

Capitalism Imperilled?

Business Perceptions in Wartime and Post-War Australia

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ABSTRACT

The coming to office of the Australian Labor Party in Australia in 1941 signalled the virtual disintegration of the conservative United Australia Party, which business saw as its principal defender in the political arena. When the Australian electorate resoundingly endorsed Labor at the 1943 election, the ALP was encouraged to not only tighten its already stringent wartime control over the economy, but also to lay plans for comprehensive post-war reconstruction. The prospects of post-war reconstruction offered the realisation of a socialist dream — a planned society, a society no longer at the mercy of boom-bust extremes, depression, mass unemployment and misery. The brave new world, it seemed, was close at hand, and was entirely within the provenance of the Australian Labor Party. The business community viewed these developments with alarm, seeing in Labor's popular mandate and growing influence the spectre of socialism at the expense of private enterprise. The experience of wartime regulation had fuelled hopes that such government authority might also be used in peacetime to achieve greater socialisation of the economy; to some, liberal and conservative ideas in Australia were very much under challenge. Out of these concerns grew the current Liberal Party of Australia, the most successful political party in the nation's history, formed initially to fight the rising tide of socialism and defend the rights of private enterprise.

Introduction

In the mythology of the Australian Labor Party, the years of what then comprised a record period of Labor rule from 1941 to 1949, stand as a veritable golden age,¹ not only for the fact that Labor led Australia through the most difficult period of the war, but that its two most revered and enduring heroes, John Curtin and Ben Chifley, shared the prime ministerial duties of those fateful years. It was in a very real sense the public affirmation of legitimacy for the ALP as a Federal governing party, its supporters only too keenly aware of the tragedies that befell it when called to office in the two preceding crises, which saw Billy Hughes leave the Labor camp over the conscription issue in World War I, and Joe Lyons join forces with non-Labor in the Depression crisis, each of them in their tergiversation going on to head governments of Labor's opponents. It was little wonder then, as Judith Brett has written, that the wartime ALP governments 'became high points in Labor's twentieth-century history' as well as 'evidence for the comforting belief that in times of crisis the Australian people turned to Labor'.²

¹ See, for example, Ross McMullin, *The Light on the Hill: the Australian Labor Party 1891-1991*, Oxford University Press, Melbourne 1991, p. 253; L. F. Crisp, *Ben Chifley*, Longman's Green & Co, Melbourne, 1991, p 419; Ross McMullin, 'Joseph Benedict Chifley', in Michelle Grattan (ed.), *Australian Prime Ministers*, New Holland, Sydney, 2000, pp. 247-268. See, especially, Robert Murray, *The Split, Australian Labor in the fifties*, Hale & Ironmonger, Sydney, 1984, p. 4: 'Between the defeats of 1949 and 1954, Labor had held the heady but unjustified belief that was the 'natural government' of Australia. With more justification, it felt that its administration from 1941 to 1949 had solved, or at least mitigated, the greatest problems of pre-war Australia, and had laid the foundations of the new prosperity which was depriving it of its power. The party's mood predominantly was of hunger for a return to office combined with pique against an electorate which kept it out; of nostalgia for the golden 1940s and unwillingness to understand the 1950s.' Note also the comment by John Warhurst: 'This period in national office has assumed greater importance within the Party than might otherwise have been the case because of the twenty-three years out of office which were to follow.' John Warhurst, 'The Labor Party' in Dennis Woodward, Andrew Parkin & John Summers (eds.), *Politics, Power & Society in Australia* (6th ed.), Longman, South Melbourne, 1997, p 170. See also the views of Dr Jim Cairns, an influential figure in the ALP Left post-war. '...Cairns regarded Labor's achievements in office during the 1940s as considerable. A few years later in his doctoral thesis, he identified this period, especially the years 1943-48, as having been characterised by a spirit of co-operation and unity of purpose... Writing more recently, Cairns has argued that the Chifley Government represented 'Laborism at its best', and effected 'the most substantial elements of social and economic policy' in Labor's history.' (Paul Strangio, *Keeper of the Faith: A Biography of Jim Cairns*, Melbourne University Press, Melbourne, 2002, p. 62).

² Judith Brett, *Australian Liberals and the Moral Middle Class: From Alfred Deakin to John Howard*, Cambridge University Press, Melbourne, 2003, p. 215.

The ALP's ascendancy of the 1940s was also more than this setting the public record straight: it was the time when Labor's electoral stocks had never been so high as at the 1943 election,³ an 'unprecedented triumph,'⁴ and it was the first time, in 1946, that a Labor government had been returned at successive elections. Indeed, one newspaper went so far as to proclaim that Australians were now living 'in an era of Labor.'⁵ The prospects of post-war reconstruction offered the realisation of a socialist dream - a planned society, a society no longer at the mercy of boom-bust extremes, depression, mass unemployment and misery. The brave new world, it seemed, was close at hand, and was entirely within the provenance of the Australian Labor Party.⁶

This paper sets out to describe this political landscape with particular reference to the business community, an influential part of which saw in Labor's ascendancy a potential threat to private enterprise in the guise of wartime planning and post-war reconstruction. The response of business, which regarded Labor's wartime government as harbouring a dangerous socialist tendency, was to seek to promote its own cause and, in addition, give succour to those seeking to revive the dispirited and ineffectual conservative political machine that had all but collapsed.

The paper also examines the deliberate ambiguity of Labor's 'Socialist Objective' and how this, when seen in conjunction with necessary wartime social and economic controls, fed the perception that Labor had a socialist agenda. Finally, it looks at some key business leaders of the time and seeks to determine what it was that fuelled their suspicions that free enterprise in Australia was under threat.

It is argued here that perceptions were exaggerated, that capitalism was never threatened and that inflamed political rhetoric of the day, along with some poor decision-making by

³ Labor won 49.93 per cent of the valid vote. (Colin A. Hughes & B.D. Graham, *A Handbook of Australian Government and Politics 1890-1964*, ANU Press, Canberra, 1968, p. 369.)

⁴ Geoffrey Bolton, *The Oxford History of Australia*, Volume 5, 1942-1988, Oxford University Press, South Melbourne, 1990, p. 28.

⁵ *Geelong Advertiser*, 30 Sept 1946.

⁶ Chifley himself spoke of the imminent 'golden age' in the course of the 1946 election campaign. See *Sydney Morning Herald*, 12 Sept 1946.

government, such as the clumsy attempt to nationalise the private banks, all served to heighten fears that were never really grounded in reality

The crisis unfolds

Given the seismic shocks that had so shaken Australian society from its gentle slumber in the arms of Britannia - the disproportionate losses suffered in World War I, the onset and devastation of the Great Depression and then another war and the fear of invasion - it was by no means unreasonable that the party which represented itself as the engine of Australian nationalism⁷ should seek to implement policies aimed at preventing any recurrence of recent hardship and suffering. Was it not a fact that *laissez-faire* policies had failed and resulted everywhere in economic catastrophe and social dislocation? Was it not obvious that Labor's political opponents were divided, untrustworthy and in any case beholden to the very interests whose actions precipitated the Great Depression and, most likely, created the conditions for World War II?⁸ Surely, the Australian people had spoken plaintively and eloquently in 1943 when they so willingly entrusted the government and the war effort to John Curtin, and again in 1946 when they bestowed a mandate, albeit not so fulsome, on Ben Chifley?

On the other side of the political fence, there was concern; alarm even. The experience of wartime regulation had fuelled concerns that such government authority might also be put to use in peacetime, and that it was only a matter of time before a socialist system was introduced in Australia.⁹ Sweeping manpower regulations enacted in 1942 along with the 'new economic policy' outlined by prime minister Curtin in the same year involved, in the prime minister's own words, 'fundamental changes in the direction and control of the

⁷ See, for example, A. A. Calwell, *Labor's Role in Modern Society*, Cheshire-Lansdowne, Melbourne, rev. ed., 1965, p. 8, pp. 12-20; Graham Maddox, *The Hawke Government and Labor Tradition*, Penguin, Ringwood, 1989, p. 142; E. G. Whitlam, 'Chifley Memorial Lecture', 14 Aug 1975 in E. G. Whitlam, *On Australia's Constitution*, Widescope, Camberwell, 1977, p. 196.

⁸ See Paul Hasluck, *The Government and the People 1939-1941, Vol I, Australia in the War of 1939-1945*, Australian War Memorial, Canberra, 1952, pp. 78-9; Stephen Holt, *A Veritable Dynamo: Lloyd Ross and Australian Labor 1901-1987*, University of Queensland Press, St Lucia, 1996, p. 65; *SMH*, 25 March 1940.

⁹ David Kemp, 'The Institute of Public Affairs - Victoria, 1942-1947', unpublished BA honours thesis, University of Melbourne, 1963, p. ii.

economic system'.¹⁰ A unique political situation had arisen in Australia which combined a governing party with a socialist objective and a total mobilization for war. Circumstances had placed the Labor Party in a position where it was able to regulate and control every phase of business activity.¹¹

During the war and in the immediate post-war period liberal and conservative ideas in Australia were very much under challenge.¹² The then Leader of the Opposition, Robert Menzies, recalled a period of deep despondency, noting that Labor could look to the future 'with great Socialist hopes'.

For the war, under both party administrations, had caused a tremendous growth in the powers of Government, in the all-pervading habit of receiving and obeying government orders. Private enterprise had grown accustomed to its chains. Private citizens had become familiar with the manifestations of the planned state; investment control, food rationing, petrol rationing, very high rates of taxation, government organisation of industry and transport.

If things were allowed to settle down into a continuance of this political pattern, Labour's future would be bright, and that of its opponents shadowy indeed.¹³

A prominent business figure and thinker, Sir Herbert Gepp,¹⁴ wrote at the time:

I am very gravely disturbed about the broad picture of Australia today and the apparent absence of constructive vision. I foresee an acute situation arising over the next six or twelve months unless some bold and imaginative national guidance and leadership is forthcoming.¹⁵

Gepp, more so than most businessmen, was keenly aware of the generally unfavourable image of big business that had gathered momentum since the Depression, and he was at the forefront in seeking to reverse or at least modify this trend, especially in the formation

¹⁰ *The Age*, 11 February, 1942.

¹¹ Kemp, 'The Institute of Public Affairs', *op. cit.* p. 1

¹² David Kemp, 'Liberalism and Conservatism in Australia Since 1944', in Brian Head and James Walter (eds.), *Intellectual Movements and Australian Society*, Oxford University Press, Melbourne, 1988, p. 327.

¹³ Robert Menzies, *Afternoon Light, Some Memories of Men and Events*, Penguin, Ringwood, 1959, p. 287.

¹⁴ Sir Herbert Gepp (1877-1954), managing director Australian Paper Manufacturers.

¹⁵ Institute of Public Affairs, Draft of paper for Australian Institute of Political Science summer school, 1943. Noel Butlin Archives Centre, Australian National University (hereafter NBAC)N136/2.

of the Institute of Public Affairs.¹⁶ The concerns of private enterprise were acute: the planning for post-war reconstruction, actually begun under the first Menzies Government in 1940,¹⁷ predicated on a basis of full employment, posed under Labor a significant degree of threat in terms of the envisaged operating environment. As the official war historian Paul Hasluck wrote: ‘Alongside the examination of questions of the future of private industry, including such basic questions as the raising of capital while there was still capital issues control, there was advocacy of and planning for Government ownership of at least sections of industry’.¹⁸

Later historians have generally, but not entirely, been dismissive of claims about Labor’s socialist aims. Geoffrey Bolton, for example, asserts that Labor’s leadership ‘had no wish to eradicate private enterprise, overseas investment or the profit motive’, and that for Labor’s opponents to accuse the ALP of introducing socialism was simply ‘talking nonsense’.¹⁹ However, Tim Battin argues that post-war reconstruction enabled the Curtin and Chifley Governments ‘to breathe fresh life into Labor’s socialist faith and ethos’, and that these were examples of governments ‘characterised by socialist ideas and policies, tempered by legal constraints, yet continually testing the limits and pushing out the boundaries of public opinion’.²⁰ Labor’s very platform demanded such action, and contemporary non-Labor opinion was adamant that this was being followed, certainly in relation to post-war planning, as Arthur Fadden,²¹ briefly wartime prime minister, later wrote.

There is ample evidence that as early as 1942, the Labor Party was planning an active drive to implement socialisation when the war ended...Looking back, it is without question that the first step in Labor’s grand design was launched by Dr Evatt in 1942.

¹⁶ C. D. Kemp, *Big Businessmen: Four Biographical Essays*, Institute of Public Affairs, Melbourne, 1964, p. 56.

¹⁷ Hasluck, *op.cit.*, p. 509.

¹⁸ *Ibid.*, p. 520.

¹⁹ Bolton, *Oxford History of Australia, op. cit.*, p. 27. .

²⁰ Tim Battin, ‘Keynesianism, Socialism and Labourism, and the Role of Ideas in Labor Ideology’, *Labour History*, No 66, May 1994, pp. 39-42,

²¹ Arthur Fadden (1995-1973) MLA Qld 1932-35; MHR Darling Downs 1936-49, MHR McPherson 1949-58; Minister Assisting the Treasurer, Minister for Supply, Minister for Air and Civil Aviation 1940, Treasurer 1940-41; Country Party Leader 1941-58, Prime Minister Aug-Oct 1941, Deputy Prime Minister and Treasurer 1949-58.

Early in October Evatt introduced a Bill for the amendment of the Constitution to give the Commonwealth sweeping powers in the post-war period.²²

The powers proposed to be transferred from the States to the Commonwealth included those pertaining to employment, prices, production (including the marketing of primary produce), health, works and services, transport, housing and many others. Critics, especially in the Opposition, contended, and not without justification, that the provisions of the Bill would give the Commonwealth 'power to control almost every sector of economic and social life and obliterated the States as effective units in the federation...'²³ A particular sticking point highlighted by the Opposition was that the Bill failed to indicate any limit to the period defined as 'post-war reconstruction' during which the Commonwealth would be authorised to use the powers, which could have been extended arbitrarily 'for twenty, fifty or a hundred years.'²⁴ A commentator not unsympathetic to Labor and its program expressed surprise at the broad and sweeping nature of the move.

Some of these powers were expressed in the broadest, and even vaguest, terms and all were said to be specially exempt from High Court perusal and interpretation – which facts, taken together, would have given the Commonwealth Parliament all but complete legislative authority. The extraordinarily emotive, 'catch-vote' wording of the Bill as originally submitted gave the whole proposal a somewhat meretricious and 'tricky' air which never afterwards was successfully shed.²⁵

A spirited political campaign saw the defeat of the referendum which was put to the electorate as a single question, voters approving it in only South Australia and Western Australia (as well as a small majority of members of the armed forces).²⁶

But was socialism ever really a part of Labor's plan? Despite the rhetoric, the Labor Party was never a socialist party; at best, it was a social democratic party containing socialist elements. As one commentator has put it, the party's Socialist Objective commits it to

²² Arthur Fadden, *They Called Me Artie, The Memoirs of Sir Arthur Fadden*, Jacaranda, Milton, 1969, p. 91.

²³ *Ibid.*, p. 92.

²⁴ *Ibid.*, p. 92.

²⁵ L. F. Crisp, *The Australian Federal Labour Party, 1901-1951*, Longmans Green, London, 1954, p. 253.

²⁶ *Parliamentary Handbook of the Commonwealth of Australia*, Referendum Results 19 August 1944, Post-War Reconstruction and Democratic Rights, <http://www.aph.gov.au/library/handbook/referendums/r1944.htm>

‘democratic socialisation to the extent necessary to eliminate exploitation - a statement that has always meant ‘different things to different people’.²⁷

As this paper is dealing primarily in perceptions, these meanings of different things to different people assume significance; the rhetoric and the reality did not always match, and this served in some key instances to skew perceptions.

As Butlin and Schedvin note in their official war history volume on the war economy, there was to be ‘no frontal attack on capitalism’. Indeed, quite to the contrary, the thrust of the government’s post-war reconstruction policy was to ‘bolster the market system by reducing the severity of some of its more unfortunate social consequences’.²⁸

Few people seriously opposed the idea of wartime economic controls; it was widely acknowledged, and quite apparent, that Australia lacked capital, manpower and industrial capacity. But in the implementation and administration of these necessary controls, and in the subsequent planning for the post-war era, feathers were inevitably ruffled.

While Butlin and Schedvin, as we have seen, rejected the notion of any wide-ranging assault on capitalism, they do concede grounds for concern in the business community. When in 1944 public discussion turned to the future of the hastily-built government munitions factories, there was a significant show of support within the government to retain full control of the factories in order to extend the available range of public enterprise. The responsible minister issued a public statement declaring that it was ‘essential that the Government should be permitted to enter into industry on a strictly commercial basis in supplying civilian needs’, a statement that was supported by the Prime Minister in language that ‘changed the emphasis but not the substance’. Business

²⁷ Tristan Ewins, ‘Labor’s socialist objective is essential to its identity and future’, *OnLine Opinion*, 26 September 2002. www.onlineopinion.com.au/view.asp?article=1715

²⁸ S.J. Butlin and C. B. Schedvin, *War Economy 1942-1945*, Australian War Memorial, Canberra, 1977, p. 682.

was, quite understandably, deeply concerned; it could not fail to read such utterances as a prescription for socialism. Was this not the advocacy of public manufacturing in direct competition with private industry?²⁹

Some doubts persisted as to whether the Commonwealth had the constitutional authority to operate commercially in this way in peacetime, and the proposal was deferred pending the outcome of the “fourteen powers” referendum in August 1944, which as we have seen, was comprehensively defeated.

The referendum came some months after a review of reconstruction policy by Prime Minister Ben Chifley in which he spoke of planning and the need for government control of priorities in the transition to peace; again, some read into this a socialist agenda, but as Butlin and Schedvin point out, the approach to reconstruction was essentially pragmatic. Nearly all the programs were concerned with bread-and-butter issues, and ‘only rarely was the Government’s self-proclaimed socialist philosophy allowed to intrude’. Certainly, central control of public investment might have been a logical step towards systematic economic planning, but the primary objective was not an ideologically socialised economy but a highly pragmatic short-term employment stability.³⁰

The Opposition was unwilling to concede pragmatism when it could tilt at the ideological windmill. Fadden discerned ‘the first concerted move’ towards socialism just as the war was ending in July 1945 when a Bill was introduced, described by the Government as one for ‘the nationalisation of interstate airlines.’ The broad principles of the Bill were subsequently invalidated by the High Court. Chifley, who had just become Prime Minister after the death of Curtin, expressed the hope that the day was not far distant

²⁹ *Ibid.*, p. 768.

³⁰ *Ibid.*, p. 682.

when all air transport, and not merely interstate airlines, would be under government control.³¹

The prospect of continuing wartime regulations coupled with a perceived hostility to business were the key factors in bringing about the formation of the Institute of Public Affairs, whose prime purpose was to improve the 'image' of business and educate the public about its workings. The early history of the IPA offers a fair reflection of the fears and anxieties that beset business at the time, as it saw 'the freedom of Australian business...gravely threatened by forces whose unswerving and rigid purpose is the entire nationalisation of industry and the establishment of socialism as the permanent form of Australian society'.³² It was not hard to see where these trends were leading: the eventual 'elimination of private capital and shareholdings, profit, freedom of private enterprise and the transfer of the control of industry to civil servants and union leaders.'³³ This was the nature of the enemy and the enemy had political form. The forces that were arrayed against business and the free enterprise system in general were centred politically in the Australian Labor Party and industrially in the trade unions; they were also supported by 'an extremely powerful and growing section of public opinion.'

Socialism by stealth?

By 1945 business was decidedly diffident about pressing its case yet fearful of the consequences of not doing so. A confidential assessment by the IPA of the prevailing industrial situation ahead of a national conference between employers and unions noted

the conviction (fostered by the spate of official and private propaganda poured out during the war urging the institution of some form of 'new order') that the end of the war should result immediately in some sweeping improvement in the social standards and way of life of the mass of the people.³⁴

The war had served the ALP well, as business saw it. It had placed Labor in the position where it was able to regulate and control every phase of business, and it was using this position to 'erect a framework of widespread restrictions which it will endeavour to

³¹ Fadden, *op. cit.*, p. 94.

³² NBAC, IPA, N136/53. 'Introductory summary' of an undated paper by C. D. Kemp on the structure of the proposed IPA.

³³ *Ibid.* The following passages are taken from same.

³⁴ 'Report on National Conference Between Employers and Unions', IPA, (n.d.) NBAC, N136/52, p. 1.

maintain and extend in the post-war period as a means of enforcing its policy of wholesale nationalisation of industry'. There were fears expressed that the ALP was taking its cue from the British Labour Party which had already submitted a resolution stating that there must be no return after the war to the unplanned competitive society and asserting that government wartime controls for mobilising national resources must be continued in peace time. Every utterance of ALP figures, especially ministers, was scrutinised, and business noted that in recent months 'different Cabinet ministers in this country have urged that the Government immediately take over certain basic industries', and that one minister had even spoken of the 'iniquity of profits and interest'. As the post-war reconstruction program developed momentum, business looked with concern on an 'enormous new civil service armed with arbitrary and excessive powers under National Security Regulations...being built up'. The public servants so deployed were themselves identified as politically hostile because of their perceived 'direct personal interest in ensuring their future positions and constitute a new and powerful voting section with a vested interest in government control'. Trade unions, too, had been empowered and were demanding to be consulted before action was taken by the Federal Government while their policy of socialisation cut directly 'across the interests of employers and makes the achievement of industrial goodwill impossible'. Another related area of concern was the effort being made to achieve the legal enforcement of compulsory unionism which business feared would give the unions 'unprecedented economic and political authority and could well mean the destruction of the present capitalistic organisation of industry'. The 'political Labor Party' had much to gain from acceding to this request; in any case, it would find it extremely difficult to resist. Organised labour had taken on a sinister new hue, no longer being merely concerned with wages, conditions and the welfare of the workers; its 'true objective', rather, and one only faintly concealed, was 'to reconstruct the industrial and social life of Australia on an entirely new and revolutionary basis'.

The IPA paid close attention to developments overseas, notably in Britain, and also listened closely to the words of experts thought to be sympathetic with the aims of the Australian Labor Party, among them the noted economist, Sir Douglas Copland, who was

identified by the IPA as being of a ‘semi-socialistic’ viewpoint. In a summer school paper early in 1944 he advocated public monopolization of major industries such as coal, gas, electricity, broadcasting, airways, banking, insurance, public health, shipping, munitions, and added that ‘the field appropriate for this treatment will no doubt extend significantly in the near future’. The vast national works program he advocated implied that controls over materials, manpower, prices, rationing and capital issues would be continued indefinitely – the state thus regulating and controlling the economy.³⁵

Business had failed itself by neglecting to put its own side of the case constantly before the community, nor did it seek to follow economic and political trends on an organised basis with a view to influencing public opinion in its favour. But above all Kemp identified a *political* failure, sheeting home the blame to the then opposition, the United Australia Party, for not having ‘succeeded in formulating views and policies which can be said to truly reflect those of the large majority of medium size and small business organisations.’ He continued:

The fact that it has so far failed to evolve a definite, virile, and progressive policy with a strong appeal to the community as a whole is a serious flaw in the armour of business itself. For contrasted with this the Labour Party has a clearly defined goal which on the face of it offers a better life for the great mass of the people, - it has definite objectives, it is vigorous and unswerving in their pursuit and its aims can be stated in simple terms understandable by all.³⁶

The embryonic IPA looked with scepticism on the way in which the Labor Party, and Curtin in particular, were lauded – ‘built up to great heights by press and benchmen.’³⁷ The ALP was seen as having claimed all the credit for Australia’s war effort³⁸ – a myth that has endured with remarkable tenacity given its flimsy basis in fact. In Labor mythology, Curtin has been lionised,³⁹ one biographer hailing him ‘as basically responsible for the leadership that united and inspired Australia in accepting the measures

³⁵ Kemp, ‘The Institute of Public Affairs’, *op. cit.* p. 24.

³⁶ ‘Report on National Conference’, *op.cit.*, p. 7.

³⁷ NBAC, IPA, ‘Memorandum – Federal elections 21st August, 1943,’ Post-Mortem, p. 3. N136/74.

³⁸ Curtin himself was at the forefront of this, using his policy speech for the 1943 election to talk up Labor’s role. See *Sydney Morning Herald*, 27 Sept 1943.

³⁹ See, for example, C. M. H. Clark, *A History of Australia*, Vol VI, Melbourne University Press, Melbourne, 1987, *passim*, but esp. p 496: ‘He was greatly loved. His political opponents praised him as the ‘best and fairest’ man in Australian public life, the charismatic leader, with an abundance of wisdom and understanding...He had had a great dream. He had dreamed that here in the South Pacific Australians would rear a nation that would be an example to all others. He never gave up that dream.’

that were necessary to obtain national security and to participate in winning a world war against insatiable authoritarianism.’⁴⁰

Much of the credit given to Labor for its war effort was, according to the IPA, due more to some deft public relations work than actual achievement, such as lifting of the brown-out, material releases and ‘the statement that we were now out of danger from invasion because of the Labor Party’s efforts.’⁴¹ On the other side of the political fence, there was ‘the spectacle of disunity’, with too many open or silent contenders for leadership, and a lack of ‘any really well trained machine for field work or spreading our political creed...’ It was quite clear that business saw little value in the United Australia Party, the IPA observing that ‘a new political party or a complete re-organisation of the present one is absolutely necessary.’⁴² The Australian Labor Party was perceived to be streets ahead in its organisation and approach.

Towards a Liberal Revival

The general feeling of inadequacy on the non-Labor side coupled with an air of enveloping crisis is reflected in the musings of a prominent business figure, F. E. Lampe,⁴³ about the results of the 1943 Federal election, which he characterised as: ‘United they stood, divided we fell.’⁴⁴ He noted the care taken by the Labor Party not to reveal to the public any sign of dissension in its ranks, Curtin’s leadership contrasted with the lack of leadership in the UAP, disagreement between UAP and Country Party leaders on major points of policy, lack of a clear and constructive policy, political expediency, lack of organisation, the ‘possibility that the Labor Party is regarded as more Australian than the UAP [and] that the UAP is regarded as being more susceptible to English than to Australian influences,’ the ‘gullibility of the public in accepting Mr Curtin’s half truths’ about the defence achievements of the Menzies Government, absence of unemployment

⁴⁰ Lloyd Ross, *John Curtin: A Biography*, Melbourne University Press, Melbourne, 1996, p. 387.

⁴¹ NBAC, IPA, ‘Memorandum Federal elections, 1943,’ *op. cit.*, p. 3.

⁴² *Ibid.*, p. 4.

⁴³ Frederic Ernest Lampe (1902-1972), retailer and businessman.

⁴⁴ F. E. Lampe, ‘Thoughts at Random on the Recent Election,’ 30 August, 1943. NBAC, IPA, N136/74, p. 1.

and abundance of money attributed to Labor administration, a belief that Labor offered the best hope of post-war social security and avoidance of depression, and achievements of communism talked of in Russia as pointing to the desirability of socialism.

Lampe was concerned that while Labor was focusing on post-war reconstruction – and this policy was ‘becoming clarified...along bureaucratic lines’ - the two non-Labor parties, during the 1943 campaign, had merely spoken ‘more or less vaguely about the need to preserve private enterprise’. They had ‘completely failed’ to enunciate a policy that would be capable of avoiding depressions and other social evils that followed the 1914-18 war.⁴⁵ He noted remarks made by the director of Post War Reconstruction, Dr H. C. Coombs,⁴⁶ that ‘in future governments will participate to a greater extent in the control of industry and they will have to create a new type of personnel for this purpose’.⁴⁷

While not advocating a return to *laissez faire*, which Lampe believed would ‘lead to a disaster’, any attempt to control the whole economy of Australia by a bureaucracy would be equally disastrous, and it would be preferable that participation by governments in industry be by direction and not by control. But much work remained to be done in promoting this outcome in opposition to ‘a tyranny of complete domination by the State’, and a political hiatus remained a major obstacle.

At present a large body of public opinion which is instinctively opposed to socialism and authoritarianism, is faltering and bewildered because the parties to which it looks for guidance have no definite creed able to command its steadfast allegiance.⁴⁸

As discontent became more apparent and widespread, criticisms that once had been only whispered were now aired in public. Clearly, the United Australia Party was being seen increasingly as an inappropriate vehicle on which to mount a sorely needed liberal revival; it was obvious its days were numbered. Even the august *Sydney Morning Herald*, generally a supporter on the non-Labor side, was strongly critical of the malaise which

⁴⁵ *Ibid.*, p. 3

⁴⁶ Herbert Cole Coombs (1906-1997), Director-General, Post War Reconstruction 1943-49, later Governor of Reserve Bank of Australia 1960-68.

⁴⁷ Lampe, *op. cit.*, p. 4.

⁴⁸ *Ibid.*, p. 6.

had overtaken the Opposition parties, accusing them of representing ‘vested interests’ which, while not represented directly, were nevertheless organised ‘through a clique of professional politicians who close their ranks to new talent.’⁴⁹

The UAP was being seen increasingly as irrelevant, both to the demands of the business community and to the so-called ‘middle ground’ which it needed if it was to achieve electoral success.⁵⁰ Its ability to match Labor, ideologically or politically, was constantly to be found wanting, and the comprehensive defeat inflicted in 1943 saw the UAP ‘consigned to a wilderness of rising futility and desperation....’⁵¹ Many organisations and individuals concerned at the growing centralist drift under Labor and the wartime regulations banded together in various manifestations, not entirely coherent and by no means enduring, that attempted to articulate a political tendency that had been left all but voiceless. The prominent businessman and later Federal president of the Liberal Party, T. M. Ritchie⁵² echoed the sentiments of many when he said:

It is obvious that the weakness of our opposition to the promotion of socialistic political thought and effort arises largely out of our failure to achieve a continuity of political effort by those citizens who do not share the socialistic viewpoints.⁵³

There were two recurring themes in the *Sydney Morning Herald’s* ongoing critique of the non-Labor malaise – the need to move away from simple anti-socialism and protection of vested interests (‘obstructive conservatism’) to a broader, more robust liberalism,⁵⁴ and greater consideration given to the type of candidate needed. The latter contained a prescient insight into the type of Liberal leaders who would emerge in the immediate post-war years, and addressed what the *Herald* had long identified as a pronounced lack of practical administrative ability in non-Labor ranks.

⁴⁹ *Sydney Morning Herald*, 15 July 1943. While credited to ‘A Political Observer’, this and subsequent articles were written by the paper’s chief proprietor, Warwick Fairfax, later collected under the title, *Men, Parties and Politics* (Sydney, 1943).

⁵⁰ John Lonie, ‘From Liberal to Liberal: the Emergence of the Liberal Party and Australian Capitalism, 1900-45’ in Graeme Duncan (ed.), *Critical Essays in Australian Politics*, Edward Arnold, Port Melbourne, 1978, p. 69.

⁵¹ Clem Lloyd, ‘The Rise and Fall of the United Australia Party,’ in J. R. Nethercote (ed.), *Liberalism and the Australian Federation*, The Federation Press, Sydney, 2001, p. 162.

⁵² Thomas Malcolm Ritchie (1894-1971), businessman and Liberal Party founder.

⁵³ Speech to Darlinghurst branch, Liberal Party, 4 July, 1945. Ritchie papers, NLA, MS 2555, Box 1, speeches.

⁵⁴ *Sydney Morning Herald*, 3 Sept 1943.

The notion so prevalent in the UAP and UCP that 'new blood' means getting hard-boiled graziers and business executives of 45 or 50 should be scrapped forthwith. Not only are such men apt to think in terms of commercial rather than of human values, but their very association with a certain industry or business tends to unbalance their view of the national affairs. There is no suggestion, of course, that able men in politics have not often been recruited from business classes, or that such classes should not be represented. Administrative capacity is obviously needed, but unlike political leadership, it is fairly plentiful in this country. The problem is only how to associate it with politics.⁵⁵

In other words, the pool of talent for leadership was as narrow as it was shallow; the class and social constraints of non-Labor merely churned out more of the same type of politician. If a new start were to be made – and this was the thrust of the *Herald's* argument – then serious attention needed to be given to the encouragement of more diverse talents.

It is not within the scope of this paper to detail the birth of the Liberal Party other than to note that the driving force behind its creation was a combination of concern at the malaise that had overtaken Australian political life and fears of the direction post-war planning was already starting to take; it was conceived in crisis but deeply imbued with a new energy and heady idealism. One of the prime movers in getting the Liberal Party up and running, W. H. Anderson⁵⁶, the Victorian State president, characterised Liberal thinking when he addressed the party in 1946: 'The dead hand of a socialist government lies very heavily on this land. There is great apathy and dull, dead inertia to-day...'⁵⁷ Ritchie was of a similar view, and saw in post-war Australia the real need for political change.

We see in our country an unbalanced staggering towards control by bureaucracy, which makes free enterprise shudder at the prospects of our future if it continues unchecked...We

⁵⁵ *Sydney Morning Herald*, 2 Sept 1943.

⁵⁶ William Hewson Anderson (1897- 1968), chief accountant Shell Co of Australia 1935-50. President of the Victorian Division of the Liberal Party 1945-48 and Federal President 1951-56. His role in the formation of the Liberal Party was a significant one as it was in the first decade of its existence. Anderson was among the conservative critics of the UAP and had formed with others the Services and Citizens' Party, one of the splinter parties that later became part of the new Liberal Party.

⁵⁷ Address to Fifth State Council Meeting, 5 July 1946. University of Melbourne Archives, Liberal Party of Australia, Victorian Division, 1/1/2.

seem determined to shackle free enterprise to such an extent as to reduce it to a minor role in our national economy.⁵⁸

This message had also been used repeatedly with effect by Menzies, with an added sense of urgency overlaying it, and when he addressed the first Victorian State Council meeting of the new Liberal Party in 1945, his message was one of crisis.

I don't know whether everybody in Australia fully realises it yet, but nobody who is at all near the centre of politics in Australia can doubt that we are confronting the greatest political crisis in our history...Everybody has wanted to win the war; but when the war ends, in the period between the next election and the election after that...(W)e are going to enter a period in which the problems of government will be complex...I believe that far too many thousands of people of our way of thinking in Australia have loafed on their political responsibilities for far too many years...⁵⁹

In other words, those people on the side of liberalism had shirked the issue. It was another, though more perverse, way of saying that they had not been mobilised politically. This was the challenge.

And the challenge was met. Negotiations among diverse groups who shared a common concern about socialism led in 1944 to the formation of the Liberal Party of Australia, a party that endures to the present time and which has governed federally in coalition for all but 20 of the 62 years since the end of World War Two.

The socialist spectre

Just how strong were the fears of socialism? Was it, as we were to see later in the hysteria of the Cold War, merely a political scare tactic?

The Institute of Public Affairs, always moderate in its pronouncements, took the threat seriously. It considered that the relation of state to industry to be the most important of all

⁵⁸ T M Ritchie, speech to Federal Council meeting, Liberal Party of Australia, Melbourne 2 Sept 1947. Ritchie papers, NLA, MS 2555, Box 1, speeches.

⁵⁹ R G Menzies, address to Meeting of First State Council, 19 June 1945, Melbourne. MUA, Liberal Party of Australia, Victorian Division, 1/1/2.

post-war questions. While accepting a role for the state in regulating wages and conditions and the provision of public goods, it rejected entirely any application of the wartime system of government-imposed priorities and controls as a permanent part of the peacetime economic structure. The IPA argued strongly that such a system must of necessity be undemocratic and totalitarian, and would mean that the state and not the people would choose the goods consumers must buy; it represented a centralisation of power incompatible with the mechanics of liberty.⁶⁰

If the Labor Party was ambiguous – and necessarily and deliberately so - in its Socialist Objective and accompanying rhetoric, what did business figures understand it to mean? Did it mean to them, as it did to Labor people, different things to different people? Did they genuinely believe a socialist agenda was on the cards, or were they merely chafing at the imposition of wartime controls and lamenting the end of *laissez faire*?

Businessmen such as Ritchie and Anderson – both closely connected with the formation of the new Liberal Party and subsequent federal presidents – were uncompromising, seeing an essentially Manichean struggle between socialism and liberalism, good and evil – but to what extent this stemmed from sincere belief or was a mere rhetorical ploy to rally support for the new Liberal Party is unclear. In Ritchie’s case, however, judging by his voluminous correspondence and other papers, it appears to have been a genuine belief.

But with other figures prominent at the time, the issue is more complex. Lampe, whom we saw earlier as a key figure in the early IPA, reflected on such issues after a visit to the Soviet Union in 1959. He noted that people gladly accepted a loss of individual freedom in wartime, but it was a different thing altogether in peacetime. Socialism meant not only a curtailment of choice, it also ran contrary to human nature: ‘the hope of reward that provides the incentive to work’.⁶¹

⁶⁰ Kemp, ‘The Institute of Public Affairs’, *op. cit.*, p. 25.

⁶¹ F. E. Lampe, *Two Eyes on Moscow*, Stuart Taylor Pty Ltd, Melbourne, 1960, pp. 33-34.

Gepp, whose writings were so influential, was different again; and, interestingly, was by no means averse to economic planning, nor even to some of the so-called socialist objectives that addressed social injustices. Described by the economist C. D. Kemp as '...a great industrial leader and statesman – the greatest, I believe, of his time', Gepp saw the main threats to private enterprise as the timidity of the business community itself in terms of both promotion and innovation, and bureaucratic inefficiency. Towards the end of the war he wrote:

In no sphere of life can we go back to things as they were before September, 1939; nor would it be desirable. The structure had many cracks, much shoddy material, and its final collapse into a terrible global conflict is its own condemnation. 'Standfast', unprogressive reactionism has as little to commend it as the rigid extremes of a socialism founded upon a conception of human nature and human understanding quite out of accord with the realities of today. Between the two lies a vast field for compromise and bold experimentation offering prospects of improved standards of life and of social justice.⁶²

One industry sector that had a particular and well-founded fear of increased government action in the economy was the banks, and the most formidable opponent of this was Sir Leslie McConnan, chief manager of the National Bank of Australasia. In March 1945, the Labor Government introduced legislation to provide for the effective continuation of the wartime powers of the central bank, then the Commonwealth Bank. The legislation empowered the bank to control interest rates as well as the advance policies of the trading banks; in addition, the private banks would be compelled to transfer all government and semi-government accounts to the Commonwealth Bank. This, more than anything, convinced the banks that the Labor Government was bent on the eventual destruction of the private banks through nationalisation.

Convinced of this, McConnan saw not just the traditional preserve of the banks under threat, but also the economic stability of the country. He argued that the legislation opened the door to political manipulation of the banking mechanism; the government could withdraw or issue currency and credit without restriction to suit its own whims and fancies. Experience in other countries had shown that this led to unbridled inflation.⁶³ At

⁶² C. D. Kemp, *Big Businessmen: Four Biographical Essays*, IPA, Melbourne, 1964, p. 80.

⁶³ *Ibid.*, p. 151.

a personal level, McConnan felt that the banking controls cut across his deep faith in co-operation, not compulsion, as a means of solving many social problems.⁶⁴

As it was, the High Court in August, 1947, ruled that government authorities could bank wherever they wished, but that did not end the matter. The fears about socialism came to a head after this when Labor attempted to nationalise the private trading banks, later over-ruled by the High Court. It gave the new Liberal Party the impetus it was seeking. This, coupled with growing resentment at continuing wartime controls and shortages, as well as monetary policy, made for a successful campaign in 1949 that saw Menzies make a triumphant return to office, ushering in 23 years of unbroken rule for the Liberals. Capitalism was saved.

Conclusion

From a distance of some six decades it is difficult to separate the smoke from the flames. Clearly, there was in evidence in the later years of the war and immediately after it a desire on the part of the Labor government – and with a good deal of public support - to address a wide range of social issues, all of which involved a greater role for government. Free enterprise was never in danger, notwithstanding Chifley's inept move against the banks, but in the heightened political atmosphere of the day, rhetorical extremism knew no bounds. An example of this was in the 1947 state election campaign in Victoria, fought on the issue of the Commonwealth banking legislation when the Liberal leader, Tom Hollway, even suggested Australian civilization itself was at stake.

It is of such paramount and fundamental importance that it is not only a State matter, but it is a Municipal matter, it is a Church matter, and it is an individual matter, as it must change entirely the course of Australian history.⁶⁵

Wholesale nationalisation of industry was never seriously proposed, but suggestions that it was were kept alive and prominent for purely political purposes.

⁶⁴ *Ibid.*, p. 153.

⁶⁵ Hollway policy speech, cited in Norman Abjorensen, *Leadership in the Liberal Party: Bolte, Askin and the Post-War Ascendancy*, unpublished PhD thesis, Australian National University, 2004, p. 44.

The change of government in 1949 brought change, but it also brought continuity: Menzies and the Labor Party both agreed that government had an important role to play in economic development. Within weeks of its election, the new Coalition government issued a 'Survey of Development Requirements' for the Immigration Planning Council, and some weeks after that a paper on 'Population Increases and Investment Requirements' for consideration by the Cabinet Committee on Industry and Development. In March 1950, the government established a new Department of National Development with 'overall co-ordinating authority for...any plan of national development'.⁶⁶

La plus ca change...

⁶⁶ John Singleton and Paul L. Robertson, *Economic Relations between Britain and Australia 1945-1970* London, Palgrave, 2002, p. 60.