THE SECURITIES INDUSTRY - HOW SECURE?

By The Hon. J. Bjelke-Petersen

(This address was given by the Premier of Queensland to a luncheon meeting of the Institute in Sydney on 9 August, 1974.)

You will all agree that in the fabric of our present society, finance and politics are inextricably interwoven.

Gone are the days when you can sit on the sidelines and half-interestedly watch passing political events.

Often said to people if you are not interested in politics then you ought to be.
The Stock Market acts as a barometer which registers the financial climate of the nation - just like the pulse rate of a person indicates the condition of his health.

In your profession, you are at the heart of the economic pulse of the nation - your operations measure the economic concern of the community which is influenced by government policies.

Good sound policies create the right climate and the nation prospers.

Unfortunately today Australians are suffering because of the policy and lack of policy coming from Canberra - because of their inexperience and inability to cope with the situation - it is costing you and me and the people of this nation large sums of money, creating unemployment and confusion in the minds of many people.

I think you will all agree that political decisions, for better or worse, can have a major impact on the business and investment community. Over the past few years, and over the last eighteen months in particular, we have not been short of examples of such consequences.

Decisions to cut tariffs, to devalue or revalue our currency, to change the emphasis of our international affiliations, can and have been made upon an admixture of political and economic grounds. Yet there would scarcely be a family in Australia which has not been affected by these decisions simply because they affect the business and investment community in its employment not only of funds, but of people.

Whatever may be the rights or wrongs of the ideological base on which more recent decisions have been taken - and you will realise I personally would have strong convictions in this matter - the stark reality is that interest rates are at damaging levels, business and primary production stability is threatened and investment confidence has been and is being undermined.

We, the Premiers, have said for a long time to the Commonwealth - do something constructive about the situation - across the board - not piece-meal.
Inflation is the loss of buying power of our Australian currency, in other words, the depreciation in the value of our money and in values expressed in terms of money.

Take interest rates as an example, we do not have any division within the current interest rate, between recovery of the depreciation in value of invested funds and the true investment return.

A damaging consequence of this situation is that taxation is applied to the total interest return - thus generating the need for a still higher interest rate to cover taxation.

I would suggest to you present here today, as I have suggested to others, that the tax-slice coming out of every dollar of our gross national product is very near the heart of our present economic problems, one of the causes of the incessant demand for higher prices and wages.

Wouldn't it be true to say that the take-home pay or the profit after tax is the only figure which has any real meaning to us as individuals?

Is there any real distinction in the retail price of goods between income tax, and other taxes, such as payroll, sales or excise taxes? These charges are no more nowadays than cost inputs.

Taxation based on sliding or percentage scales must widen the wages and prices gap between what it costs to produce an article and what we pay for it. Yet there is much nonsense being talked, as economic theory, of increasing taxation as a means of combating inflation. If the States were to enter the income tax field, would this lessen the spiralling inflation rate? I cannot see it. You wouldn't want it!!!

To my mind, taxation as such has changed its character and purpose.

Traditionally, taxation was a contribution from the people's income, whether from investment, profit or wages, to meet the costs of maintaining the peace, welfare and good order of our society. This is the essence of our Federal constitution.
But now it has come to be a substantial oncost to be added by every individual or business before determining a selling price for his services or goods.

Cut sales tax and income tax - consumer support - subsidies.

The major causes of inflation - increasing taxation, increasing wages and increasing prices. These generate the situation we have arrived at today.

I do not think there has ever been in the history of Australia a more blatant example of the misuse of power than was shown by the Prime Minister at the recent Premiers' Conference. First, there was a disclaimer of responsibility for inflation, and then, despite the major increase in Commonwealth revenues from inflation, a burden was put on the States for a cure. We were told to tighten our belts or to tax our people. Even now, none of us here know, neither might I add does Federal Cabinet, what the Commonwealth really proposes to do. It is our hope in Queensland we can avoid a steep increase in taxation.

With the major taxation powers held by the Commonwealth and increasing Commonwealth financial income, an opportunity exists for increasing personal political power - power which affects not only the investor but every wage earner, every producer, every manufacturer in our community.

The present Commonwealth Government has also used its power to control industry and the economic affairs of the nation by its investment policy where it started off 33 1/3% requirement in the Reserve Bank free of interest and a 51% Australian participation.

The devastation caused by this policy in relation to overseas investment in our own nation is a story that some day I hope will be fully recorded.

We lost the 5 hundred million dollar alumina complex at Weipa - the possibility of a 1 thousand million dollar uranium enrichment plant in central Queensland.
There are several other huge projects totalling some 350 million dollars that are held up from proceeding because of slightly too high a percentage of overseas participation.

These are the dreaded multi-nationals that Labor tells us about who are supposed to be raping our resources.

The important point is not who has the major shareholding, but who makes the laws which control the operations of these undertakings - of course it is. Any mining, for example, in Queensland, has to comply with control exercised under our mining legislation.

I like to think of the good that they are doing - thousands of millions that they have invested in Queensland - thousands upon thousands of job opportunities - thousands of homes that they have provided - the jets, the dozers, the plant and a host of other things that these dreadful, evil multi-nationals have provided for our well-being.

There are other dreadful organisations, like Esso, who are enabling Australian motorists to buy fuel at 1/4 of the price they would otherwise be paying for it. We were saved the oil crisis that hit the world that almost put many nations bankrupt with colossal debts to repay. These dreadful peoples!!.

They have spent hundreds and hundreds of millions of dollars - Shell, Mobil, Caltex. All of them that are today condemned as these terrible multi-nationals.

We could not live without them.

Don't forget that there are many huge Australian companies that come within the same category who are doing a tremendous job for this nation in jobs and the goods they supply - B.H.P. and many others who are often associated with the companies that Labor condemns.

You know, it often strikes me as strange that if an overseas company sets up in Australia, it's an evil multi-national, raping our resources.

But if an Australian company sets up in New Guinea,
Indonesia or Singapore, or even in the United States, that's export action and they award you a nice flag - tax concessions - they are encouraged.

This Federal Government has done many about-faces - but I believe the biggest about-face of all will be on foreign investment.

Foreign investment under proper control is both necessary and beneficial.

The author of that quote, by the way, is someone called Dr. Cairns.

It is because of overseas capital that Queensland has developed and is being insulated from the grim economic reality of the other States.

This is one side of the picture.

The other is the Commonwealth Government's foreign policy that has a very disturbing impact on the nation.

Its foreign policy is governed by doctrinaire notions that are of no conceivable political advantage to Australia. Take its recognition policy, for example.

Australia leads the field in its recognition of left wing regimes. It is the only country in the world which has actually given formal recognition to the conquest by force of Latvia, Lithuania and Estonia on the part of Soviet Russia,

This, as the silence of other nations testifies, is an altogether unnecessary gesture, achieving nothing of benefit to Soviet-Australian relations, but, on the contrary, exasperating good Australian citizens from those victimised countries, and prejudicing world-wide efforts to secure greater liberties for the Baltic peoples.

One might well wonder at the political judgment of a Government that acts in this way.

But there is another point to be made about the matter.
The present Federal Government makes great play of its moral attitudes in foreign affairs, and its respect for international law. The textbooks of international law will tell you that there is a legal duty not to recognise the annexation of States as a result of aggression. The United Nations Charter outlaws the seizure of territory by force. This is why formal recognition of the Soviet seizure of the three Baltic States has never hitherto been given.

I say never hitherto.

The present Federal Government in this respect is not trendy. It is initiating a trend, and a dangerously subversive trend in international relations it will prove to be, because it sets the seal of approval on international violence.

Another instance - the announcement that America had been notified of the possibility of being called upon to dismantle their bases at the North West Cape and at Alice Springs, which are there for our security as well as for America's own benefits - the opposition to strengthening of American base in the Indian Ocean when there are already nine Soviet bases and places of access that they have in and around the Indian Ocean - when you think of the team of top Soviet communist technicians in Australia to negotiate setting up a vast complex in Australia which was only cancelled the day after the election.

No wonder there is uncertainty and anxiety throughout the nation.

I campaigned on these issues at the recent election and said to the people - if this doesn't make you fight, it makes me fight.

This is a dangerous world and it becomes increasingly dangerous every month. The Australian people should be continually alerted to international dangers which the present Federal Government, in its theoretical and doctrinaire way, refuses to acknowledge.

I feel in duty bound on this occasion to draw the public's attention to the illegality and immorality of its endorsement of Communist aggression in the Baltic States.
Of course, you would be aware of the press reports of the Prime Minister's planned visit to Moscow?

I have said on other occasions that I have been deeply concerned for the future Australia we hand over to our children. I have often spoken of the steps attempted by the Commonwealth, under the guise of nationalism, to change the fundamentals of the Constitution and our federal democracy under the Crown. We have now for nearly 3/4 of a century a federated and federal nation. Nationhood came to us in 1901. It is not something just conceived in the last few years by Canberra. The truth is exactly the opposite - the nation gave birth to Canberra.

I believe there is still not enough public understanding of the role of the Sovereign in the government of our country. I believe this one factor to be the keystone of our constitutional system and of our future freedom as people.

I would like every Australian to read Section 5 of the Federal Constitution. This section above all others, is the people's safeguard and points to the true and real role of the Sovereign and her representatives in our form of democracy.

You have heard about our moves to have the Queen confirmed as Queen of Queensland.

This is to ensure constitutional procedures which would prevent any Government in Canberra from declaring a republic by a stroke of the pen. What it means is that a national referendum will have to be held. The people will have to be consulted.

Perhaps at this point I could make a short observation on the much-loved word of the present Prime Minister - the word 'mandate'

It seems to me this word is being construed by him to mean an absolute right to have his own way in all matters of government. I think his point of view could be readily conceded if he and his party had polled 100% of all the votes cast in the recent election for both Federal Houses.
Otherwise, I would suggest that he would need to pay the proper respect inherent in a democracy to the rights of all the people in this country and I stress the word "all".

Logically, the lesser his margin below a 100% vote, the lesser his absolute mandate, and the greater heed he must take of the results of the referenda.

Has anyone present here today had the occasion to re-read the White Paper issued to voters on the referenda? In this paper, the Prime Minister posed 14 questions to the Australian public. All were decisively answered NO.

I would suggest to you that any mandate he claims must be greatly tempered by these direct instructions from the people of Australia.

To repeat shortly what I have said elsewhere, the division of the powers of government between and among the States and the Commonwealth is the one sure safeguard that we shall hand over to our children a system of democratic government with the checks and balances necessary to ensure future political, and thereby, economic stability of our federated Australian nation.

This is the heritage that we must guard, and guard jealously. It has been the basis of our way of living, the freedom we have and enjoy that has made this nation great.

I and the people of our State, stand for the freedoms that we have known and enjoyed that other nations are not now privileged to have and for our part we want to keep our friends - friends who have proved their worth - U.K., U.S.

Centralism itself is an outmoded theory - Mr. Whitlam is, in fact, rushing headlong into a system that other nations have tried and are discarding.

Britain, America, etc.

In my mind, the present economic situation is not
essentially a complex one. It has only become complex because one party wants to play at being "King of the Castle".

This brings me to the role which the Federal Government must play in the present economic crisis.

It has to control within itself the corroding influence of financial power over the community - not just over the States, but over the man in the street, the young-marrieds who want a home, the primary producers, the manufacturers, and last but not least, the many thousands of investors, large and small who supply the capital resources so essential to our economic strength and development.

I believe the Commonwealth must exercise its taxation powers, not as a means to greater financial power, but as a means towards stabilising our economy. It cannot escape its responsibility by putting the States and local government in a position where they must increase their charges if they are to survive, whilst the Commonwealth itself carries on in a state of financial euphoria.

If the Commonwealth is genuinely concerned about inflation, surely its first objective must be to reduce the tax-slice it is taking out of everyone's dollar and to contain its spending to its proper functions and proper priorities.

It is simply pointless for the Commonwealth to argue about wage and price control when it is busily proliferating Departments, duplicating State functions, offering take-overs of such items as education, hospitals, railways and roads.

With a little courage and self-denial our Commonwealth leaders may yet discover the simple truth, that prices and profits are self-controlling in a stable economy and productivity, as many of our union leaders have yet to learn.

Gentlemen, I thank you again for the opportunity of addressing you.