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*Trade Unions and the Depression*

*The Depression of the 1930s*

# Menzies' Cold War

a reinterpretation

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## CHAPTER 6 BUTTER BEFORE GUNS

The mobilisation program was gathering momentum when economic realities brought it to an abrupt halt. Even by early 1952 it was evident that targets could not be achieved by the end of 1953. Orders for equipment could not be filled because of limited physical resources, and supplies were not available from the UK or US as they were required for their own rearmament programs. Costs were increasing steeply – in the Second World War the cost for a basic outfit for a soldier had been £25, by 1952 it was £100;<sup>1</sup> the Sabre fighter aircraft project costed at £7m in December 1950 had risen to just on £20m by April 1953. With the economy in difficulties, the question was raised by Treasury whether the country could afford the mobilisation program, whose total cost had risen to £1013m. The Government had argued that it was possible to have both national development and defence expenditure, but it was now confronted with a stark choice, Guns or Butter.

The sterling/dollar crisis, the balance of payments crisis (with the drastic restrictions imposed on 8 March 1952), and the onset of recession made most urgent the question of the impact of the defence program on the economy. Cabinet repeatedly wrestled with the problem, and Menzies requested the NSRB to make a detailed assessment. Its report resulted in Cabinet Submissions 256 and 256a (28 April 1952), 'Revision of the Basis and Spread of the Defence Programme'. As the program was beyond Australia's capacity, it recommended spreading it beyond 1953. The Submissions were circulated to Ministers but not

taken to full Cabinet, and their fate is another illustration of how important Cold War decisions were made. On 7 May 1952, the Submissions were 'referred to' at a wide-ranging briefing meeting for Menzies leaving on an overseas trip when Fadden (Treasurer), McBride (Minister for Defence), Harrison (Minister for Defence Production), and leading public servants were present. After these discussions, and with the concurrence of the Ministers, a Memorandum of Conclusions was put together by the Acting Secretary to Cabinet (Bunting). The Ministers agreed that it was beyond Australia's capacity to carry out the program within three years, and it should be extended. In future, the Government would determine an annual defence program and place responsibility on each Service to build up a balanced force within the amount allotted to it. "The annual programme will be determined from considerations relating to the requirements for defence, the financial capacity to provide the vote required, and the economic ability to fulfill the programme during the financial year." It was at this meeting that Menzies mentioned the sum of £200m. These Conclusions became the Guiding Principles to implement the spread of the defence program and impose the £200m limit.<sup>2</sup> Menzies had ruled that it was not necessary to take the Principles to Cabinet as they had been approved. To justify the abandonment of the 1953 target which had provided the focus for Menzies' drive for war preparations, an assessment was resurrected from the Conference of Commonwealth Defence Ministers in June 1951 when the British Chiefs of Staff "did not regard a total war as inevitable and considered it unlikely that Russia would start one deliberately".<sup>3</sup>

Menzies left for his trip with his Government in a bind. Mobilisation could not proceed, and one of many setbacks had been the failure of the Fifteenth Security Loan in April. Then in early May at Loan Council meetings, all six States had rejected pleas to make sacrifices and combined to outvote the Commonwealth's insistence that loan funds be reduced.<sup>4</sup> After the brief certainty of the December 1951 decision that Australia's contribution in the global conflict would be in the Middle East, the reverting back to a policy of planning for the alternatives of the Middle East or Malaya, while affording 'flexibility', meant that there were no firm bearings.<sup>5</sup> At the briefing meeting on 7 May, there were differences of opinion among ministers and



senior advisers, with Menzies wedded to the Middle East. All shared the anxiety of not knowing what the US and UK were planning on a global scale and what commitments could be expected, especially in South East Asia.

On his trip (14 May–2 July 1952) Menzies first visited the US and then the UK and returned via the US and Canada. The growing significance of the US relationship is clear, though his left critics were exaggerating when they depicted Menzies getting his orders from his new imperialist masters – and, in fact, the original summons had been issued by Churchill.<sup>6</sup> Nevertheless, he was anxiously seeking direction and answers to questions about his allies' strategic plans and what role was expected of Australia. At the same time, he sought a role for Australia in policy making and in the deliberations of ANZUS, and even NATO. With rearmament in jeopardy, he also sought assistance with heavy defence equipment and financial help under some scheme of mutual aid, like the US Mutual Security Aid Program by which massive aid was given to other allies but denied to Australia. In the UK, Menzies had to spend much time placating the hostility caused by the import restrictions, and he came home almost empty handed. Discussions with the International Bank were to be successful in securing another dollar loan, and there was some agreement with the UK that rather than expand industrial defence production, Australia should increase food production.<sup>7</sup> Menzies had taken with him five heads of departments, including Major General Stevens (Secretary of Department of Supply and involved in the UK atomic tests) and Raggatt (Bureau of Mineral Resources), and their negotiations for the exploitation of Australia's uranium resources were to be more significant in the longer term. The exchanges concerned the development of Rum Jun-ble; and also at this time, the terms of an agreement with the Combined Development Agency were being drafted.<sup>8</sup>

Menzies returned to an economic and political nightmare, with businessmen and other Liberal supporters up in arms. He was greeted by a long article in the *SMH* (3 July 1952) setting out the failings of his Government which had caused its dramatic loss of support since the double dissolution victory. Political gossip was rife, and the US Embassy reported that the Liberal back bench was "practically in a state of open revolt".<sup>9</sup> The message from all sides was unambiguous, the

Government's unpopularity was such that to survive it would have to make concessions. From this time on, Menzies increasingly gave the appearance of a beleaguered politician, rather than a commanding leader preparing his country for the Third World War. When the Premiers continued obdurate at the Loan Council meetings in July, Menzies threatened to abandon the uniform tax system and return taxing powers to the States.<sup>10</sup> In May, in the High Court case challenging the validity of the regulations under the Defence Preparations Act, the Commonwealth's case had been that "you can't have guns without the loss of something – butter or refrigerators".<sup>11</sup> But on the eve of the federal budget there was no searching debate on the relative weighting that should be given to defence preparations, national security, tax concessions or electoral popularity. A cabinet submission by Treasurer Fadden warned that, despite the tax increases the previous year, the Government was attempting to finance more than peacetime revenues and loan raisings would stand; and he forecast acute financial difficulties in 1952–53 when there would be a sharp fall in real national income. He recommended that the estimate for defence of £236m in the 1952–53 budget should be reduced by £36m.<sup>12</sup> Cabinet agreed, and the budget on 6 August allocated £200m for defence, and provided for reductions in taxation and increases in pensions, with the overall objective of a balanced budget.

The abandonment of mobilisation by the end of 1953, and the imposition of the £200m ceiling with the directive that it should be assumed that the same limit would apply the following year, had far-reaching consequences. More immediately, it meant total dislocation of defence planning; though Menzies' riposte to critics was that £200m represented an increase on the actual expenditure on defence in 1951–52 at £159.43m. The £200m allocation had been made on financial grounds, and after the budget had been delivered, the Cabinet Committee on Defence Preparations on 21 August, considered a detailed report by the Defence Committee on the implementation of the £200m cap.<sup>13</sup> Overall, the defence force was out of balance as the Services had been at different stages of mobilisation. For the Army, it meant deferment of the formation of 2 Infantry Brigade Group, and the ARA Field Force would remain confined to two battalions, which were then in Korea. The Department of Air reported that "the RAAF can no



longer be said to be preparing for war". The Minister (McMahon) had already complained that the RAAF was so over-committed that 77 Squadron should be withdrawn from Korea (this seems to have been a typical contribution and was squashed by Menzies).<sup>14</sup> The Prime Minister had to accept that at £1000m and "political and economic chaos" the cost of mobilisation was too high. Noting that the UK was experiencing the same problems, he fell back on the rationale that "it was impossible for a democracy to go on indefinitely preparing for war".<sup>15</sup> The Service chiefs wanted a reduction in national service intakes, but Menzies refused, except to allow some relief for the Air Force. The total target for the armed forces was revised down from 189,225 to 168,000.<sup>16</sup>

Clear evidence of a change in direction was the announcement on 24 July by the Minister (Holt) that there would be reductions in immigration which had been a cornerstone of national development. There were also the beginnings of a shift in the political culture of the Cold War with the fading out of the rhetoric of an imminent Third World War. The *SMH* which had exerted relentless pressure on the Government for large-scale rearmament, dropped the crusade. There had been evidence of a shift in tack earlier on 30 April when Menzies offered an elaborate defence of the "impressive" twelve months' record of his Government. In claiming success in the eight tasks the Government had faced, the order of his listing revealed the new order of priorities:

- (1) to defend Australia against internal enemies, i.e. to beat the Communists;
- (2) to maintain industrial peace . . . and increase production;
- (3) to strengthen our defences against external enemies.<sup>17</sup>

In the deadlocks at the Loan Council meetings Menzies no longer had recourse to the argument that war preparations required sacrifices. Economic problems now had to be dealt with explicitly in their own terms. The Government had to cope with rising unemployment and recession, and the prices-wages spiral. Though not unusual by

today's standards, these challenges were serious enough, but that the *SMH* (19 July 1952) could warn about an economic catastrophe needs explanation. During these years there was an almost universal fear that history might repeat itself and the war be followed by a depression. The Government had to bear the burden of this resentment, and its unpopularity led to devastating defeats in by-elections and heavy swings to Labor in state elections.<sup>18</sup> Gallup Polls during 1952 recorded the swing in public opinion, as economic issues came to dominate people's concerns and fears of communism and a world war receded.<sup>19</sup> With all predictions pessimistic about its re-election, it was politically impossible for the Government to resurrect a war scare to sanction sacrifices. In fact, international events were moving in the opposite direction and could be used to justify the abandonment of mobilisation by the end of 1953. The UK was unable to sustain its rearmament program, and as deficits soared even the US began to scale down the increases in its massive defence budgets. Churchill and Truman and the more optimistic Eisenhower saw the danger of world war receding, and the US strategy shifted to the 'long haul', air power and nuclear deterrence. Belatedly, in January 1953, the Defence Committee in a strategic assessment was able to provide the Australian Government with the reassurance that "the probability of global war has receded".<sup>20</sup> A defence report (30 June 1953) confirmed that mobilisation for war had been ditched and that 70 per cent of the 1952/3 defence budget was required for maintenance and most of the remainder for current capital needs.<sup>21</sup>



## CHAPTER 7 NO 'MILITARY-INDUSTRIAL COMPLEX'

Mobilisation was impeded when orders for defence equipment could not be filled. This was despite the conversion of government factories and the various forms of assistance to increase the capacity of defence industries. A partnership with private industry was promoted, and as already noted, businessmen were enlisted in the mobilisation programs. Sir John Storey, leading industrialist and chairman of the Joint War Production Committee, insisted the objective should be "the maximum achievable self-sufficiency in the production of defence requirements in selected fields". Seeking to import American and Canadian practice and institutions, he campaigned for cooperation between business and government, and established a lecture course on industrial mobilisation.<sup>1</sup> Australia's designated role of "main support area" within ANZAM opened the prospect of a vast increase in industrial and defence production. There was the precedent of the Second World War when war equipment, including aircraft, was produced on a remarkable scale. This was, however, a totally false expectation; Australian society in the early 1950s was different from that of 1943. The economist Trevor Swan in August 1951 forecast correctly that "Australia could not hope in a future war to achieve a degree of direct military mobilisation similar to that of 1943, and at the same time to make a similar contribution of food and materials".<sup>2</sup> There had been a winding down since the war, and from such a low base it would take time to get a major rearmament program under way. In 1943, approximately 20,000 were employed in shipbuilding, in Octo-

ber 1951 there were 7370,<sup>3</sup> and employment in the aircraft industry had fallen from 26,500 in 1944 to 5800 in 1950. Lacking research and development and industrial resources, Australia could not manufacture tanks, and had to import Centurions.<sup>4</sup>

As the following figures<sup>5</sup> reveal there were prospects for lucrative defence contracts.

Expenditure on the Services Material Requirements (at March 1952):

	Actual (£m) 1950-51	Estimated (£m) 1951-52	Est. 1952-53 if full mobilisation program approved (£m)
Overseas	11.6	19.6	125.3
Local	170	33.2	84.4

In January 1952, a total £4,712,080 local orders were placed for material requirements including:

Woven material	£1,882,867
Machine Tools	£323,293
Clothing	£390,221
Tyres <sup>6</sup>	£287,696
Knitted goods	£271,975
Foodstuffs	£235,192
Footwear	£257,109

Expenditure for Army Capital Material Requirements 1952-53 totalled £14.2m of which £10.5 was spent in Australia.<sup>7</sup>

Characteristically for Australia, government establishments, such as clothing factories and armament plants, accounted for much of its direct war production. In contrast to the economic imperatives operative in the US which gave rise to the "military-industrial complex", there was no large-scale diversion of private investment into defence



industries in Australia. Investment capital was lacking and there were shortages of labour and raw materials. With profits guaranteed by the insatiable demand for consumer goods and housing, private industry was not persuaded to make the risky expensive switch to defence production. Manufacturers were extremely hostile to the Government's attempt to divert investment away from 'non-essential' industries. Self-interest is a sufficient motive to explain their opposition, and they also complained that the Government had failed to offer defence contracts that would cover the transition from civilian production.<sup>8</sup> There were also many other disincentives – the red tape,<sup>9</sup> the difficulties of meeting technical specifications, the limitations of proprietary rights for manufacture under licence, limits on open tendering because of security, and in the case of the RAN, equipment had to be RN-compatible.<sup>10</sup> While government policy generally favoured preference for the local product,<sup>11</sup> imports were encouraged as an anti-inflation measure until the balance of payments crisis. The severe quotas after 8 March 1952 could have forced local defence industries, but soon after requirements were reduced or cancelled, and those industries dependent on the import of vital raw materials and components were disadvantaged.

In accounting for the failure of defence industries to take off, it is instructive to examine a couple of examples. The introduction of national service and increases in numbers in the Services meant large orders for textiles. In the second half of 1951, approximately forty local contractors had produced 10,000 shirts (100,000 short of contract) and 30,000 trousers (50,000 down). This shortfall obliged the Army to spend precious dollars on imports from the US.<sup>12</sup> There were grounds for the charge that manufacturers were reluctant to divert from filling civilian orders – uniforms required a special weave and dye. Similarly, when the Navy failed in its attempt to have Sonobuoy batteries manufactured in Australia, it concluded that the 'real reason' for Eveready's refusal was that non-standard batteries in limited numbers was an unattractive proposition when there was a demand for standard commercial types.<sup>13</sup> But there were also many additional obstacles. For the manufacture of uniforms, it was necessary to import all cotton jean and the bulk of cotton drill and linings. Purchases overseas had to be made well in advance, as it took up to nine months

before delivery and then there was further processing (proofing and sanforising) before manufacture.<sup>14</sup> Most Australian industries were spread over many firms (there were, for example, 181 woollen mills – 102 in Victoria and sixty-four in New South Wales) and defence contracts often reflected this (orders worth £2,500,000 for Army tents were spread over fifty-nine firms in most states).<sup>15</sup>

Rebuilding the aircraft industry was a huge undertaking. Estimates for mobilisation included £105.7m for aircraft, and the plans were for deployment of seventeen squadrons.<sup>16</sup> Expenditure on the Air Force was £27.6m in 1950–51, £48.3m in 1951–52, and £55.8m was allocated in the 1952–53 budget (after the £200m cap was applied) of which £16.2m was spent on aircraft.<sup>17</sup> In 1950, the Government made the decision to manufacture in Australia a jet medium bomber, the Canberra, designed by the English Electric Co. An initial order was made for forty-eight Canberras (with spares) and this was to be the first installment of large orders that would be required in the event of war. The planning for a new jet fighter was beset by costs and delays, as the original project for the Hawker P1080 had to be cancelled. In December 1950, Cabinet decided that it be replaced by the Sabre F86 of the North American Aviation Co., and seventy-two were ordered for local manufacture.<sup>18</sup> By an early decision, the Canberras and the Sabres were to be fitted with a more powerful Rolls Royce Avon engine to be made in Australia. This involved redesign work and major modifications of the fuselages. This changeover to jet aircraft involved new technology and complex manufacturing processes. As already noted, financial assistance was given to enterprises to expand capacity and establish new facilities. After delays and cost overruns, the first Sabres and Canberras had test flights in 1953 and went into service in the following years.<sup>19</sup>

Though minuscule by UK and US standards, the aircraft industry, boosted as a key element in rearmament, was significant in Australian terms. Yet it did not provide a basis for the development of a 'military-industrial complex' in the Cold War, and as this is a major concern of this inquiry, the industry warrants closer scrutiny.<sup>20</sup> The Government Aircraft Factories (which employed 2984 in 1952) were completing orders for the Lincoln heavy bomber and had the contracts for the Canberra. The two major private contractors were the



Commonwealth Aircraft Corporation Pty Ltd (employing 3004 in 1952), and de Havilland Aircraft Pty Ltd (a British subsidiary, employing 1074). The CAC had the contracts for the Sabre, the Winjeel trainer, and the Avon engines. Its factory at Fisherman's Bend was on partly Commonwealth-owned land, and the Commonwealth had a capital investment of over £3m in plant, land and buildings. Its aircraft engine factories at Lidcombe were owned by the government and operated by CAC on a management basis. De Havilland had contracts for eighty Vampire fighters and forty-one Vampire trainers. Its propeller annex at Alexandria was owned by the government and operated by de Havilland. Smaller contractors included Chrysler Australia Ltd which operated the government-owned aircraft component workshop (Finsbury SA). Bendix Technico Pty Ltd made aircraft electrical components, and the Heavy Forge Annex (Granville) was owned by the government and operated by Australian Aluminium Co. Pty Ltd. Among subcontractors were G.E. Crane & Sons Ltd (supplying fabricated aluminium), Australian Forge and Engineers (airframes and forgings), the NSW Railways Workshop (Chullora), SA Railways (Islington) and the Tasmanian Transport Department (Hobart). One of the undertakings of the Department of Defence Production was the construction of the Avalon Airfield for the testing of the Canberras and Sabres.

The achievements of the Australian aircraft industry were noteworthy, especially in the absence of a civilian industry and the denial of aid that the US afforded its other allies. But materials and components had to be imported, and the viability of the industry was always in doubt. While preparations for war and national security were paramount, the arguments for a local industry were difficult to challenge. 'Remember the Wirraway' was an effective appeal to the experience of the allies' failure to provide aircraft in the emergency of 1942. As the urgency of mobilisation faded and costs soared, economic arguments against local production of military aircraft in small numbers took on more weight.<sup>21</sup> Canberras and Sabres imported from the UK and US would be considerably cheaper,<sup>22</sup> and this appealed to the Service chiefs when their projected budgets were reduced with the £200m cap. These pressures led to Cabinet's decision in early September 1953 to review the aircraft program and the economics of Aus-

tralian production, clearly with closing down as an option. In response, de Havilland threatened that unless it received more orders the company's manufacturing potential would 'disintegrate'; and, more ominously, it warned that the numbers it employed had already dropped from 1200 the year before to 900 and that half of these would be retrenched without immediate orders.<sup>23</sup> During 1952, government departments had been sympathetic to de Havilland's needs and agreed to transfer to it from the UK some orders for Vampire trainers, even though it made them more expensive.<sup>24</sup> During 1952 and 1953, when there were protracted negotiations over a bid by de Havilland to manufacture Sea Venoms for the Navy, all the arguments for and against local production were rehearsed, and government officials had to recognise that keeping de Havilland viable had a "political bearing" (in this case, by the next year, the orders had been so reduced that Australian manufacture was out of the question).<sup>25</sup> Such incidents can be interpreted as an example of a private company dependent on war contracts attempting to apply political leverage and maintain the momentum of the Cold War. But it is a flimsy case, as de Havilland was a subsidiary manufacturing under licence, and wielded marginal influence. In some respects the Commonwealth Aircraft Corporation conformed more closely to the stereotype. BHP, Electrolytic Zinc, ICI, and Rolls Royce were shareholders; L.J. Wackett DFC, AFC (whose brother was Air Vice-Marshal E.C. Wackett) was manager; Air Marshal George Jones, Chief of the Air Staff RAAF, on retirement in 1952, became Director of Coordination of the CAC; and a future chairman was Sir Sydney Rowell (Chief of the General Staff). But these and other connections do not add up to an example of the military-industrial complex. BHP's involvement was a carry-over from Essington Lewis' commitment to aircraft production during the war, and it was not now a core investment, though it would no doubt have been a different story if the missile and aircraft programs had flourished. The CAC had the Sabre and Avon engine contracts yet to fill, and lack of subsequent orders and threat of closure were in the future.<sup>26</sup> A more likely basis for the development of a military-industrial complex were the nuclear testing facilities and missile project at Woomera. But as explained in Chapter 8, large-scale industrial expansion did not occur.



Local production was dependent on the import of vital electronic equipment, and this raises the question of the attitude of the US and the UK. In the early stages of their frantic rearmament, their aircraft industries were unable to fill the huge orders; and it was in the later 1950s that the competitive drive for exports occurred. With more than a hint of the old colonial relationship, British policy postulated that Australia should not be diverted from maximum food production as its contribution to Commonwealth defence strategy. At that same time, a UK mission reported adversely on the prospects for an aircraft industry in Australia.<sup>27</sup> Dealings with the US were hamstrung by the rationing of dollar expenditure and then the more severe quotas resulting from the balance of payments crisis. The US refused to extend to Australia the aid it provided to its UK and European allies for aircraft production, which reflected Australia's relative standing, diminished even further by the endless procrastination over signing the Treaty of Friendship, Navigation and Commerce. In addition, there is evidence that while fighters like the Sabre were encouraged by the US this was not the case with bombers capable of deploying atomic weapons. The competition between the US and the UK to supply civilian aircraft and international travel was also relevant, but is beyond the scope of this study.

## CHAPTER 8 MENZIES WANTED THE BOMB

There was a spin-off from the production of military jet aircraft, but the highest expectations were invested in the ambitious United Kingdom-Australia Long Range Weapons Project at Woomera, South Australia. A senior official (Brodrick) advised Prime Minister Chifley in 1946 that in a few years there could be an almost complete transfer from the UK of the research and development (R and D) of this project, and Australia "may well become the British Empire centre for some important aspects of guided weapons research and development". Large numbers of scientists and technical staff would be trained and impetus given to industrial expansion.<sup>1</sup> The LRWP was established to develop guided weapons, with an Expendable Bomber as its major project, and as a minor one, a guided anti-tank weapon. As part of the missile R and D program there were also three small-scale research laboratories in the fields of high-speed aerodynamics, propulsion, and electronics. The CSIR was excluded because its chairman Sir David Rivett was reluctant to engage in secret military research,<sup>2</sup> and in any case the organisation was considered a security risk. Chifley regarded the LRWP as a contribution to Commonwealth defence, but in contrast to the attitude of his successor, in his negotiations with the UK Government, his agreement was conditional on tangible benefits for Australia. Though a junior partner, he insisted on joint control of the project. The formal agreement provided that "all data compiled as the result of trials . . . is the joint property of the United Kingdom



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and Australian Governments [and] all information relating to production technique, etc., is the joint property".<sup>3</sup>

Chifley was reluctant to spend on defence, but approved large expenditure on this project; the initial estimate for the years 1946-47 to 1951-52 had been £23m which by the next year had leapt to £26.4m.<sup>4</sup> The Menzies Government was equally committed and the estimated cost for R and D in its three-year mobilisation program was £30.8m. Actual expenditure on the LRWP to 30 June 1954 was to total £36.1m (£15.7m for maintenance and operations, and £20.4m for capital).<sup>5</sup> Both the Chifley and Menzies Governments gave the project the "highest possible priority" in very scarce materials and personnel, even over war service homes<sup>6</sup> — which was one of the many ironies of the Cold War, in that communist-led building unions were blamed for the housing shortage. A major contribution was also made by the RAAF which in the 1950s was already overcommitted. The *SMH* (1 March 1953) reported enthusiastically on the Grand Plan for Woomera where over 100 British firms were expected to be engaged in defence production. Morton saw it developing into "a miniature military-industrial complex".<sup>7</sup> Some British aerospace companies did set up manufacturing units (Electrical Musical Industries, Vickers, Fairey Aviation, English Electric, Hawker Sidley) but not on a 'grand' scale. Over the twenty-five years, a range of new weapons was tested, with the objective of developing an intermediate range ballistic missile with a nuclear warhead. The Blue Streak project ended as a costly failure when it was abandoned by the UK after *reapprochement* with the US, and Australia was left stranded.<sup>8</sup> However, the pilotless target jet aircraft, the Jindivik, was a success for the Commonwealth Aircraft Corporation, and another notable achievement later was the Malkara anti-tank missile. The first Australian-made rocket was fired in September 1953, and contracts for components and equipment for the LRWP were secured by some Australian firms.<sup>9</sup> The schemes to train scientists at research establishments in the UK were a success,<sup>10</sup> and as early as 1952 there were 220 scientific personnel at Woomera.<sup>11</sup> But overall the industrial and scientific benefits from the LRWP were not on the scale initially envisaged. This should not be surprising, and as will be noted below in connection with the atomic bomb tests, that Australia had even a minor role was due to the refusal of the US to accept the UK as an

equal ally in the nuclear missile age. It is from the perspective of access to nuclear weapons that the LRWP should be assessed. It was no mere administrative convenience that the costs of the atomic tests came from LRWP funds.

The continuation of the £200m limit on defence for the rest of the decade has given rise to a misleading picture of a complacent government dependent on 'great and powerful friends' and getting security on the cheap under the protection of ANZUS. A more accurate indication of the future was a sequence of events in September 1952 when the public announcement of the halt to the expansion of the Services was followed the next day by the formal opening by Cockcroft of the nuclear physics laboratories at the ANU, then the news that Zinc Corporation would develop Rùm Jungle uranium, and later in the month a Cabinet submission recommending the establishment of an atomic pile which could produce electric power and plutonium, and finally a couple of days later the atomic test at Monte Bello. The defence vote was to be held at £200m, but within it there were shifts in priorities. This can be seen already in the 1953-54 budget which applied the cap and gave tax cuts — the allocation for defence research and development was increased to £14.7m from £11.3m the previous year, and it was proposed to increase future provision for the airforce.<sup>12</sup> Enthusiasm for the missile and atomic bomb testing projects remained high, even though costs continued to rise. This obliged the Government to renegotiate the LRWP agreement, and in 1956 a limit of £9.5m per year was set as its share.<sup>13</sup> Between 1947 and 1958 it contributed over £74m to the Project.<sup>14</sup> Contrary to the conventional account, there was a dogged pursuit of the nuclear option because of a lack of faith in ANZUS. Events confirmed the limitations of conventional weapons for global and local conflicts. The American 'New Look' defence strategy was now based on massive nuclear deterrence, but that was no guarantee of Australia's security in South East Asia, and, in fact, Menzies argued, it "increased the risk of limited war". The only defence against the nightmare of Asian hordes would be tactical nuclear weapons. It has been a mistake to accept too literally Menzies' disclaimers about the atomic bomb. As he put it to the UK Government in August 1958, possession of some tactical nuclear weapons "would be inescapable".<sup>15</sup>



As it was believed that the outcome of a Third World War would be determined by atomic weapons, science and technology ranked high in the mobilisation plans of the Menzies Government. In this, the governing factor was the US ban on sharing classified information with Australia or through the UK, which meant the joint projects were threatened and the UK was made even less willing to share its secrets. The justification was that Australia was a security risk, which was easily remedied, and moreover was not a problem for the UK. More fundamentally, the ban was a measure to maintain the American nuclear monopoly. With the establishment of ASIO and the replacement of the suspect Labor Government with the reliable Menzies Government, the embargo was not lifted, but was modified to allow the release of information up to and including the classification of 'confidential'.<sup>16</sup> As British officials explained in 1952, "until the McMahon Act is substantially further amended, the United States Administration would be unlikely to pass classified information to Australia, however satisfactory Australian security arrangements might be".<sup>17</sup> Amendments were not made until August 1954, when, as noted below, the US went on to redefine the roles of allies in its global nuclear strategy.

In 1951, as part of mobilisation, the Cabinet Committee on Defence Preparations established the Committee on Scientific Manpower and Resources. It reported a shortage of scientists, and as they were essential for national security, recommended financial grants to strengthen research facilities in science faculties at universities.<sup>18</sup> These preparations for war led to the expansion of nuclear physics and other science departments in universities and an involvement in nuclear weapons programs. Major beneficiaries were the Universities of Sydney and Melbourne and the NSW University of Technology, and by 1956 eight universities were engaged in relevant research.<sup>19</sup> The centerpiece was the Research School of Physical Sciences at the Australian National University (ANU) established by the Chilley Government and strongly supported by Menzies. It was headed by world-renowned nuclear physicist Professor Marcus Oliphant who had been on the Manhattan project and prominent in research in the UK. He was becoming a critic of the bomb, unlike E.W. Titterton who was appointed the new professor of nuclear physics at the ANU. He too

had been on the Manhattan project and at Harwell and was stigmatised by the McClelland Royal Commission as 'their man' for his role in the British atomic tests.<sup>20</sup> The UK donated a cyclotron to the ANU and Sir John Cockcroft (director of Harwell) was later appointed Chancellor. In addition to support for the universities, the Government sponsored applied research and later the Australian Institute of Nuclear Science and Engineering.<sup>21</sup> Within a couple of years of encouragement, there was a network of scientists and advisory committees engaged in defence science. In addition to Oliphant and Titterton, prominent in this were the university professors of science, Baxter and Myers (NSW University of Technology), Martin, Anderson, and Hartung (University of Melbourne), Hunter and later Messel (Sydney University). This military-science alliance was substantial, but even with the heavy penetration of Cold War ideology into all faculties, there was nothing like the militarisation of the campuses that occurred in the US.

Since the Commonwealth Conference on Defence Science in 1946, the Chilley Government and its science advisors had followed with keen interest developments in defence science and atomic research. The Government was anxious to cooperate in Commonwealth projects, and appointed a Defence Scientific Advisor (Professor Leslie Martin) and set up an Atomic Energy Research Advisory Committee. As described previously, the Chilley and then the Menzies Governments enthusiastically supported the LRWP. They also responded positively to proposals to establish an atomic pile which would also be able to produce plutonium for military purposes.<sup>22</sup> In the deliberations on the proposal to establish a pile, a major argument was that the high cost could be offset by the production of plutonium for atomic weapons, which it was estimated could be worth £500,000 per annum.<sup>23</sup> In its advocacy of the pile, the New Weapons and Equipment Development Committee (a sub-committee of the Defence Committee) employed the weapons and defence argument. When the Australian Atomic Energy Commission was under consideration in 1952, a briefing paper, in reference to the longer term, made point 23, "manufacture of weapons (tactical atomic weapons may prove the perfect answer to sea-borne invasions since beachheads will prove concentrated targets)".<sup>24</sup> Acceptance that the industrial and defence aspects were



inseparable, together with the demands for security, led to the replacement of the original Atomic Energy Research Advisory Committee. Its Chairman had been Oliphant, an advocate of the peaceful uses of atomic energy, and at the behest of the Minister for Defence in the Labor Government (Dedman) the committee did not have a representative of the Defence Department, and it reported to him in his other capacity of Minister in charge of the CSIR. In the reorganisation of 1952, the powerful Secretary of the Defence Department (Shedden) would have taken it over, but was prepared to accept the reconstituted Atomic Energy Policy Committee. Its chairman was Major General Stevens (Secretary, Department of Supply, and involved in the atomic bomb test program), and there was a representative of the Department of Defence (Professor Martin who was also involved in the tests, and was the Defence Scientific Advisor). The committee reported to the Minister for Supply – the Department of Supply being one of the defence group of departments with responsibility for executive action.<sup>25</sup> Control over all aspects of scientific policy in the defence field (widely interpreted) was exercised by the Defence Committee, advised by its Defence Research and Development Policy Committee, and its Atomic Warfare Sub-Committee whose functions were:

- (a) Advise on the machinery required for research and development of atomic weapons and equipment.
- (b) Recommend the research and developmental projects to be undertaken in relation to atomic weapons and equipment.<sup>26</sup>

When the UK was excluded by the US from a nuclear partnership and decided to proceed with a program to develop its own atomic weapons, Australia's help was indispensable. This was provided, and with its uranium supplies as another invaluable bargaining chip, Australia seemed set to become a major player in the atomic age. Deserts would bloom and security be guaranteed.

The outcome was very different. Australia provided the test sites and support facilities, but the UK was determined that it would not

share information. British and Australian historians have commented on the failure of the Menzies Government to apply leverage, and there was solid evidence to lead the McClelland Royal Commission to its adverse conclusions on the Government's handling of the tests. In October 1953, Lord Cherwell was in Australia to negotiate the purchase of uranium and some ministers favoured serious bargaining, but Menzies remonstrated: "It was foolish to make the exchange of information conditional on a bargain about supplies. We might as well say that there will be no atomic tests in Australia unless information were exchanged".<sup>27</sup> Menzies' one-sided relationship over the tests has been attributed to his Anglophilia, but there was more to it than that. Without resorting to the plea of extenuating circumstances, a somewhat different interpretation can be offered, though the severe strictures that operated have to be taken into account and it will be necessary to look beyond 1953. The US ban was inflexible, and the UK was most anxious not to worsen the breach with the US by transferring information to a third party. The impossibility of separating the potential industrial and military uses of nuclear technology blocked assistance to establish atomic plants. Clearly the leverage available to Australia has been overestimated; but at the same time the endeavours to get access to atomic research, technology, and weapons have been underestimated. Menzies eschewed hard bargaining, but expected reciprocity on the basis of the LRWP, the atomic tests, and uranium supplies. Following Cherwell's visit and further negotiations on the sale of uranium, in 1954 an agreement on cooperation was reached which in the Australian view was 'generous'. The UK would share information on atomic energy for industrial purposes (on condition it was not passed on to the US). It would help train Australian scientists, and at some point help build a nuclear power plant.<sup>28</sup> Also in 1954 and 1955 in the US, the Atomic Energy Act (McMahon Act) was amended, and the Ambassador in Washington (Spender) worked energetically to secure a bilateral agreement.<sup>29</sup> But the ban on weapons information to Australia would remain, for reasons that had nothing to do with spies. General Stevens, Chairman of the Australian Atomic Energy Commission, rejected the draft agreement with the US as too restrictive, believing that the arrangements with the UK were more favourable.<sup>30</sup> On the basis of these arrangements, long-range plans for



research and development were drawn up, with the building of an experimental reactor at Lucas Heights as a first step and a nuclear reactor later. Although exclusions in the formal agreement included military information, and weapon design and manufacture, in agreeing to a reactor in the future, the UK had in mind a source of supply for military plutonium,<sup>31</sup> and Menzies' public statements about possession of the bomb must be assessed in the light of the advice of Oliphant: "Atomic power plants producing plutonium and U-235 could be converted to the manufacture of atomic weapons in a matter of hours".<sup>32</sup> In April 1958, the US Secretary of State (Dulles) made the assessment that Australia was "close to having the necessary technical knowledge" to produce atomic weapons.<sup>33</sup>

Australia had been excluded from the early atomic bomb tests, except to provide logistic and manpower support. It had a token role in safety, about which it had merely sought worthless 'assurances'. As public apprehension spread, ministers came to require a more serious approach to safety and set up the Atomic Weapon Tests Safety Committee in 1955.<sup>34</sup> The condescending attitude of British officials in restricting information to the minimum provoked the Defence Committee to protest, and one member apparently suggested that "the United Kingdom can be told to stuff their bomb up their jumpers".<sup>35</sup> In August 1954 Cabinet agreed in principle to a permanent test site (Maralinga) on which the UK had commenced preliminary work without consultation. Cost was a consideration and the Department of Supply argued for a return on investment as it provided the funds for the atomic tests.<sup>36</sup> Cabinet placed the Maralinga project on a formal basis, and in the Memorandum of Arrangements (1956) took the significant first step of requiring that "The United Kingdom Government will provide the Australian Government with all the data compiled as a result of the tests on the site about the effects of atomic weapons for both civil defence and military purposes".<sup>37</sup> Maralinga was given a high priority, and when the demands on manpower became onerous the question was decided "on personal direction of Mr Menzies against strong resistance by Service departments".<sup>38</sup>

Drawing on a range of solid evidence, Wayne Reynolds has established a convincing case that "Menzies wanted the bomb".<sup>39</sup> Com-

monwealth strategic planning (with Australia as a main support area, and with a role in the air offensive against the Soviet Union) rested on the deployment of nuclear weapons. After the successful atomic tests in 1955 and 1956, they were available to the RAF, and when RAAF bombers were committed to the Commonwealth Strategic Reserve in Malaya it was assumed they would share the ordnance of the RAF in a global war.<sup>40</sup> In September 1956, the Minister for Air argued a case for re-equipping the Sabres and Canberras with tactical atomic bombs. Units were to be deployed as part of the Commonwealth Strategic Reserve and would have to be 'fully operational'. The Defence Committee and the Minister for Defence approved and recommended an approach to UK defence officials, which led to exploratory discussions.<sup>41</sup> With the nuclear option being pursued, it seemed in 1956 that the halt to mobilisation of conventional forces would be only a phase in the longer term preparations for war. Then the rug was pulled. In March 1957 a conference between Eisenhower and Macmillan at Bermuda paved the way for the restoration of the Special Relationship. Now that the UK had established its independent nuclear deterrent with Australia's help, it was admitted to a limited partnership in the US global nuclear strategy. The rapprochement was at Australia's expense, as it prohibited bilateral agreements between UK and Australia which was locked out of the atomic weapons club.<sup>42</sup> In future, the UK conducted its tests in Nevada, the Blue Streak was cancelled, and Woomera wound down.

These failed investments in Commonwealth defence strategies were not the end of the costs. The 'Experimental Program' of hundreds of 'minor trials' continued at Maralinga until 1963. Ignoring the undertakings of the arrangements, information given to Australia was kept to "an absolute minimum".<sup>43</sup> Some of these trials involved plutonium, and to avoid international repercussions, there was determined concealment from Australia. It was a "drama characterised by persistent deception and paranoid secrecy".<sup>44</sup> Long-term legacies of the Cold War and unequal alliances with 'great and powerful friends' were plutonium contamination and cancers from the exposure to radiation.



## CHAPTER 9 VICTORS IN THE COLD WAR

In this account Prime Minister Menzies played a dominant role. This was founded on his ability and stature, and (except for Casey and Spender) his unrivalled knowledge of foreign affairs. This was further enhanced by Commonwealth Prime Ministers' Conferences which formulated policy and strategy. He put his personal stamp on events in Australia, and for compelling reasons explained in Chapter 3, he provided a focus with his formulation of the challenge to prepare for war within three years. Being personally identified with the cause, he could use his outstanding talents to win support. This personal dynamic may also explain the ready acceptance of the inevitable when the campaign had to be abandoned.

The task of preparing the country for war psychologically was made difficult when Australia was not threatened with invasion, the enemy was usually identified only as 'aggressive communism', and the government vacillated on where the troops would fight — and more confusing, the Korean War was not a real war but only a "police action", as *The Age* (13 March 1951) concluded. Pointing to the discrepancy between rhetoric and action, critics questioned the urgency of the preparations for war. While criticism of the lag in filling defence orders was usually misplaced, Cabinet's decision on 20 August 1951 had limited orders by the armed forces to 50 per cent of mobilisation requirements. The industrialist and chairman of the JWPC, Sir John Storey, who believed that Australia's security depended on the establishment of defence industries, was frustrated by the lack of commit-

ment.<sup>1</sup> But however much the Government hankered after wartime economic controls, this was the Cold War and budget constraints prevailed. The country was not placed on a war footing, and there was more determination to wage the class war, introduce elements of a national security state, and restructure the economy. The flurry has to be reviewed in the light of the personal letter on 4 July 1951 to "Bob" Menzies from Sir Edmund Herring, Chief Justice of the Supreme Court of Victoria and Director General of Recruiting. In giving reasons for the failure of the recruiting drive, he gave examples of government tardiness that contributed to the lack of a "sense of urgency".<sup>2</sup>

Menzies had correctly predicted that restructuring the economy would encounter resistance from vested interests. As this study has shown, his campaign of mobilisation failed to forge a national consensus that would subsume sectional and class conflicts in a voluntary effort for national security. His resort to coercion provoked opposition, but the partial imposition of a national security state did succeed in curbing trade union demands and eliminating any threat to a rejuvenated capitalist system. The Government was elected on a platform to dismantle all 'socialistic' controls and its supporters were bewildered by the large-scale extension of state intervention. The Federal President of the Liberal Party, W.H. Anderson, fumed impotently as the Government violated basic principles. It was able to do this with impunity because the Parliamentary party was not subject to the control of the Party organisation.<sup>3</sup> F.A. Bland former professor of public administration and ideologue of the Institute of Public Affairs, now in the House of Representatives was an embarrassing reminder of dereliction.<sup>4</sup>

Employers were enthusiastic supporters of the Class War waged against communists and militant unions, but refused to make economic sacrifices in the Cold War. They were highly critical of the economic management of the Government and its inability to control inflation. The Defence Preparations Bill, as the Economics Editor of the *SMH* (8 July 1951) reported, "has shocked the business world", and as noted in Chapter 3 provoked extreme hostility. To the standard bearers of free enterprise such 'socialistic' controls were intolerable. The Bill and credit restrictions were opposed by manufacturers as a policy designed to divert investment away from 'luxury' indus-



tries. Their complaints that there were no compensating defence contracts in place were seen to be well founded in Chapter 7. To manufacturers, the Government was implementing an economic and not a defence policy, and they suspected it was linked with the GATT negotiations which threatened their survival.<sup>5</sup> When in April 1951 Fadden delivered his policy speech at the Victorian Country Party Conference and insisted that the issue was to defeat communism, he received a rowdy reception and was attacked for the Wool Sales Deductions Act (a tax that affected woolgrowers).<sup>6</sup> In contrast to the unremitting propaganda stressing the urgency of making preparations for war, in reading company reports and private papers, one is struck by the lack of response. W.S. Robinson had been involved at the highest political and economic levels, and was a prolific correspondent with an extraordinary network of contacts. He provided a running commentary on economic developments, but made no mention of Menzies' drive for war preparations.<sup>7</sup>

John Murphy has described Menzies' remarkable capacity to be able to articulate the aspirations and the fears of communism of the middle class. He also points correctly to the profound cultural and class changes that were occurring in this period of the Cold War when "the 'way of life' and social values of the middle class . . . extended into parts of working-class life".<sup>8</sup> Bearing in mind the limitation of such statistics for cultural analysis, it is reasonable to accept that working-class occupations, as traditionally defined, made up about 59 per cent of the workforce. More significant was the high degree of unionisation and the close links with the ALP. Based on long experience, dating from his policies in the Victorian Parliament, there was widespread suspicion of Menzies, and his depiction as 'Pig Iron Bob' was effective in the ideological war. What emerged was an obstinate reluctance to be stampeded and a resistance to the virus of McCarthyism; and this resilience could make for toleration in the polarised world of the Cold War.<sup>9</sup> Lambasted for irresponsibility bordering on treason, Labor Party policy refused to accept preparations for war as paramount, and continued to promote a welfare and not a warfare state. The postwar visions of a new social order of peace and greater equality still held appeal. Eddie Ward on the Labor left maintained his remorseless campaign against Menzies "the war monger".<sup>10</sup> After the

sweeping victory of the coalition in 1949, it is easy to overlook how the electorate responded to Labor Party policy and how support for the Government declined rapidly. With the disasters at by-elections and state elections in 1952 and 1953 its prospects looked hopeless, and could not be salvaged by whipping up a war scare – though there was plotting for a spy scare.

Despite the direct onslaught on the Communist Party and its supporters and the intimidation of guilt by association that meant jobs lost and promotions denied, the Party continued to function and seek to extend its influence. But the positive prospect of the late 1940s of a leading role in replacing capitalism was displaced by the urgent necessity to wage a defensive fight against the Menzies Government. It represented the interests of Australian monopolists and US and UK imperialism and at their behest was militarising the economy at the expense of the Australian people. Communists took seriously Menzies' apocalyptic predictions, though they saw the danger coming from his drive to fascism and war. Communists were distinguished not only by an interest in domestic and international affairs but also by a high degree of activism. Their basic premise was that because of the nature of the capitalist system, depression and wars were inevitable, and could not be prevented by reform as the Labor Party believed. Only with its replacement by socialism and ending exploitation could there be peace and a real democracy for working people. The Communist Party of the Soviet Union had become its model for organisation, and Soviet society was held up as an inspiring example of the new society. The Labor Party, and especially its extreme right wing, were implacably hostile to the Communist Party which itself had contributed to the bad relations by its 'left' policy in the late 1940s. After 1950 as the Cold War worsened, the Communist Party moderated its attitude and placed increasing emphasis on developing united front activities – though it would be denied much success while the 'groupers' remained influential. The economic crisis and threats to standards of living, the repressive measures, and the mobilising to prepare for war were, to the Communist Party, evidence of the rush to war and a police state that had to be resisted at all costs. It called for an all-out effort to strengthen the trade unions and the peace movement, and, prudently, made preparations to go underground.



The Government's heavy handed disciplining of militant trade unions has been described in other chapters; and there are histories of the peace movement that don't need repetition here. The significance of the united front organisations and their relationship with the Communist Party will always remain problematic. Quite independent of the Party, there was a widespread anxious desire for peace, and there were 'peace parsons' and other partisans for the cause, including pacifists. The Communist Party provided at least organisational assistance, some policy focus and dedicated rank-and-file activists. All the resources of the repressive state were launched against the Australian Peace Council and like bodies and their supporters. In the world of dichotomies of the national security state, it was easy to depict the peace movement as a communist plot to weaken the defences of the West against the Russian threat. This was evident, it was claimed, in the Ban the Bomb petitions, as the Democracies relied on the atomic bomb to offset the Russian superiority in conventional arms. It required considerable courage to doorknock with such petitions when Australian troops were being killed in Korea. Despite the repression, the peace movement organised public meetings, conferences, Hiroshima Day marches and petitions calling for peaceful coexistence and the outlawing of nuclear weapons. The Communist Party was also active in promoting united front movements involving intellectuals and cultural activities. It was the prime mover in the Australasian Book Society and the New Theatre and other such endeavours, as well as the Union of Australian Women. Communists were associated with the folk-music revival and this was part of a significant wider contribution. In opposition to imperialism and the flood of American culture, communists fostered a radical nationalism that was to find expression in Russel Ward's history, *The Australian Legend*, and in the musical *Reedy River*. In the historical perspective of industrial capitalism, communists were not an excrescence on the labour movement, but integral to left-wing working class culture. But by the Cold War, the leadership of the Communist Party of Australia was so closely identified with the Communist Party of the Soviet Union and the Party so authoritarian that as the historian of the labour movement (Robin Gollan) concludes, "the party destroyed itself".<sup>11</sup> Impossible though it is to quantify, it seems reasonable to surmise that commu-

nist and other left-wing resistance to the imposition of a national security state prevented worse infringements on civil liberties.

Without minimising the plight of victims of the repressive state, the intensity of the anti-communist hysteria pales before the American experience – Billy Wentworth as against Joe McCarthy. It is absurd to compare Victoria Barracks with the Pentagon, and the difference in political culture is best explained by the absence of a military-industrial complex.<sup>12</sup> As noted in Chapter 7 there were no great corporations locked into military procurement programs and wielding enormous electoral and propaganda influence to maintain the momentum of the arms race. The military in Australia was entirely subservient to political authority, and the chiefs of staff accepted the £200m limit that brought mobilisation and large orders to a halt. Also relevant was the peculiar structure of the Defence Committee with the civilian Secretary of the Defence Department (Shedden) as its Chairman. On 9 August 1954, the Chief of the General Staff Lt General Sir Sydney Rowell, in a private letter to the Prime Minister complained that this was inappropriate and pushed the chiefs of staff into the back-ground.<sup>13</sup> While there were only a couple of industries, like aircraft, that were dependent on defence contracts, there were glimmerings of how a symbiosis could develop. When the Cabinet Committee on Defence Preparations imposed the £200m limit it was obliged to allocate several million pounds to sustain some defence orders whose cancellation would have resulted in unemployment.<sup>14</sup> In 1952, defence orders were used to assist industries suffering in the recession and gain political kudos for the Government.<sup>15</sup> A grateful chairman of Godfrey Hirst and Co. (woollen mills) reported, "Only for Government contracts we would be almost closed down".<sup>16</sup>

The mobilisation of 1950 to 1953 provided modern aircraft, ships, tanks and other equipment for the armed services, whose total numbers increased from 57,900 to 147,400.<sup>17</sup> But this increase could not be regarded as adequate to meet an emergency. Numbers in the CMF had decreased slightly, the Permanent Forces had increased by 23,500, and there were now 66,300 national service personnel who could only be called on for home defence. Large numbers of the Permanent Forces were required for national service training and administrative duties. Maintaining the two fighting battalions, with their reliefs, in Korea



was about all that the ARA could manage.

The economy, however, made remarkable advances, and the 'Milk Bar Economy' was transformed. On 7 August 1952 in the House of Representatives the acting Minister for Labour and National Service offered a lengthy defence of the record of the Government in the recession. On unemployment, the situation he claimed was "one of readjustment in which a very worthwhile redistribution of the labour force has taken place" into basic industries and services; and he cited increases in the workforce in iron and steel and coal mining.<sup>18</sup> At the time, this was largely wishful thinking, but by the end of 1953, the National Security Resources Board report 'Defence and Development 1950-1953' documented a turnaround of the crippling deficiencies of the economy of 1950.<sup>19</sup> During the three years, there was an increase in the labour force with "a move from an acute labour shortage to an approximate balance of labour supply and demand . . . and basic industries got the labour they had been needing for some years". There had been a steep rise in public and private investment, and the total expenditure designed to increase the productive power and general welfare of the country had risen from £475m in 1948-49 to £1094m in 1952-53. The proportion of public investment had been just over one third throughout. For agriculture, "there has been a striking improvement in outlook; shortages have largely disappeared, and the supply position for machinery and other farmers' needs has got much better". "Most raw materials are now available in adequate quantities . . . and there has been a complete reversal in the coal position between 1950 and 1953." There had been heavy public investment in electricity and gas, and after a deficiency of electric power, by 1953 supply was "approaching adequacy". There had been improvement, but "serious weaknesses remain in shipping, railways, and roads". According to the Report "the efficiency and cost structure of shipping still leaves much to be desired" — for which militant waterside workers would continue to be held responsible.

Economic historians generally agree that "in many respects, the years from 1953 until 1959 were the most prosperous and stable in the history of Australia", with the average growth-rate of GNP at about 4.5 per cent per annum.<sup>20</sup> Real income per head rose at 2.3 per cent per annum, there was a dramatic growth in hire purchase finance, a

rise in home ownership, and a boom in household durables. It is difficult to recall now how the lives of so many ordinary people were radically improved by a refrigerator. Private foreign investment rose steeply, and there was growth in the manufacturing sector, and significantly in 'heavy industry'.<sup>21</sup> This picture of a prosperous, stable, mixed economy is that of the popular version of the Menzies Era. As this study has shown, these Golden Years of capitalism were reached via the gruelling Class War/Cold War of the early 1950s when alternative visions of the future were defeated, and victory in the ideological conflicts enabled a rejuvenated capitalism to shed its image of depression, fascism and war.