Strains in Government Coalition

The Secretary of the Communist Party in South Australia analyses some of the causes of the growing tensions between Liberal and Country Parties.

The Liberal-Country Party coalition which forms the Australian Federal Government is torn with internal conflict and the leaders have great difficulty in maintaining even the appearance of unity. The collapse of the coalition would spell the end of a long period of domination in Federal Parliament, by these reactionary parties.

The Basic Industries Group recently returned to its attack upon the Country Party's policies and its leader, Mr. McEwen, who in turn branded the Group as “faceless and nameless but very rich indeed and very reckless in misrepresentation” in its efforts to destroy the Country Party. There are quite a few others, members of the Liberal Party and its agencies, who also have the same objective.

Many of the issues dividing the coalition have been evident for a considerable time. They include economic, political and personal differences expressed in such things as protective and tariff policies, markets, electoral boundaries, decentralisation, foreign investment and the fight for leadership. They affect State politics, where the conflict is sometimes bitter in the extreme and these in turn influence the Federal position.

Important reasons for the sharper divisions include the increased competitiveness of markets for rural production, the decline in the relative importance of the rural industries in the Australian economy compared to the spectacular growth of secondary industry, the enhanced place of manufactures, minerals and metals in exports and the growth of monopoly.

With the growth of monopoly the rural industries are beset with rising costs and generally falling prices and this is also
the picture on a world scale with a growing gap between the advanced industrial countries and the underdeveloped, raw material exporting countries. This is referred to as “an increasingly competitive world in which the long term dice are, as far as price is concerned, generally loaded against commodity producing and exporting nations.”

Big business, nevertheless, and including overseas capital, has increasingly acquired interests in the rural field to the detriment of the smaller producers. The industrialists, financial and commercial interests represented by the Liberal Party, are more aggressive in their attempts to extend their control, increase their wealth and combat the leftward trends of the labor-democratic movement and the anti-monopoly stance of the smaller farmers.

The Country Party is dependent upon the rural population which tends to decline. The greater the problems of rural industry the more protective the Country Party becomes and the more it runs foul of those forces in the rural field such as the big graziers who oppose state controls and who believe they can “go it alone” without protection; those rural commercial interests who have more in common with the Liberal Party and those economists who oppose protection of inefficient industries.

The Country Party which became a political force in the early 20s in the various states gained from the weighting of votes in favor of the rural electorates.

In Queensland, the Country Party is the stronger partner in the coalition. It won the additional seat of Kennedy at the last Federal elections. In NSW, Victoria, West Australia and Tasmania the Country Party exerts considerable influences in State politics either in coalition with the Liberals, in government or in opposition, or by bargaining independently. In South Australia where farming and manufacturing interests have, in many cases, been long identical, a single Liberal Country League was established in 1932.

Federally, the Country Party collaborated with the United Australia Party before World War II through such politicians as Earle Page, A. G. Cameron and A. W. Fadden. Following the wartime Labor governments of J. Curtin and J. B. Chifley, the Liberal Party formed in 1944, joined with the Country Party to become, in 1949, the Menzies-Fadden coalition, later the Menzies-McEwen Government and at present the Holt-McEwen combination.

Country Party political philosophy, while believing that the primary industries are basic to Australia’s welfare, also claims to speak for the nation as a whole.
The Country Party is a Party which is pledged to make the strongest possible effort in the interests of all sections of the community. It is a Party, however, which has a specialised knowledge of the problems of the men and women on the land and those in the country cities and towns of Australia.  

Generally it has resisted pressures to amalgamate with the Liberal Party, maintaining that adequate protection for the rural industries is best achieved by a separate party in the form of the Country Party and that its aims are indirectly assisted by the competition of other parties seeking support from rural voters.

It is jealous of its favored electoral advantage and not willing to agree to changes in boundaries that would weaken its position in the countryside where population grows at a much slower rate than in the cities or even declines.

Mr. McEwen, as Minister of Trade and Industry, has been accused of feather-bedding both rural industry and manufacturing. It is said that rising production costs for the rural industries are caused by uneconomic protection of secondary industry. A big advertisement during the Federal elections accused the Country Party of “courting the big influence of city industry, supporting misdirected subsidies, restrictions, quotas, and tariff charges that are forcing up production costs for the man on the land.”

Mr. McEwen replied to his detractors: “We have no intention of retreating from these policies. We are protecting Australian manufacturing because in that way we are protecting the growth of Australia.”

The Country Party has shown that it is not simply a complementary part of the coalition, responsible for the rural population, but is in fact a rival to the Liberal Party for votes.

Central to the problem of Liberal Party-Country Party relations are the differences on economic policies. The costs of rural production have been steadily rising while the return to the farmers has at best remained stationary or tended to fall.

During a recent visit to Queensland the Treasurer, Mr. McMahon, pointed out that

Whereas in 1958-59 farm income had reached $941 million on the basis of a gross value of rural production of $2,523m., in 1965-66 it reached only $902m. on the basis of a level of rural production $678m. greater. Costs between those two periods had risen by $689m.

Australia’s biggest industry, wool, is experiencing severe competition from synthetic fibres, falling prices and rising costs. With the expiration of patent rights, a price war has begun between the big synthetic fibre producers, further depressing the market.
It was reported in August: "The Yorkshire wool textile industry is going through the biggest slump it has experienced for 15 years and, in particular, few can recall when trade was as slow in top making and spinning."\(^3\)

The proportion of wool to total Australian export earnings fell from 29% in 1965-66 to 24% in 1966-67 and prices fell 2.70 cents per lb. in the same period. The ratio of prices received by farmers for wool compared with prices paid for producing it has fallen from a base figure of 100 for the average of five years ending in 1950, to 78 in 1963-64; 63 in 1964-65; 62 in 1965-66 and 61 in 1966-67.\(^4\)

The problems of the wool industry are one of the important reasons for increased tensions in the coalition. While Mr. McEwen supported the referendums of 1951 and 1965 for a wool reserve price scheme, leading Liberals co-operated with the big graziers to defeat the plan. The big graziers, whose main income is from wool sold on the international market, believe in free trade and the present wool auction system. They depend on adequate capital to keep ahead of the cost-price squeeze by improving flocks and properties to increase productivity.

Wheat farmers, who are an important base for the Country Party, have grown from 45,000 to 55,000 in the last 10 years. Many of them also grow wool and from their experience of the benefits of wheat stabilisation, they favor a more orderly marketing system for wool.

It is the big graziers, many with other business interests, like Mr. C. W. Russell and Mr. R. Chapman spokesmen for the Basic Industries Group, some wool brokers and rightwing influences who, it appears, are associated with the somewhat sinister and secretive BIG.

Mr. Russell stated that the purpose of BIG was to change the policies of the Country Party, that the coalition was unnecessary and that it would be better for the Liberal Party to develop its own rural section. He said BIG could actively campaign against the Country Party at the next elections. In the 1966 Federal elections BIG campaigned against C.P. candidates in six electorates.

Other rural industries such as dairying, sugar, tobacco and dried fruits, are subsidised by the Federal Government. If Britain is successful in joining the European Economic Community, the loss of markets to Australia may require subsidies for other commodities, such as canned fruit.
Some economists on purely economic grounds argue that subsidies are wasteful.

When an Australian rural industry strikes trouble, political pressures generally result in subsidies and loans to hold inefficient producers in the industry, thus preventing a redistribution of resources.5

In 1960 an enquiry into the dairying industry proposed that 3,000 dairymen in less fertile areas should be eliminated from the industry. A later series of recommendations from the Australian Dairy Industry Council advocated that the subsidy should be kept at $27 million, that loans should be granted to allow the amalgamation of inefficient farms and that retraining of those wishing to leave the industry should be investigated.

Earlier Mr. McEwen's warnings about the adverse effect from the loss of trade received only lukewarm support in the coalition; since then he has been criticised for not gaining more in the negotiations.

As far back as 1960, while Mr. Holt was Federal Treasurer there were differences on this matter. Mr. McEwen disagreed with Mr. Holt on import licensing and the credit restrictions. The 1961 recession and electoral reverses for the coalition, seriously undermined Holt's prestige and McEwen was tipped as a possible successor to Sir Robert Menzies. It was in this situation that L. H. Bury, Minister for Air and, significantly, Minister Assisting the Treasurer, publicly stated that the economic consequences of Britain joining the Common Market had been exaggerated and that Mr. McEwen's warnings were having a depressing effect upon the business community. As a result of his row with Mr. McEwen, Mr. Bury was forced by Sir Robert Menzies to resign—against the advice of Mr. McEwen. "It didn't prevent the Liberal Party for years from pursuing a campaign of calumny against me for compelling Menzies to sack Bury," said Mr. McEwen.6

In criticism of the Country Party, Maxwell Newton in Nation wrote:

In domestic affairs it is notorious that the Government does not have one economic policy. There are two economic policies, as anyone can glean from reading the Treasury Annual Economic Survey, followed by Mr. McEwen's speech to the United Farmers and Woolgrowers' Association Conference on July 17. The Treasury economic policy is based on efficiency. Mr. McEwen's policy is based on hand-outs for the perpetuation of inefficiency.7

In his report to the UFWA, the biggest woolgrower body in any of the States and one in favor of protection, Mr. McEwen rightly condemned the United States, from which "we buy twice as much as she buys from us," for retaining the tariff on Australian wool. Also at this meeting Mr. McEwen criticised Britain for its lack of co-operation during the Kennedy Round negotiations and for its failure to give assurances for future Australian
exports despite the favored treatment Britain received from Australia.

Mr. McEwen has been accused of interfering with and reducing the independence of the Tariff Board in favor of his own theories on tariffs. But the debate on this matter is part of the difference on economic policy. The anti-Country Party correspondent, Maxwell Newton, wrote:

The real issue is the policy of extravagantly high protection being espoused by the Department of Trade and Industry and by Mr. McEwen for his own political reasons. Those asking for more independence for the Tariff Board are really asking for more moderate tariffs.

They don't want a Tariff Board which is receiving its riding instructions from a Minister and a Department who are jointly engaged in making friends and influencing people for and on behalf of the Australian Country Party, a party which is seeking an eventual role as The Australian Party, befriending those who need hand-outs in city and country alike, the Party of "all-round protection", of inefficiency, of kick-backs and subsidies, of high home prices and dumping of exports, the party that appeals to much that is cheap and base in our national character.8

Against such arguments, the Country Party in Western Australia during the last Federal election stated:

The so-called Basic Industries Group is vigorously opposing Country Party policies for wheat and dairying stabilisation, fertiliser subsidies and all Country Party policies which help to compensate primary producers, who have to sell their products on world markets.

It blamed spokesmen for BIG for defeating the 1965 wool marketing scheme.9

In addition it accused the Liberals of wanting to rip up the Uniform Fuel Prices Act, the numerous Acts giving taxation concessions to country people and the tariff acts preventing cheap imports from overseas.

The NSW chairman of the Country Party, Mr. R. J. Hunt said: "The Australian Country Party always has and always must insist that tariff protection is not the basic cause of undue stress on the export industries." He blamed the increase in farm costs of 15 per cent in the last three years for the difficulties.10

No doubt the coalition's strife has a great deal to do with the clash of personalities. It has been freely stated that the ambitious Federal Treasurer, Mr. McMahon, wants the position of Deputy Prime Minister, at present occupied by Mr. McEwen, as a step towards the Prime Minister's position.

Mr. McEwen's advancing years mean that he must soon relinquish the Deputy Prime Ministership, a position which up to the present in the coalition Government has been reserved for the Leader of the Country Party. Possible successors to his position
as Leader of the Country Party are already being discussed. But it is a fact that some of those who are loudest in their censure of the Country Party and its leader are strongest in their praise for Mr. McMahon for his activities. At the same time two rivals for the future leadership of the Country Party, both young — are Mr. D. Anthony, Minister for the Interior and Mr. I. Sinclair, Minister for Social Services.

Maximilian Walsh wrote:
Already Mr. McMahon's propagandists are busy pouring cold water on either Mr. Sinclair or Mr. Antony being Deputy Prime Minister, and, in the absence of Mr. Holt, acting as Prime Minister should Mr. McEwen retire in their favor.11

After the Federal elections Mr. J. Hallett, Canning, WA and Mr. D. Maisey from Moore in the same State, were tipped as possible Country Party Ministers and replacements for Mr. McEwen.

Mr. McEwen has been charged with entering into an agreement with Mr. Chamberlain of the WA ALP for an exchange of preferences prior to the last elections. Whether this is true or not, his CP policies are often closer to those of the labor movement than they are to those of the Liberals.

Mr. McEwen has long been critical of unrestricted foreign investment— "selling a bit of our birthright every year"— a policy which the Liberals have encouraged. He has particularly condemned overseas investment which buys up existing industry and contributes nothing to development.

He has criticised the overseas shipowners for their regular increases in freight charges and has supported development of Northern Australia despite Liberal attempts to blame him for the abandonment of the second stage of the Ord River scheme.

If the labor movement studies the needs of the working farmers a greater area of agreement can undoubtedly be found that will hasten the day when the labor movement and the country people can join in a coalition to their mutual advantage.

4 Quarterly Review of Agricultural Economics, April 1967.
7 Maxwell Newton, Nation, July 29 1967.
8 Maxwell Newton, Nation, June 3 1967.
10 The Australian, June 22 1967.