

*(July 12th, 1935)*

## Australia's Recovery

BY RIGHT HON. J. A. LYONS, P.C., M.P.,  
PRIME MINISTER OF AUSTRALIA.

MR. LYONS:—Mr. President, Mr. Prime Minister\*, ladies and gentlemen, you have given me an extraordinarily cordial welcome for this part of the Dominion. It is only in keeping with the welcomes that we have already received before we reached Toronto. It makes us feel that we shall have to come back again. I am hopeful that one day that may be possible because I believe that interchange of visits between those who represent the various Dominions of the Empire and, indeed, between those who represent the various countries of the world, must have something of real value to those we represent. You apparently are under the impression that because you have a trade representative of Australia here, who happens to be a Queenslander, you apparently think that the right kind of temperature to provide an Australian representative is one that would suit Mr. McGregor and the city from which he comes. I am afraid he has not told you enough about Australia. He must have told you too much about Queensland, because some of us live so near the South Pole that we can do with some of the warmth and humidity we have had recently. However, that warmth is only in keeping with the warmth of the welcome.

Now we are representing here today, you and we who come from Australia, two important units in the great Empire to which we are so proud to belong. It was a very great privilege to me to be associated with you through your Prime Minister and the other Dominions in the celebration which took place in London. The great unifying influence

\*The Premier of Ontario was present at the Head Table.

of the head of our Empire—the King himself—is one that is valued by you and us—we who come from Australia. Apart from the freedom that we enjoy as members of the British Commonwealth of Nations—we do enjoy it and value it—apart from that, we have the wonderful example of the King and Queen to all of us just as individuals, as members of a family. It is because of that we have developed an affection and loyalty that spreads right through the Empire; and in the world, where countries and peoples generally are no longer placing any very important value upon kings or crowns, this loyalty and the love of the people of the Empire for their King, their crown and their throne, is more pronounced than it has ever been in history, I think. And you, the people of Canada, and the people of Australia, have many things in common. They are neighbors because the Pacific does not separate us. It unites us. We are bound together by ties of trade. We are hoping to get closer and closer together as the years go by. Methods of transportation and communication bring us closer and closer. Development in the east will bring us closer together. I not only hope, but I am sure that we shall see, in the near future, development in that direction that will bring us very much closer together than we have been. I think it will be better for the world and I think this Empire of ours is destined to play a part in the future development of the world and exercise a great influence on future generations.

Now, as to our trade with you. This is very important and very vital to you and to us. We have had treaties with Canada from 1925 to 1931, and the result of these treaties has been to develop trade and you have got the benefit and we have got the benefit. You have got the greater benefit. We are not complaining about that, but we ask that an effort shall be made by Canada, not altogether to balance up, because there are circumstances that make that scarcely possible, but that you shall do something to bring that balance a bit nearer a balance. We ask that, as we are such good customers of Canada, we hope you will develop into better customers of Australia.

In the last financial year, we bought from you \$18,000,000 and you bought from us \$6,000,000 worth. We

do not hope that we shall balance because there are circumstances that may perhaps prevent it. You know that last year we purchased 208,000,000 feet of Canadian lumber and that we bought 12,000,000 pounds of Canadian canned salmon, 100,000 tons of Canadian newsprint, 16,189 Canadian automobiles—in fact in that year you sold to Australia more automobiles than you ever sold in any single country whether within the Empire or outside the Empire. You see that apart from the ties of sentiment, because we are both members of the Empire, you realize what value we are to Canada and how we ought to understand each other and get close together, as members of that Empire. On the other hand, while you do not buy so much, you buy commodities that all mean success to producers in Australia. You bought twelve and a half thousand tons of raisins and currants from Australia. That goes a long way to bring prosperity. You bought seventy-two thousand gallons of wine—I do not know what you do with that—four million pounds of canned fruit and thirty thousand tons of our sugar, and three million pounds of wool and wool products.

While these things do not balance, they are of very great value to us. We are not complaining, but we are hoping the position will improve upon what it is today. And so we are discussing this trade question with the Dominion, and we are hopeful of making progress. I do appeal to you gentlemen, because you are such a representative gathering here today, when you are making a purchase to show a little preference sometimes in favor of my country—even if it is wine, try it out. But do this thing in order that you may show to the Australian people and the government that you appreciate the trade they are doing with you.

Now, your Prime Minister (Mr. Hepburn), has been kind enough to say many kindly things about me concerning what I have done in Australia. As a matter of fact, I have not done very much. When a big job has to be done it is done by the people as a whole. What Australia has done is the result of sacrifices by her people at the right time. If I have succeeded in any way as head of the government it is not because of anything I have done. It is because of the co-operation and loyalty I have received from

my colleagues. The only one qualification for the position I occupy is that I am able to pass my job on to my mates. As a matter of fact, the co-operation and loyalty that they have given to me makes it possible for me at all times to carry on. Through these colleagues we pass on our policy to the people and the people take it up and apply it. It may mean sacrifice, but they will bear it because we think it is necessary. I pay tribute to every section of the Australian people high and low for what they have done, and particularly the workers, for those on the lower end of the scale, who have had to bear the greatest burden, did it with the cheerfulness which is characteristic of the Australian people. If greater tribute must be paid to any section, it must be to the workers, who for many years have worked to develop our country. We are going along developing our country and making use of borrowed money, making possible settlement in various parts of the country and building up a national debt to add to the burden of interest. I am afraid we were going along on foundations that were not too stable. We did not look into the future as we might have done, hoping, as long as we could, to borrow more money. But we have been able to improve our position in recent times.

Perhaps, after all, the depression is not altogether an evil, for it brings real lessons to governments. Our interest bill five years ago got up to \$325,000,000 a year. We have 7,000,000 people. As a result of the things we have done and the plans we have followed in conjunction with the States, we have got our interest on our national debt, following conversion, to a low rate; and instead of \$325,000,000 five years ago, the interest on the national debt today is \$250,000,000.

This has been the trend in the last five years, lightening the burden and, at the same time, we have been increasing the contributions toward the sinking fund to bring about an end to the public debt. In that same period we have increased our contributions to the sinking fund from \$30,000,000 to over \$40,000,000. So that we are not only saving the position, so far as interest is concerned, but we are making still greater provision against the future.

Our interest debt today is just about what it was nine years ago. Our contributions to the sinking fund are just about double what they were nine years ago. Now we have done this in a difficult time. We approached this depression as you did, but perhaps we may have faced the facts a little bit earlier.

All the things we sold from Australia to the world were primary products. You know how primary products suffered. To give you some idea of the problem to Australia, our national income was £650,000,000 normally. In about two years, because of the drop in the prices of the commodities we produced and sold to the world, our national income was £200,000,000 less. We had to face this depression and all its effects with £200,000,000 less money. When we looked at that we began to realize what difficulties we were in. We had been borrowing money year after year from London to spend in Australia. That source of income dropped immediately, because we could not borrow any money in London. As a result of the financial position we could not borrow a copper in Australia. We had to go to the banks, because the people in these days did not trust governments; and the people in Australia would not lend anything, no matter what rate of interest was offered, and we could not raise a copper in London. Well, then we approached this thing—might I say we offer no criticism of what any other country has done—we merely tell you the story of what we did to get out of that difficulty. I think it is well that the people of each Dominion should know what the other Dominion has done, and some of its troubles in these trying days. We had our income reduced by a third. We did not try any fantastic schemes to get out of our troubles. We said, the government is like an individual; if it wants to retain the respect of the neighbors, it has got to live within its income and must cut its coat according to its cloth. So we said, we have got to ask the people of Australia as a whole to bear the extra burden and ask public servants and pensioners to take something less. It was not a pleasant job. So we raised more revenue by increased taxation. We put up our taxes and cut expenditures down. We went to the bondholders. We said we are asking every

section to do this job and you have got to bear your share. We proposed a conversion loan and we asked the bondholders to convert to the lower rate of interest. Ninety-seven per cent. of the bondholders came along voluntarily and converted. At the time when we tackled this problem the Commonwealth of Australia was facing a deficit of \$100,000,000. The recovery was so great, and confidence restored in the minds of the people that, even in that year, Australia balanced its budget. And every year that we have been there as a government—it was a previous government at the time this thing was done—we came in in 1931 and at the end of 1932 the budget was balanced, and it has been balanced ever since. Only on the 30th of June—the other day—again we had a surplus of \$3,500,000 of a national balance.

So we have done this thing. We could not borrow a penny in Australia, at that time, but since then not only have we converted that loan in Australia, on a voluntary basis, but we converted a substantial portion of the national debt, especially those loans with a high rate of interest. We converted and saved £2,000,000 a year. This has gone a long way toward helping us to balance the budget.

To give you an idea of what has really taken place in Australia—we have not got out of the woods yet, of course. We are a long way from it. We depend upon world recovery for that. Unless the prices of commodities rise we cannot expect complete recovery. But we have made a wonderful advance. We had a high rate of unemployment, especially in 1932. From then on because confidence was restored in government—confidence restored in the minds of the controllers of our industries—and this led to the beginning of a cutting down of unemployment in every quarter since 1932. I suppose there is no better indication of recovery than the railways. For many years our railways, which are owned by the government, provide facilities which private companies could not provide. As a result we have lost substantially on the railways. The losses on the Australian railways were less last year than since 1920. There is definitely a two-third reduction on the losses that have taken place between 1931 and 1934.

Confidence that has been restored has enabled us to go to the Australian markets for money—we do that for all new works—we raise money in Australia, no longer outside. At the beginning of this trouble we could not raise sixpence. Since then the position has recovered and we have gone to the market time after time. We have had loans subscribed within two hours and on some occasions subscribed before it was opened—and always at a lower rate of interest. We raised a loan last year at the lowest rate of interest in the experience and history of Australia.

Away back in 1910 the Commonwealth Bank of Australia was established by a Labor Government. That bank was Australia's financial salvation. That bank has gone on and developed and, because of the close co-operation between the Central Bank and other banks, they have practically carried the government on their shoulders. The system is absolutely sound, being based on the old Scottish and English methods of long ago. We are very proud of the Commonwealth Bank. It is set up by the people and the government and it has a board which controls its activities.

While I have the greatest admiration for politicians (I have been associated with them for twenty-six years); I believe the people often misjudge politicians and do not do them justice. But with all due respect to their ability, one of the qualifications of politicians is not the handling of a Commonwealth National Bank. I have laid it down, as far as is possible for me to lay it down, that neither parliament nor the government nor any individual politician shall lay any hands upon the management of that institution which has stood as a safeguard in a difficult period in our history. The Commonwealth Bank had at its head, through that difficult period, Sir Robert Gibbs, a hard-headed old Scotsman. He said to me, "When looking back upon what it has done, it seems to be like a fairy tale." No bank in the world has done a greater job, left entirely free, for the betterment of a nation. The Board of Management, in order to help the primary producers who were affected by depreciated currencies, raised the exchange twenty-five per cent. That twenty-five per cent. acted as a substantial bonus to primary producers and kept them in production. The bank consid-

ered all the economic factors in the case and recommended it. The bank looks into all these things; it is free from authority and left alone in the hands of men qualified to handle it.

Now, there is perhaps just one other thing. This morning I was speaking to your Prime Minister about conditions. It is well that we who have some experience in a particular direction should give the benefit of our experience to others that they may decide for themselves what course they will follow. In Australia the constitution is more like the American than the Canadian. There was no very financial cohesion between the States and the Commonwealth at the beginning. When I was Premier in Tasmania the Australian Government brought forward a proposal for closer association between the States and the Commonwealth.

At that time each was going out to get a few shillings, at most extraordinary rates, with the result that the money-lender was living in a paradise and got the highest rates possible because all the governments were fighting for it. Consequently an agreement was drawn up by the people of Australia, and put into the constitution, whereby the representatives of the States and Commonwealth governments sat around a table and put forward various loan proposals and work proposals; and we decided if we could provide the whole of them. Then we have a method of allocation, which works very satisfactorily, and, largely, we decided the rate of interest which shall be paid. With the co-operation of the Commonwealth Bank, we decided that we shall pay to the men we borrow from, instead of the States deciding as individuals. I signed that agreement, as a representative of a state—a state that has generally been in financial difficulties—the smallest of all. I have had to operate it, as representative of the Commonwealth, and whether as State representative or as Commonwealth representative, I have found it satisfactory. It does not matter what political party is in power. When we formed that agreement I think four Labor Governments signed it. Today we have a couple of Labor Governments in Australia, and the question is never raised as to what government is making the request

for assistance. That does not make any difference. There is only one borrower and, if a State fails in its interest payment, the Commonwealth, under that constitution, is compelled to meet that payment on behalf of the State, so that you have not only the backing of six States, but you have the whole Commonwealth behind it. We have had an experience of one State, for political reasons, refusing to pay and the Commonwealth making that payment for the sake of the good name of Australia, and then going and collecting from the State, with the backing of the people of that State. So this is working out satisfactorily with us. As far as you are concerned that is a matter for Canada. She decides for herself. I only want to give a little of the experience we have had in regard to that. I am quite sure that co-operation in borrowing has saved the people of Australia thousands of dollars.

I want to say in conclusion, gentlemen, thank you sincerely for the welcome, and to express the hope that it won't be long before both our countries are out of their difficulties. One thing we are very proud of in Australia is, that there is no default whether by Commonwealth, State or municipality. There is no default in any part of Australia. We can hold our heads high. There are two reasons for that. One is our own pride and self-respect and the other, our pride as members of the great British Empire and we have tried to live up to the traditions of that Empire and live up to them as you in Canada have done. Therefore, in our travels through the world we do not carry any apologies whatever. We are proud as Australian people; we are making no apologies at all. We are a proud people, proud of our record, proud of the courage our people have shown, whether upon the battlefield or on the field of peace. We are trying today to lay the foundations in such a way that the superstructure, that will be built upon this foundation by generations in centuries to come, will be of such a character, that those who live in this great land of ours will be just as proud of the superstructure as we are proud of the foundations we are laying for its building.