

MONASH ECONOMICS LECTURE



Title: "ADVANCE AUSTRALIA"

Inaugural lecture delivered by the Prime Minister, the Rt. Hon. Harold Holt, C.H., M.P., at Monash University, Melbourne.

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11th September, 1967

The Chancellor (Sir Robert Blackwood), Vice-Chancellor (Dr. Matheson), the Dean of the Faculty of Economics (Professor Cochrane), Members of Council, Distinguished Guests and Gentlemen:

Thank you very much for your welcome. I am happy to have this opportunity of launching the first of the Annual Economic Lectures at this University. The project is commendable and this series of lectures should add a great deal to the sum of knowledge on many aspects of the national economy.

In your short history as a university you have shown growth, in numbers, in buildings and in stature. You have the problems of growth - you know your own better than I do - but you cannot escape these in any forward-looking and forward-moving enterprise. Your years of growth are only at their beginning and I am sure you will meet them with the same energy, enthusiasm and vision that you put into your establishments. I wish Monash well for its future.

I have titled my address "Advance Australia" and it is on the subject of GROWTH, particularly, that I shall talk to you. Growth is our watchword as a government on behalf of the people of Australia. It is also the password for the sentry at the gate to our security and our prosperity.

It would do us all good to take time out occasionally to look at the whole landscape of our national

development; to let our minds stir to the huge excitement of it all. For we have a fabulous prospect - I use the word deliberately - and we have great adventures to share. It is also tremendously important that we seek to understand the problems of growth that this prospect invites. It is important that we ponder how they can best be solved. Growth with all its benefits can be at times - as we remember from our youth - an uncomfortable and disturbing process. But what is easily won is seldom worthwhile. Usually the greatest rewards are those that flow from the honest industry of a nation and its people. We need faith in ourselves for success; without a readiness to roll up our sleeves and get on with the job we cannot prosper nor grow strong.

When commenting recently on our needs of defence and development, I spoke of a lotus land mentality found in some. There were critics who jeered at this as though it was beyond the franchise of a Prime Minister to jog a few dreamers from their dozing in the sun and urge them to get up and go. Most of us like to include some leisure and enjoyment in the balanced diet of a vigorous healthy life. But they should not be final goals nor can we at this stage of our history afford the luxury of over-indulgence in them. We are a well-favoured people - few outside ranks of our fighting services are called on for great sacrifices. But we all have an obligation of citizenship in this young democracy to play our part in the challenging tasks of growth so that we are not only secure at home, but secure abroad, and proud to speak, and be heard, as a nation with a voice of our own.

We have been accepted by the diverse communities of Asia among whom we live as a free people. They see our hands outstretched in friendship. We give aid in growing volume. We exchange trade increasingly. We have helped - and are helping - to preserve the freedom of independent nations. We must continue on these paths.

This past decade has seen a new dimension come to our progress. In that period we have discovered mineral wealth beyond our dreams and we have, for the first time in our history, tapped oil and gas in commercial quantities. No one imagines this to be the end, for what we have found is, I am certain, only a part of the hidden treasure that this old continent holds for this young nation if we have the initiative to go after it and the energy and will to exploit our discoveries.

There are new wonders of science and technology to serve us. The use of nuclear power for peaceful purposes is an intriguing prospect for the future and already we can see it coming within the range of economic possibility. I am confident too that we will in time be able to water thirsty land and take light, power, people and industry into areas that have slept undisturbed for centuries.

The challenge of growth is deep rooted and directly affects both our domestic and our foreign policies as well as your fortunes and my own as individuals in this community. It is national in character but it is also a highly personal matter.

I think of growth as having two tangible, measurable components - PEOPLE and MATERIAL RESOURCES, operating in an environment of two intangible components - SECURITY and INITIATIVE. These, to my mind, are four essential elements to "Advance Australia" and to give us the growth rate we need.

Let us look at PEOPLE and MATERIAL RESOURCES first. People are human capital and they make up our population which, small though it is, is our greatest asset. The very smallness of our population makes its quality the more important. Our human capital is increasing at the rate of nearly 2 per cent a year but we are even now only a nation of less than 12 million people, living in a continent of three million square miles. Our rate of increase is high by Western standards but it is maintained only by a steady net migration rate. At the

present time this is a little below 1 per cent a year. Yet since the war migration has contributed more than half of our population increase when we take births to settler parents into account.

Just on a million children have been born to migrants in this country in the twenty years that have elapsed since our post-war migration scheme. This was launched under the energetic direction of the then Minister for Immigration in the Labor Government of that day, Mr. Arthur Calwell. It has been successfully and enthusiastically sustained by governments, of which I have been a member since the end of 1949. It has brought incalculable benefits to our nation. It has enriched it, diversified its industries and cultures, and strengthened its security.

Our population, by natural increase and migration, has increased by 50 per cent in twenty years. There is no other country in the world, except Canada, which has sustained such a high migrant intake. We have done so more consistently and successfully than any other country - and this goes also for the successful absorption of the new settlers into our community life. This has been Australia's greatest and most constructive peace-time achievement. It is the more remarkable when you take into account the pressures on our national economy, and the calls made on us to do more in so many directions.

A corollary of rapid population building, through large scale immigration, is its effect on demographic structure. We are getting younger as a people. The median age of the population is being lowered.

In 1947, less than one-third of the population was under 20 years of age. Now the proportion is just on two-fifths. Had there been no immigration after the war, the numbers in the 20-34 years age group would have dropped by some 132,000. But immigration changed a fall into a rise of

about twice as much.

This has many implications. Let me mention three. First, more people of working age means that the per capita cost of improved social services has not risen; second, the shortage of males of marriageable age immediately after the war became a surplus. This led to a marriage boom, and an increased demand for housing and consumer durables. And third, more in the younger age groups have been a source of strategic strength, and are now assisting us to play a more honourable and confident part in the defence commitments of the nation.

There are more than forty different nationalities being assimilated into the Australian community, and we have gained much from their industrious contribution to nation building.

The relentless demands for more skilled workers and higher level of skills are reflected in the work force. In the past five years the proportion of skilled male workers among settler arrivals has grown to 42 per cent. One in every three settler workers is a skilled person, compared with one in four of the locally-born work force. This is a noteworthy percentage to sustain when there is a world-wide shortage of skilled workers. It is an essential factor for broadening the base of our economy by enabling us to increase industrialisation.

The mobility of a large part of the work force drawn from migrants has already had a signal effect on industrial development. More than half the work force on the Snowy Mountains scheme is made up of workers born overseas and the same pattern exists in the motor vehicle industry and to a disproportionate extent in other key industries. We are depending heavily on the mobility of new settlers for the exploitation of our newly-discovered mineral resources. As new towns and new ports are built our population will spread to distant outposts on the continent.

This wide brown land of ours owes much already to the new Australian. I would sum it up this way. The economic advantage of a regular annual intake of migrants is a rapid population increase which :-

- (a) underwrites the future growth of consumption demand for a wide range of products and acts as an insurance against under-employment;
- (b) enlarges the domestic market by allowing economies of larger-scale production.
- (c) speeds up technical progress and an increased supply of skilled workers to manufacturing industry on which the onus rests to help bridge the gap between import spending and export income.
- (d) stimulates a high rate of capital formation and a widening capital base.
- (e) assists the supply of labour in areas and industries to which native born Australians are least attracted.

We depend more than we realise on migration. Our birth rate has fallen since 1961, because of a whole complex of social factors and this situation may remain with us for a little time to come. Take this comparison: In 1961 migration provided 29 per cent of our total population growth. Last year, because of the lower birth rate, it rose to a record 45 per cent.

There has been some tendency for the flow of new migrants to fall off, and the familiar sources are no longer yielding the same numbers. However, the Government has not been idle. The Minister for Immigration has recently travelled widely in Europe in search of new sources. From this visit and from our continued efforts, we think it may yet be possible to maintain a satisfactory balance.

Our long standing target has been to have a population growth round  $2\frac{1}{2}$  per cent per year with natural

increase providing about  $1\frac{1}{2}$  per cent and net migration about 1 per cent. But at present the natural increase is only about 1.08 per cent and the average annual migrant intake over the last few years has been about 0.74 per cent.

Our population age structure is such that, except for the period in the early 1970's when the post-war babies and early migrant children grow up, there is no indication in sight of any significant upward trend. But whatever rate of increase we achieve, we as a government will see it as our responsibility to ensure that satisfactory levels of demand are maintained. We will approach the problem not in any defeatist way, but recognising that different rates of population increase will provide different opportunities for productive effort. More children mean more expenditure on schools and home appliances. A slower rate of increase will mean that we can direct productive resources to other objectives - perhaps the exploitation of new natural resources, or the development of new lines of production. Whatever the future may hold, we as a government will remain sensitive to the play of the many forces and will do what we can to keep them in productive balance.

One point is often overlooked when the role of migration in Australian development is under discussion. It is that when migrants are brought to adulthood in their home countries, we reap the value of their services throughout most of their working life without having to educate and train them,

If it costs, for example, an average of about \$5,000 to rear a child to productive age - then the arrival of every adult worker since the war represents a saving of that much per head to the Australian economy in terms of human capital.

On the other hand, while migrants do not need to be trained, they tend to come in at marriageable age, and

therefore need to be housed. This means in the first place homes with all they imply of roads, water and electricity supplies, sewerage and so on. Before long schools and other social amenities also become necessary. Over the past three years our fixed capital expenditure on dwellings has increased by 35 per cent, while capital expenditure by all public authorities on education, health, power, water supply and sewerage and so on has increased by nearly 40 per cent. Our expenditure on dwellings and social capital facilities represents about 14 per cent of our gross national product - a higher proportion than in either the United States or Britain. Yet many are the calls we hear that insufficient is being spent on these vital amenities!

Let me illustrate this by some references to the United States and Britain. Calculations made by the Treasury suggest that the annual investment needed in Australia to provide dwellings and social capital facilities for our migrants represents 3-4 per cent of gross national product. If the United States and Britain were to look for a similar rate of population increase from migration as Australia, they too would need to undertake additional investment. For example the United States would need to build perhaps 500,000 additional new dwellings each year, and Britain some 140,000 additional new dwellings a year. Taking schools as another example, the United States would need to provide some 400,000 new places annually for the children of migrants - and Britain some 100,000 new places. We ourselves are providing about 25,000 additional school places for the children of our migrants.

This is not to complain. But it is to say that the sustaining of our long-term migration programme has a significant bearing on the direction of our own internal investment programmes - private and public. People are, as I have said, our most valuable asset and we cannot afford to skimp in our provision for them. It is a necessary



consequence that those who are wanting to increase the rate of growth in fields of particular concern to them will find that, with our economy fully employed as it is, they run up against the limits of our resources.

So much for human capital. Now let me say something about the other major component in our growth - our material resources. Over the past five years our annual growth rate measured in terms of gross national product in constant prices has reached the notable average level of  $5\frac{1}{2}$  per cent. We have also been ploughing back as investment a great deal of what we have earned as a nation. Something like 27 per cent of our national income is going into fixed capital development - compared with figures of 16 per cent to 17 per cent for such countries as Britain and the United States. The only major country with a higher rate is Japan.

This high rate of investment is not less than we need if we are to meet the challenge of developing our natural resources. Let me mention some of them:

- . We continue to be the world's leading wool producer and one of the largest wheat producers.
- . We are the world's largest producer of lead and the third largest producer of zinc.
- . We have 35 per cent of the world's known reserves of bauxite and enough to support the free world's needs for more than 100 years.
- . We are the world's largest producer of strategic rutile and zircon
- . We have increased our known reserves of iron ore twelve-fold in less than a decade. There are 15,000 million tons of new iron ore discoveries in Western Australia alone.
- . We have doubled our known coal reserves since 1960 and trebled our coal exports. Our known resources of bitumen coal are around 20,000 million tons.

- . We have silver, copper, nickel, tin, manganese, tungsten and uranium.
- . We have oil and gas.

The total output of our mining and metal industries has a value now of \$900 million and it should reach \$1,700 million by 1975.

Some of the most spectacular developments are occurring in the west and north-west of Western Australia which has entered an era of unprecedented mineral production. The capital investment for planned developments and the expansion of major projects in northern and North-Western Australia exceeds \$1,300 million. In Western Australia alone iron ore exports contracts could be worth more than \$2,400 million over the next twenty years. These are tongue-twisting figures I know, but I give them to indicate to you the magnitude of what we now see at hand.

At this point I want to refer to the question of the extent of foreign capital coming into Australia and its influence over some of our major developing industries.

Despite the attention which has been directed towards the assistance we are receiving from outside capital, it is worth emphasising at the outset that 85-90 per cent of the capital we employ is generated internally. It is the final 10-15 per cent which comes from abroad. It is, of course, very welcome because it is this extra percentage which, spread particularly over the growth areas of our economy, gives that growth a cutting edge and at the same time gives us sources of overseas funds that prevent our balance of payments situation from exercising a restricting influence on our rate of development.

If we want to maintain anything like the rate of growth we have achieved in recent years we are likely to remain a net capital importer for many years to come. We need the finance and the technological knowledge that comes with it.

Our growth over the past decade has been unprecedented and there are indications that we are learning the technique of maintaining that ideal condition - steady growth within a state of equilibrium.

Although continually widening, the base for our foreign earnings is still narrow. Three-quarters of our export earnings come from our primary industries, but they now contribute only 15 per cent of that national product and employ 11 per cent of the labour force. An encouraging feature of last year's trading results was the 25 per cent increase in the value of our exports to Asia.

One of the main new sources of foreign earnings opening up to us is coming from the export of our newly-found resources of minerals. These give at the same time both a lift to the forward movement of manufacturing industries in general and to our earnings of foreign exchange. Yet it is in minerals and large-scale manufacturing that foreign investment has played a most significant part.

There are now some fifty new mineral projects involving capital of over \$2,400 million throughout the whole of Australia and there are about ninety foreign companies of substance searching for minerals in Australia. Half of them are from the United States, and about 65 per cent of the capital for the mining projects is from overseas, mainly America and Britain.

It would be foolish to say it would not be best if we owned them all, absolutely, but it would be much more foolish to suggest, that if we have not the money to do that, then the deposits should be left undeveloped.

At the same time, let us be realistic about the picture. \$5,000 million of total foreign investment over the last twenty years sounds very large. But we see it in its proper setting when we remember that total domestic investment (including that foreign investment) amounted to nearly

\$60,000 million over the same period.

There is another point to be remembered. Britain has provided us with just over half of our total capital inflow since the war. North American investments have over the same period provided something over 37 per cent with the proportion now not much less than half. In themselves, neither of these two countries can be regarded as anything but of friendly disposition and we have ample evidence for believing that, if there is any further concern on our part, it would be possible to achieve mutually acceptable solutions to any particular problems that might arise. It is in this context that we should take note of the Treasury estimate that about a quarter of the assets of corporations in Australia has come from foreign investment either directly or in the form of reinvested collateral, or in depreciation reserves. These have been concentrated mostly in the small group of industries which includes motor vehicles, chemical oil refining, petroleum distribution, metals and minerals.

One of the most encouraging features of contemporary development is that we are ourselves beginning to marshal our own capital to good effect. The idea of consortiums and partnerships to meet very heavy capital needs for development has taken root. It is also gratifying to see the interest that life offices and provident funds are taking in investment for development. There are examples of consortiums and partnerships in the Northern Territory, at Gove; in the Hamersley Ranges in Western Australia, and in the natural gas field in Bass Strait off the Victorian coast. But for obvious reasons - not least of which is the fact that we are a few people in a big continent - there are limits to what we can do.

There are also examples of the readiness of foreign capital to take risks when Australians cannot raise the money. You will have read recently of plans to open up a large

pastoral area in the Northern Territory for intensive cultivation of grain sorghum. A well-known Australian (Sir William Gunn) will be in charge and he says publicly that, after trying for 18 months without success to get Australian capital, American interests took the project up. Development of this kind, if carried out successfully, can be a big thing for that part of the north.

Can it be said realistically that this foreign participation in the development of our natural resources is a bad thing? Of course it is not a bad thing, and I am unimpressed by the argument that we are letting our assets fall into foreign hands.

How else are we to develop our discoveries rapidly, how else can we build new towns and ports to serve them if we do not import human capital and foreign money capital to add to our own? The foreign capitalist cannot take away the things he builds.

He can take his profits - after the Government has gathered a large share of them for its general revenue purposes - but he, like us, knows that growth is vital and he re-invests part of those profits here to that end. He also exports his products and earns foreign exchange for us. If he wants to repatriate his capital, of course he can and we impose no conditions in advance, but if there was ever a panic flight of foreign capital from this country in sight, then the Government through Exchange Control, has the capacity to take measures to protect the economy. The foreign capitalist cannot take our towns and ports and mines away. Nor can he "containerise" the men and women who work for him or the technical skills they have acquired and ship them off to the other side of the world.

Let me give you eight good reasons why we should not be shy about foreign capital:-

1. It gives us the margins we must have for growth and for the security in our balance of payments.

2. It fills the gap that our domestic capital raising cannot fill and on some occasions is prepared to take great risks which Australian investors are not willing to accept.
3. It ensures the importation of new technology and new management skills.
4. It creates employment and special attractions for migrants.
5. It provides revenue by way of taxation and royalties.
6. It provides profits, some of which are re-invested and contribute to further growth.
7. It gives us new towns, ports and sources of power.
8. It helps us diversify our exports.

I have spoken in some detail on this because I believe it to be important and because we should not take for granted an inflow of foreign capital at anything like recent levels. The trend of our balance of payments has been down and capital inflow helps very much to keep the movement within acceptable limits.

There is more to foreign investment here than "Come on in, the water's fine". We are not "selling-out", and in any case are dealing with the 10 per cent plus segment of our total capital investment. But we must take care not to discourage the foreign investor - who is sensitive enough to the hazards and uncertainties of enterprise beyond his national boundaries. We prefer to use "guide-lines" and get a response in a voluntary way. Not every investor wants to come here, and those with capital for export are finding it harder to venture and less rewarding when they do because of the recent restraints imposed by their own Governments. This may, or may not last, but the fact that it is happening has done two things. It has reduced our capital inflow, with the inevitable effect on our balance of payments, and it has injected question marks into our forward planning because we do not

know how long it will last, or whether it will vary in degree. It makes good sense to me to keep on saying we want it and can make valuable use of it.

We have done a great deal to ensure that Australians are able to share in the new growth that is with us. They certainly participate largely in the benefits and activities generated by foreign enterprise. It is important, I think, not to build up a national resentment to the entry of foreign capital but rather to see how much more we can do ourselves and how we can develop the idea of partnership if we cannot "go it alone".

I do not believe we should limit our interest to the traditional capital sources - America and Britain. I do not need to remind you that the big leap forward of our iron ore exports rests heavily with Japan where some contracts have been arranged for substantial quantities for 25 years ahead. You will also be aware that Japan, this past year, displaced Britain from her traditional position as our best customer. It would seem natural that we should develop a capital importing interest with Japan in the years ahead and also with Western Europe.

With the development of our trade with Asia will come a corresponding influence on the pattern of developments in this part of the world. From being a relatively small country supplying the needs of the industrial west, we are becoming an increasingly industrialised country with a growing trade with the countries of Asia.

Although our population is small beside those of our neighbours, our productive capacity is relatively high. There are difficulties in making comparisons between countries which differ greatly in terms of living standards and economic structure, but there is still some validity in comparing the gross national products of the various countries, and I think you will find the comparisons interesting.

Taking gross national product as a basis, we find that Pakistan and Indonesia, with nine times our population, have a GNP only half that of ours. India, a country with a population 42 times that of ours, has little more than twice our GNP. It is well known that we rank as the twelfth largest exporter in the world. What is not so often recognised is that our exports are greater than that of any Asian country except Japan with India in third place.

We recognise the responsibility which our position imposes upon us, both as a government and as a people. It is a continuing challenge to us all that we discharge those responsibilities with a proper sense of the rights and needs of our neighbours. We as a government have recognised our responsibility by our increasing activities in the aid field. As givers of aid, we now rank second in the world after France. By way of example, let me mention the initiative we took in the early 1950's in the pioneering stages of the Colombo Plan; the major contribution we are making to the welfare and development of Papua and New Guinea; our participation in the Mekong River development project and other co-operative international ventures; and our recent provision of special emergency aid to Indonesia through the bonus export scheme. It is for all of us to see that this area of the world, at present facing such difficulties but with so much to look forward to, is the better for our membership.

The development of our material resources is, then, the other half of our growth table - our human resources being the first. I believe that it is possible to achieve a high rate of development of our resources; to absorb in the process and to use effectively a substantial amount of foreign capital; and to maintain at the same time a proper balance between our monetary resources and the level of demand. It is the firm intention of the Government to maintain as far as is humanly possible this state of high activity, and to take



action as appropriate where developments threaten it. Our increasingly close economic, financial and trade relations with not only the Western Countries, but with Japan and our other neighbours in Asia, and our membership of the relevant international agencies, provide further guarantees that we can face the future with confidence.

If we can maintain pretty much the same relative position on overseas investment and keep our population increase going, our order of growth will be both high and steady. The more we grow, the more our capacity to generate more capital grows. And this is as it should be.

May I now take the two intangible components of the growth proposition I have put before you tonight. I take them together - STABILITY and INITIATIVE and they make up the environment in which PEOPLE and MATERIAL RESOURCES can flourish. And what comes out at the end, of course, is GROWTH.

We need security to have stability and that is why we have treaty arrangements with powerful friends and why we are expanding our defence forces and our strength to discharge our international obligations. The defence programme, in the context of this lecture, is costing us 5 per cent of our gross national product, and 17 per cent of the planned expenditure in this year's Budget. We are now paying more for defence, as a percentage of GNP, than any other Western European country except America, Britain and France. Ours is rising while others are steady or decreasing.

Our defence programme therefore looms large in our economy and this I do not want to minimise. Our defence spending has more than doubled in five years - from \$428 million to \$1100 million. This has put, and will continue to put, heavy strains on the economy, but it is a matter for real satisfaction that we have been able to digest this fast-moving programme without fracturing the economy at any one

point. The rate of increased spending is such, however, that it has to have some limits and this we are constantly watching.

It is what we have to pay abroad for defence that hits us hardest and at present this is taking about 12 per cent of our total export earnings, mainly because we have to buy large sophisticated items that we cannot manufacture economically or within a desired timetable here. These include guided-missile destroyers, aircraft and submarines. These purchases produce a balance of payments commitment for us from which, incidentally, America and to a large extent Britain, are free. In the past year, for instance, with our exports going at a good pace and a trade surplus of some \$95 million, we finished up "in the red" because of a net deficit on invisible payments. The bogeymen were defence spending and restraints imposed by capital-exporting countries.

Perhaps I should add a reference to the external aid we are giving to needy countries. This year, our aid bill will amount to about 0.75 per cent of our national income. Other donor nations are either holding a level or are reducing it. We are still going up - by 14 per cent above last year. So it, too, adds its measure of pressure to our foreign exchange reserves.

Our balance of payments, and all its ingredients are therefore critical and we can control only part of the forces at work. Over the whole range of a nation's economy we, as a government, cannot finally determine the course of events, but we can influence pace and direction and help to create the right climate. We can also, to a certain extent, cushion the severity of the seasons.

The Government has so to order its fiscal policy that it helps to establish a reasonable balance between the demands of the public and private sectors of the economy. Supply and demand have to be on an approximate level and this has to be accepted as a habit of our national life, like bringing in the milk or having a birthday once a year. If we attempt too

much, so that total spending exceeds the value at steady prices of domestic outputs, plus the resources available from abroad, then we have internal inflation, a balance of payments deficit, or both.

For stable growth, therefore, the level of demand is important. This is a problem of resources allocation. The Treasurer dealt with this in his Budget speech last month and I will not retrace the ground. Public spending is bound to continue rising because it represents the foundations of so much of our economic growth, but we have to give full recognition and proper weight to the private sector, which provides three-fourths of our employment, nearly all our export income, and is the other half of the national economic contract. And we must constantly watch the balance. This calls for fine tuning and not for spectacular adventures into "Stop" and "Go."

There is ample scope for initiative in a free enterprise economy such as ours. I take at random a few examples of Government initiative. Education is primarily a responsibility of the States and it is the State systems that have to provide the geologists, the engineers, the administrators, for our surging mineral industries and all the other fields of human endeavour in this country. Yet the Commonwealth has entered the field of higher education to the tune of \$194 million this year - an increase of 35 per cent on last year and about four times the figure of a few years ago. It has given a tremendous stimulus to tertiary education and research and over the years the feed-back of this into the economy will be considerable.

It has taken a lead in the development of export markets, sponsoring missions to new areas, telling the Australian story through its publicity channels, giving insurance protection to exporters in uncertain markets and providing taxation concessions.

On the home front, through its banking systems, it is giving help to primary and secondary industries needing capital for development. It is also co-operating with the private banks in the formation of a Bankers' Re-finance Corporation to help in the mobilisation of Australian capital for large-scale developmental enterprises. It has recently made provision for grants to companies to assist in research and the improvement of their technological skills. The Government seeks to open gates, but not to provide a free ride from the cradle to the grave for private enterprise, or to substitute public for private enterprise.

The Vice-Chancellor suggested to me that I might discuss the future trends of the economy. Prophecy is a dangerous exercise for the politician.

But there are some predictions I can make with a full measure of confidence:-

1. I see Australia as a nation with an assured future if we are given peace and a continuing partnership between Government and industry in a free enterprise system.
2. I see us as a nation of 15 million people in 10 to 12 years' time, with a growth rate and a productivity level ranking among the best of the developed nations of the Western world.
3. I see a nation without too many eggs in the one basket - a nation with a much broader economic base, a greater variety of exports and more diversified markets.
4. I see quite spectacular rural development, with vast additional acreage responding to the application of the results of scientific research and improved pastures, water supply, and availability of greatly increased fertilizer production.
5. I see a spectacular development of our mineral

industries, with new communities and new factories arising around them and I sense the thrill of new discoveries yet to be made.

6. I see a broader energy base for power in the continent. This will flow from our recent discoveries of oil and natural gas and the possibility of nuclear power for peaceful purposes on an economic basis.
7. I see Australia as a continent of stability in Asia, demonstrating to the emerging nations the happiness and practical virtues to be found by a free people in a Parliamentary democracy stimulated by incentives matching their energies and enterprise.
8. I see a new intimacy developing with Japan and Indonesia and the other free nations of Asia and a still closer relationship with New Zealand as we share common tasks in this area.
9. I see growth at work as something that cannot be guaranteed by edict or by magic formula but by the efforts of all our people.

The challenge and opportunities rest squarely on us. No man is an island and we cannot live in splendid isolation on our island continent any more than can man himself.

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