be sure, it recognises that the achievement of this growth rate should not be pursued to the detriment of all other objectives. It suggests that a growth rate of 5 per cent.

per year is possible but difficult; a good part of the report thereafter is devoted to the question of how the difficulties might be overcome. In the process, a thesis appears to be developed that this 5 per cent. growth rate will be achieved only if there is a conscious diversion of resources from some areas of activity to others. Amongst these preferred areas of activity, manufacturing industry is given high place.

But this view of things leads on to some considerations of the very first consequence. By what means is this diversion of resources to be accomplished? Indeed, as a matter of basic policy and interest, are we disposed to engage in a large scale diversion of resources—in defiance, as it were, of the distribution that would occur if the normal demands of the community and the corresponding initiatives of producers were to be given free play? After all, we are a private enterprise economy. In such an economy, the demands set up by the people who are the buyers are the normal stimulant for increased industrial investment and activity. What the Committee appears to have had in mind is that those demands should, where necessary, be re-directed. Now, in individual cases we would not care to deny this. We have ourselves, in pursuance of our own economic policies, taken action now and then to reduce the demand for some particular commodities in order to meet some inflationary position; and no doubt any government would continue to do so. But to essay a widespread re-direction of resources within the economy to achieve some pre-ordained statistical result is a very different matter.

It seems to us that the Committee has, particularly in the light of its so-called projections in Appendix N—to which I will later make some reference—predicated a degree of planning and direction of the economy which in our opinion would not be either appropriate or acceptable in Australia.

I can illustrate this by saying something about its proposals on the use of taxation for the purpose of diverting resources to selected purposes. The Government is a “protectionist” government and has a firm belief, well justified in the light of events, in the significance and future of manufacturing industry. I do not need to elaborate that. But when the Committee develops its theories we must sound a note of warning.

For example, it proposes that to encourage manufacturing industry, there should be programmes involving various incentives and more generous depreciation allowances. Now all of these, no doubt, have merits which deserve proper consideration. We have, in fact, had some of them under scrutiny.

But, setting aside the possible—or, some might say, the probable—long term benefits, their immediate result would be to diminish our revenues. And particularly now when the burden of defence expenditure is not only large but growing and at a time when employment is not only full but in some occupations over-full, this would confront the Government with a choice between deficit budgeting—at a time when inflationary pressures are high—and increasing other taxes. The Committee, though no doubt it realised these matters, also proposes that the Government should increase its taxation anyhow more than its expenditure in order that by this means—that is, surplus budgeting—saving for public authority expenditure should increase.

Along with this it suggests that there should be various tax concessions for business. This leads to the clear inference that, as there must in its view be increased taxes for a variety of purposes, these should fall largely upon personal incomes or upon consumer goods. It seems to us, however, that if there were to be a series of increases in personal taxation, this could very well reduce savings and thereby reduce investible capital, as well as demand. Quite conceivably, therefore, it could defeat the purpose which the Committee appears to have in mind, which is to increase investment in industrial enterprise.

I emphasise that we are not offering dogmatic views. On the contrary, we will continue to give the deepest consideration to what has been put before us by so powerful a Committee. But we do want to take this early opportunity of saying to the House that taxation policies are affected by many considerations. Some of them are economic; some of them, particularly at the present time, are international; some of them are domestic. No government can, in pursuit of a general theory, abdicate its responsibility for a taxation policy which may well vary from year to year according to circumstances of inflation or stability or recession or, as we now know, from a large and

growing diversion of resources to the defence of the country, the preservation of its future, and the giving of appropriate aid to other countries, particularly those which are facing the acute problems of new independence and a search for economic autonomy.

I now turn to the views expressed by the Committee on investment from overseas. The general approach of the Government to such investment was stated by me, on behalf of the Cabinet, in the policy speech of 1963, as follows—

Investment from overseas countries has taken an important place in our economy. Over the last fifteen years it has amounted to over £1,500 million.

This investment has produced great advantages, but under some circumstances produces problems which need to be handled with care and understanding. As, from a national Australian point of view, we would wish to see new capital from overseas employed for the great purpose of developing new industries or extending existing ones with all the benefit of overseas skills and experience, we will always have a particularly warm welcome for new capital designed to these ends.

We also believe that fears and misunderstandings are least where there is an Australian participation in shareholding and management, and most when there is no more than a mere change of ownership without more. There is, we believe, a growing recognition of this in the minds of intending investors.

I quoted that because it is sometimes forgotten that that was the view of the Cabinet, as expressed by me in 1963. Nobody would quarrel with it today.

The terms of reference to the Committee invited a factual assessment of the significance of overseas investment in the Australian economy. The Committee has gone beyond this. It has offered a view that it would be in the best interests of Australia if, for some years ahead, new capital from overseas could be limited to the level of recent years, that is, about £150 million per annum. It has proposed selective controls on overseas investment and suggests a consultative body to advise the Reserve Bank on the administration of such controls.

We express no opinion on these suggestions at present. We have been making the necessary preparations for a full Cabinet review of the problem, the practical difficulties of which, I hope, we all recognise. We will, when all Ministers have been able to participate in it, make a considered statement of policy on these matters. But, so that no prejudgments one

way or the other may arise from the Committee's report, I should issue a warning note. The Committee itself says that overseas investment has been "a powerful force assisting the growth of the economy". That is right. It acknowledges that increases in population, productivity and employment in the postwar period would have been hard to sustain without it.

Mr. Jones.—What does the Minister for Trade and Industry say about it?

Sir ROBERT MENZIES.—He agrees with every word I am saying, if that is of any interest to the honorable member.

Mr. Jones.—He mentioned selling a bit of the farm every year.

Sir ROBERT MENZIES.—The honorable member will never read the report. He will live on a few slogans. So I continue with this considered statement about the report. So far, I would think we were all on common ground.

Dr. J. F. Cairns.—Hear, hear!

Sir ROBERT MENZIES.—Oh, the boy is at it again. The report goes on to raise two major questions, the answers to which are of great importance to all of us on both sides of the House. The first is: Will the cost of servicing overseas investments become unduly onerous in our balance of payments?

Dr. J. F. Cairns.—That is the end of the common ground, is it not?

Sir ROBERT MENZIES.—How does the honorable member know? Listen to him. He is the only fellow who understands these things. The second major question is: Is there a danger of having too great a proportion of the ownership of enterprises in Australia in foreign hands? We need not worry about this. These are two decidedly important questions. That is why I said, although the honorable member was so busy talking that he did not hear, that the answers to these are of great importance to all of us on both sides of the House. It is not my purpose, in this statement, to give definitive answers to these questions. The Government will certainly continue to face

them, and will seek to arrive at balanced judgments. As to the first question, the Committee says that the costs cannot so far be said to have represented a serious balance of payments problem. But it is apprehensive about the future.

Mr. Reynolds.—I bet it is.

Sir ROBERT MENZIES.—May I repeat, for the benefit of one or two honorable members opposite, that the Committee says that the costs so far cannot be said to have represented a serious balance of payments problem, but it is apprehensive about the future. It has made a statistical projection, commencing with the year 1959-60—because most of these projections begin that year—which leads it to the conclusion that, by 1974-75, the servicing of overseas investment will become a severe burden on the balance of payments. We do not brush this problem aside. It will be considered and dealt with. But in the meantime one comment must be made, so that a proper perspective may be achieved. It can be calculated that had the assumptions used by the Committee, as from 1959-60, the beginning year, been borne out—their assumptions, that is, in respect of earnings on capital invested here and profits retained in Australia—and given the actual capital inflow that has taken place, the amount of income payable abroad, on their projection, in the past five years would have been of the order of £860 million. But, in fact, we know from statistics already published that the amount of income actually payable has been about £250 million less than this. As honorable members will see, the point of this comment is, not that we ignore the problem or its possible magnitude, but that, as the Committee in its report said, very wisely, "attempts to forecast in quantitative terms the behaviour of the economy 10 or 15 years ahead are extremely hazardous, can prove positively misleading, and are almost certain to be inaccurate". There is one, so far, in which the inaccuracy is £250 million.

The answer to the second question, that relating to the foreign ownership of Australian enterprises, is also one not to be hastily arrived at. As I indicated on behalf of the Government in the policy speech of 1963, we much prefer what might be called developmental investment to takeovers of existing enterprises involving a mere change

of ownership. But again, the Committee's report, based upon its statistical projections, must be read with some reserve. Thus, the Committee, starting its calculations with 1959-60, with a figure of 25 per cent. of foreign ownership of Australian companies, calculated that by 1964-65 the percentage would have risen to 34 per cent. But in fact, because the circumstances do change, an estimate for 1964-65 based on the Committee's own assumption makes the projection less than 24 per cent. In other words, it has fallen since 1959-60. None of this is, of course, to say that projections ought not to be attempted as aids to thought and exposition. What I have said is by way of warning—for the reasons stated by the Committee itself—against regarding statistical prophecies as having some binding or even highly persuasive authority. The circumstances change from time to time, both internationally and domestically, and it is the task of statesmanship to deal with them as they arise, and, of course, to anticipate them if possible.

Nothing I have said subtracts from the central truth, on which the Committee and the Government are at one, that capital inflow, in the long term, is not to be regarded as the solvent of balance of payments difficulties. As a Government, we pay constant and positive attention to increasing our exports and to the trend and nature of our imports, so that, while we welcome the arrival of that really productive capital which a developing country needs, we should not become so dependent upon it for our overseas balances as to threaten our own national control over our national development and resources. I said earlier that I would make some reference to some of the Committee's particular recommendations for the appointment of special independent commissions or councils. It will be sufficient for my purpose to mention two of the most significant, because one cannot cover the whole of this ground. The Committee has suggested the setting up of a Special Projects Commission with the power to investigate proposals for major developmental projects, to advise governments on them, and to publish its findings. True, the Committee perceived that there were, and are, difficulties in arranging for projects involving the agencies of more than one government. This fact has substantially affected our own methods of dealing with

such problems over many years. But the Committee believes that these difficulties—

... might be largely overcome if an independent Special Projects Commission were created with power to investigate proposals for major development projects. The Commission would need a skilled staff to carry out cost-benefit analyses, which we consider a necessary basic step in project planning. The Commission should investigate projects at the request of the Commonwealth or State Governments, or on its own initiative. Finally, and most important, the Commission should be required to report to the Commonwealth Parliament on its activities each year, giving details of investigations requested, those completed, and the stage reached with those uncompleted.

Now I point out that the Commonwealth Government has available to it some extremely expert advisers already, such as the Bureau of Agricultural Economics, the Commonwealth Scientific and Industrial Research Organization, the Bureau of Mineral Resources, the Snowy Mountains Authority, and other bodies forming part of or serviced by the Department of National Development. The point of distinction is that these agencies, in relation to any special project, advise the Government and enable it to conduct informed discussions with the relevant State or States, which also have experts of great ability and experience.

The Special Projects Commission suggested by the Committee is an entirely different thing. It is to investigate projects at the request of the Commonwealth or State Governments or on its own initiative. It is to report to the Commonwealth Parliament so that its views will be publicly known and may come to achieve a degree of authority. To the extent that this result came about, both Commonwealth and State Governments, whatever their party complexions, would find themselves subject to pressure, and even coercion into the adoption of policies or projects which, between them, they might not select at all. Add to this that all projects involve the expenditure of public funds, some of them on the grand scale. I do not believe that any government, responsible for its own budget and conscious of the impact of its own budget upon economic policy generally, would be content to transfer authority in these fields to an independent body acting on its own initiative and with no responsibilities to the government of the day.

I may tell the House, if it needs to be informed, that my own Government, at an earlier time, gave the closest thought to suggestions that have been made for some kind of development commission and rejected the idea, substantially for the reasons that I have just mentioned. I find it difficult to imagine that another government drawn from the present Opposition would take any different view.

The Committee has also suggested the formation of an "Advisory Council on Economic Growth", with a wide charter and powers, which "would be of material assistance to the government and to the community in general in the making of economic decisions". These words clearly contemplate—as indeed does the nature of the suggested Advisory Council—that the views of the Council would be published from time to time and that those views would be designed to advise the Government in relation to the making of what must be, though of course related to economics, high decisions of political policy. We unhesitatingly reject this idea.

Mr. Reynolds.—Is the Prime Minister accepting any of this report?

Sir ROBERT MENZIES.—When the honorable member has read the report he will be able to answer that question. He is all right. He is a great education authority. He should get busy reading the report.

Mr. L. R. Johnson.—The Prime Minister is politely rubbishing this report.

Sir ROBERT MENZIES.—My politeness might well be imitated by the honorable member. In the Australian democratic system of government based upon the consent of a free community, no government can hand over to bodies outside the government the choice of objectives and the means of attaining them in important fields of policy, particularly when such bodies would, through the power of publication, come to exercise what I have described, I hope not extravagantly, as a coercive influence upon governments. There is a very great difference between the appointment of a special committee, like the one whose report is now before us, and the giving of publicity to its views, because such an appointment is purely ad hoc; it is set up, as was the Bridgen Committee many years

ago, to give us all the benefit of a close and primarily factual review of the economy as a whole. To have such a body continued in one form or another as a standing body of what would come to be regarded as authoritative advice would have the dangers I have described. Political policies cannot be based upon pure economics and, for the sake of the adequate handling of international problems, of defence, and of social and industrial justice and progress, we hope they never will.

The Committee's terms of reference included an inquiry into the availability of credit. Its chapter on this subject concludes with a paragraph proposing a full-scale study of the credit system. I should say word about this. As honorable member will understand, inquiries into the monetary and banking system of a country are major matters. They involve investigations of a long and closely detailed kind, not only within the main elements of the banking system and other financial institutions, but also among those interested in, or affected by, money and banking, which means, of course, virtually the whole community. Such inquiries, fascinating though they are to many, should be initiated only when there are very strong reasons for doing so.

Dr. J. F. Cairns.—Are they not?

Sir ROBERT MENZIES.—No. A glance back at history here and elsewhere would show that they have arisen only in particular situations calling for far-reaching investigations. We are not in any such situation now. Indeed, if there is one broad conclusion to be drawn from the review which the Committee has made, it is that on the whole our monetary system has functioned pretty well.

Furthermore, we would have the greatest reluctance in proposing an inquiry which could or might be taken to portend further major changes in the banking structure. For a period of 15 years beginning with the banking legislation of 1945, there was great turmoil and contention and much parliamentary debate in that area. Our 1959 legislation, which separated the Corporation banks from the Reserve Bank, appears to have proved its own merit, not least by achieving a settlement of large issues. We would not wish to raise doubts as to the

continuity of the existing legislative arrangements.

The Committee has made various proposals which affect tariff policy. So far as the Tariff Board is concerned, it is clear that certain of the proposals are far-reaching and probably contentious, going beyond an evaluation of actual protection and bearing on protection policy. Perhaps I might, with advantage, because I do not want to answer all those questions, state again what I said here in the House when I announced our decision to institute the inquiry. I said then—

The Government wishes to make it clear that it has the firmest intention of preserving the full independence of the Tariff Board as an advisory body established by Parliament, its system of open and public inquiry and its high public standing and prestige. These things are of the very essence of the Tariff Board system which has, over many years, served Australia well and has won admiration and respect overseas.

The Tariff Board is, to repeat, an advisory body. It is not a policy-making body—although its recommendations necessarily have a considerable influence on policy—and it is not an executive body. Its principal and best-known function is to consider, on reference from the Government, applications for protection by way of tariffs or bounties or, alternatively, proposals for the reduction of such protection. It also has power on its own initiative to review existing duties, to conduct inquiries on certain matters and to report to Parliament.

But tariff policy as such is the responsibility of the Government. Only Parliament can enact tariffs; only the Government proposes tariff legislation to Parliament.

The Committee's observations on protection and the Tariff Board should and will be examined against the principles which I have just stated.

I conclude by expressing the hope that it will not be thought that, because we have found it necessary to single out some important matters for special comment—and in some cases for Government decision—we are intending to qualify the

value of this report as a whole. On the contrary, and to take only a few examples, the report will prove, and is proving, of great value to us in the consideration of such matters as research and development, decentralisation, the application of research to primary production, rural credit, the form of the tariff, and the role and functioning of the Tariff Board. In all of these a great deal of work is being done, and will be all the better done in the light of the Committee's report. We acknowledge the value of the Committee's observations on export promotion, in which field we have been and are greatly assisted by the confidential and therefore frank advice given to us for some years by the Export Development Council.

There are many other matters covered by the report. They are all being put in study by the relevant Ministers and, where necessary, by the Cabinet, and can be dealt with as they arise in debate. I will not overload an already long statement by trying to mention them all. The whole report is such that we would not wish honorable members, or the the public generally, to pay attention to special parts of current interest, while neglecting the whole.

I therefore conclude by repeating that although, as it seemed to us to be necessary, I have indicated some queries and perhaps some criticisms, we are convinced that every part of the report will deserve the closest study. It will provide all interested persons, whether technical or not, with a compilation of economic information unequalled in my time in this Parliament. It is a fortunate country which can enlist in its voluntary service men of such experience and distinction as those who constituted this Committee.

I present the following paper—

Economic Inquiry—Report of Committee—
Ministerial Statement, 21st September 1965.