This is George Lewkowicz for the Don Dunstan Foundation for the Don Dunstan Oral History Project. I’m interviewing Mr Milton Smith. Milton was head of the Economic Intelligence Unit areas in the Premier’s Department in the late ’60s and early ’70s and into the late ’70s. Milton was initially employed as Senior Research Economist in the Industrial Development Branch of the Premier’s Department. He then became head of the Economic Intelligence Unit in the 2nd Dunstan Government, late in 1972 when Bob Bakewell became head of the Premier’s Department. The date today is 2nd April 2008 and the location is Mr Smith’s home in Adelaide.

Milton, thanks very much for doing this interview for the project. Can you just give a brief biography, some background on yourself?

I was born February 1930, came as a very young student down to do an economics degree in 1946 and completed a first-class honours degree at the end of 1949. After that I was appointed Assistant Lecturer in Economics and Statistics in Adelaide University and I was two years, 1950 and 1951, in that role.

I left to go to Ceylon, now called Sri Lanka, in January 1952. I’d been interviewed and appointed to go as a so-called ‘technical expert’ – I was employed by the External Affairs Department of the Commonwealth, but working in the Economic Research Department of the Central Bank of Ceylon. It was the main source – in fact, it was almost the only source – of economic and statistical information to the Ceylonese Government at that time because their Treasury didn’t have a unit that covered that area. So we were analysing the economy into various sectors of things going on in the economy and we provided them with some advice on taxation policy as well and did a major consumer survey and I was working in some of these areas. In those three years that I worked in Ceylon I was asked fairly early in my first year whether I’d stay another year and then again in the second year would I be willing to stay on in the third year, and that was approved by Canberra.

My role was to be a section head – they had several sections in this Economic Research Branch and I moved as a section head into various sections when the economists looking after these sections went for further training for a year or more out of Ceylon – they went to the UK, Australia and India, ones that I know about –
and moving around into these sectors gave me a fairly wide experience of analysing various bits of the economy.

While I was there a major task was designing an export tax system for their main products. They needed this as a revenue-raising measure and to get the government a share of some of the income that was being made by these industries, some of which were overseas-controlled, particularly by British companies. I did help put together the results of a large consumer expenditure survey and contributed regularly to their monthly economic reports that the bank sent to the government. This was produced as a formal document each month.

By the beginning of 1955 that was the end of my three years. I came back to Australia, waited for a month or two to hear whether I could get a job in Geneva, but I had no language – other than Latin (laughs) and English – so that was a bit of a far-out shot and when I didn’t hear any reply I went back to academia for a year in Melbourne, at the Melbourne University there.

Then, in March 1956, I began a near-twelve-year role at Chrysler Australia. It was then the third-biggest manufacturer of motor vehicles, both in the US and Australia. It never really had a big enough share of the market to expect to survive; but it did survive for fifty-odd years from that point to now, but it had more plunges down than you’d really want to experience.

**Yes, that was Chrysler Australia— and later to become Mitsubishi Australia, after I left.**

My title while there was Manager, Market Planning and Sales Analysis, but in fact I was their company’s economist and statistician, represented the company at half-yearly intervals where we redid industry sales forecasts in meetings with the other economists/statisticians from the other motor companies. And in the last two years at Chrysler I was chairman of that statistical committee. We used to meet regularly, in the sixties in Canberra and where we also talked over our forecasts with Treasury, who and Trade and Industry people.

I left Chrysler in February 1968 to join the Industrial Development Branch of the Premier’s Department as Senior Research Economist. My boss at first was Donald
Currie, who’d been recruited by Don. Donald Currie had been State Manager, I think, for ICI. Yes. After nearly twelve years in the motor industry I wished to get into more serious economic analysis than I was doing at Chrysler, even though I was doing an international report in Chrysler each month on what was happening in the local economy and also even political events, and that was sent out by the managing director to Detroit. However, it was fairly limiting as an economist to work in the motor industry, although you learn a lot about the way big industry works, and it gave me some sense of the interaction between industry and government.

One of the things that was particularly disillusioning was to see the way the Federal Government in that period, 1955–68, was using the motor industry as almost like an economic regulator by raising sales taxes on cars— and then lowering them after the slumps they caused on motor industry sales. It was a pretty effective measure in restraining the overall economy but it was particularly severe in its impact on South Australia and Victoria. Anyway, after that twelve years I really wanted to get out of that and I was thinking of going to Canberra but then this position came up as an economist in the South Australian Government and it meant I didn’t have to move once I got that position.

In the few months that I worked for him, I developed a considerable respect for Donald Currie. He was unfortunate, though, that he was sidelined fairly soon after the Steele Hall Government came to power. He had fallen foul of one of the senior industry figures, who was an adviser to the incoming Premier. Mr Barker was a senior figure in the whitegoods industry – Kelvinator – and Donald Currie had been asked by Don Dunstan earlier to arbitrate in an industrial dispute between the unions and these firms. The conciliation was successful but some of the people in the industry, including Mr Barker, had wanted it to be settled on more favourable terms to companies than it did. Anyway, Donald, I think was sidelined promptly without being given much chance to impress the new government. But he certainly impressed those of us that worked for him, and he left after a few months to go and take up a major job first in one big chemical company and then later on with another one, and I know he was well-regarded there.
Now, one of the first things that I was asked to do by the incoming Steele government, was to do an analysis of what had happened in the last three years in South Australia.

**This was the Steele Hall Government in 1968?**

Yes, the Steele Hall Government asked for that to be done. They came in about May 1968, I think, after parliament met and the Dunstan Government was brought down by Tommy Stott’s casting vote. He was the Speaker, I think, wasn’t he?

Yes.

Anyway, what the report showed, of course, was how frail South Australia was at that time and subject to several events – they had two very bad drought years, 1965 and 1967, (with ’66 having lesser, rather below-average rain) and a very sharp decline in the motor industry. The latter was probably caused by one of these Commonwealth sales tax upsurges. Employment in that industry and in the building industry fell. Incomes on farms were down in the bad seasons and unemployment rose sharply. Population growth collapsed because people left the state to try to get jobs in other places and net immigration fell sharply from very high levels up to 1965. It did show the vulnerability of the state to sectoral collapses like in the motor industry. The motor industry at that stage was very much more important than in the last three decades. It employed, including its parts suppliers, about twenty-five thousand people, which were a very significant part of our total manufacturing industry employment, which was probably around then about a hundred thousand, and so you get a big dent in that, it hurt. Today, the local motor industry, including the parts suppliers, are less than 10,000.

Anyway, the main – do you want me to go back to when I first met Dunstan or do you want to talk about the role in – – –?

**Not just yet, I just want to get – what sort of work did you do for Donald Currie, Don Currie, when he was there?**

Well, he got me to start a regular series – apart from that historical report, that particular three year period, which was quite revealing of how vulnerable we were –
he said he wanted me to prepare a report each month on what was happening in the economy. So we started that in a fairly primitive form, before today’s use of computers and before expanded data with state detailed information became available in the 80s.

**Where was the information coming from, the industries themselves?**

The Bureau of Statistics was a main supplier; and over the years we worked – and one of the few things that I’m really proud of – is that I’d hammered for years and years and years to get the Bureau of Statistics to supply economic information on a state basis, not just Australia. Gradually, over a period of ten or fifteen years, the States really got major improvements. It was helpful that I was appointed to the Australian Statistics Advisory Council as South Australia’s representative and was there for twelve years, 1977 to 1999. That body was a statistical advisory council to advise the Australian Statistician and also, through him, the Federal Treasurer, of what the needs were for statistics, and each state had a representative. We had two or three meetings each year in Canberra. Initially, the Federal Commonwealth Statistician and the Reserve Bank representatives were reluctant to use resources to produce better state statistics, preferring to think of Australia as a whole.

**Just – what was the sort of general awareness of the economy and what needed to be done, for example, in economic development that you picked up when you first started in the State Government? Or was it a wholly new field?**

Well, it was work that hadn’t been done.

**Yes.**

And in fact I think Bob Bakewell would say that he had the idea of forming this unit so as to do some analysis on the state basis, and there was no similar sort of branch at that stage in any of the other states. And so we were a bit of a pioneer and we were finding our own way on what we did, and we sort of followed requests to some extent. Part of it was our own initiative, because I knew even from the work in Chrysler and certainly the work in Sri Lanka what sort of areas were the key parts of the economy that you needed to describe what was happening in those areas. We were particularly interested in seeing how we compared with other states because it
was always a sensitive political issue if our unemployment was higher as a rate than other states, that was something that became a political football. And the economic development or lack of it was a very much more up-front issue in that period, the late '60s, early '70s. The arguments in politics seemed to be very much concentrated in this state on that, even though there was very little that state governments could do about it.

Why do you think that?

Because we had a small financial tax base, the sources of revenue then were a lot less than the sources of revenue we’ve got now. Now we’ve got pokie tax, which is a bit of a bonanza, whatever you think of it it certainly is a big source of revenue; and I think that, as property values and things have gone up, land taxes and stamp duties and things like that have given the state a lot; and of course the Federal Government has now got a major revenue stream from the GST in 1999 and which provides the States with major revenue flows. People can still argue that maybe the states didn’t get a very good share in the last few years of what they should have for the use in health and other things – but the total pool of revenue and the profitability of companies has been pretty fantastic in the last few years. But at that stage we didn’t have that revenue flow here, and in fact we were left in the situation where our payroll tax levels were not particularly favourable for business here. I’m sure the government would have liked to have made it more competitive, but it was one of the few taxes that we had and it was a tax that was not a particularly good tax because a tax on labour like that, it’s not necessarily the most desirable type of tax that you can have.

Just to get the sequence, you came to the SA Government under Donald Currie in the industry development area –

Yes.

– and then Steele Hall came in and presumably there was still an industry development area or – – –?

Oh, yes. Yes, there was. In fact, Alec Ramsay came over and was part-time Director of Industrial Development, and stayed as Manager of the Housing Trust.
He had that role until a few months after Don Dunstan came back in 1972, I think. The Don appointed Bob Bakewell as Director of Industrial Development, I think.

**That was later on, yes.**

Just trying to remember the sequence.

**Yes, that was in the mid-'70s into later '70s.**

Yes.

**There was Bill Davies for a while.**

Well, Bill Davies was brought in *after* Bob, and it was like a two-headed monster, in a way, (laughter) which is a little bit curious. But Bill was more of a promotion-type guy and he had some contacts in advertising and certain industries, possibly.

**Bob Bakewell set up – what was it called? – the Economic Intelligence Unit?**

Ah, well, when Bob – yes – moved over from the Public Service Board, yes; instead of being this – I’m not too sure what the unit, I think it was the Economic Research Branch or something or other; he then re-badged that and I’m not too sure exactly which year that was in, late 1972, I think.

**Who was working in that? Yourself – – –.**

Well, Graham Maguire was in there for a little while but then went to the Cabinet policy area. But Robert Ruse was sort of a crucial offside for quite a while; Ross Harding had been off and on assistant for me. Earlier, there was a guy called Guy Benveniste, who was there for about a year, and Guy was a new graduate that Ken Belchamber had brought in to help him do a bit of economic analysis.

**Ken was in the industry development area.**

Yes. And Guy was there for a year with me and then went out with his father in his glass company.

**Oh, yes.**

And at that stage, mid 1969, Ross Harding came and over the next fifteen years Ross worked for me on and off for about ten of those. Part of his time, though, he
was in Malaysia on an exchange economist scheme which Bakewell organised, an exchange scheme where we took in economist from the Malaysian Prime Minister’s Department and they accepted first Neil Lawson and then Ross, and both Neil and Ross were very highly-regarded for the work they did there. They had some experience here first. And then Ross went to Vanuatu.

**Vanuatu, yes.**

— went to Vanuatu for about a year and a quarter, and he (laughs) really salary sacrificed then, he worked for a pittance there because he wanted to work in that area, in a developing country. And another year Ross went off and did a politics masters degree at Harvard School of Government. So he was sometimes working for me and sometimes he was either out of the country and he even worked for Agriculture for a while, I think, on some sectoral issues.

**And you had two writers in there as well.**

Only one.

**Only one? I thought Margie ——. There’s Cecily Basham.**

Cecily Basham came in to help Ross write. We did an economic development State brochure — with pictures -quite a lot of nice photos which Ross organised, he had a friend that helped him with the photographs. Cecily did a lot of the text. She ran into a bit of trouble with Don, with what he called ‘too flowery’ language in the tourist areas, and Tony Baker was asked to put it in a page or two in more plain English – which he did with very, very few changes, actually; Don just seemed to be a bit – he must have been in a bad mood, I think, when he read some of this.

**Right, yes.**

And Cecily (laughs) and Ross were both pretty upset about that. But it was only minor changes that were made. I’ve still probably got a copy of that publication somewhere around here. It was an attractive product, I thought.

**Yes. I heard the term ‘purple prose’: do you recall that?**
Yes. Well, it was ‘sixth-form English’ or something or other. (laughter) There were a couple of things like that that Don said that were – – –.

Fair enough. All right, well, let’s get on to Don Dunstan himself. When did you first meet Don?

Yes. Well, now, I’ve got some notes here that may help. It was probably late in 1947, when I was just finishing second-year Economics, or early 1948, I did see him in action in the Political Science class in 1947. There were various optional subjects you could do in Economics and I chose Political Science as one in that year. And in that class of Gerry Portus- Professor G.V. Portus- who was famous – he was an amazing lecturer, and he was also the Professor in History and Politics. I had him for Economic History the next year. Anyway, when Gerry came to the subject of proportional representation he said, ‘I’m going to hand over to one of my students here, Mr Don Dunstan, who’s going to give you the lecture on proportional representation,’ which Don did in a very efficient manner. And at the end of that year Don broke all the rules of Gerry’s system of awarding credits. Normally, he only gave credits to people in the History and Political Science department, his department, and if you weren’t in there you could be as good as you like, (laughs) as you could, you generally wouldn’t get credits in his subjects. This was the theory. But Don topped that subject; and I think there was another guy called Duncan got one. I’m not too sure whether Roger Opie got the last credit or not, but Opie of course was a Rhodes scholar later on and an Oxford don; he was a year ahead of me in Economics. But anyway, Don topped the Political Science course. So I knew of him.

Then, early in ’48, he, with others, was forming a Fabian Society and I’m not sure of the sequence of events but he approached me and asked me whether I would help him write a pamphlet on the upcoming referendum which was a referendum to try to transfer from the states to the federal government power on control of prices – which failed, of course, the referendum, like most of the others.

Yes.

I’ve still got a copy of that pamphlet, if you’re interested in sighting it.
Yes, later on, yes.

That was put out. But Don asked me to write the economics and statistical reasons for why, if you’re going to have price control at all, it ought to be Commonwealth because the states had a very limited ability. All they could do, really, if your products were coming from interstate, you couldn’t really control the “increasing price” but only the local margin, the last bit here. I mean, you could force them into bankruptcy by allowing them to have no or little margin after the product came into South Australia but that was quite impractical. And so, if you’re going to have any kind of control— I mean, trade, commerce and intercourse between the states is supposed to be entirely free, according to our Constitution, which meant that you really needed a national system if you’re going to have any price control. Nowadays, under the corporate power – and it’s been expanded a lot by the High Court – you probably wouldn’t have even needed to try to get a referendum through because you could just use that corporate power, which Canberra is inclined to do now. If they wanted to control petrol prices they probably could use that—-.

So Don got you to do this pamphlet.

Well, he was organising it. This is a minor story here. For a long time I was annoyed about this, because he showed me this pamphlet that was done by the New South Wales Fabian Society. There were no names on it, of the people that had written it. It came out like that. Anyway, I wrote my part of it, Don surrounded it by fairly inflammatory, to my mind, political stuff, with far more nationalising/socialist intent than I would have been happy with, and then he produced the thing and gave it to me as a fait accompli when it rolled off the press. On top it had ‘Milton Smith’ – while the other pamphlet that he’d shown me as an example didn’t have any names – and then followed ‘Alan Dunstan’.

Really?

And I had (laughs) to some extent for a long time been somewhat annoyed about that because (a) I had to get a job in a very conservative state – if you think of 1948 – and once I’d graduated if I wanted to get a job in South Australia and possibly
need to work for a business and if people around here knew that I’d written this, particularly given the nature of the inflammatory sections (laughs) that I didn’t really even agree with and I hadn’t read them – he’d read mine, put it in – – –. Anyway, it was only a few years ago, when I used to call and see Gretel Dunstan, (his first wife), in the last two years of her life, that I told her about this and she said, ‘Oh, Milton, you shouldn’t have been too worried about the “Alan” Dunstan because that’s what he was known by amongst his arty sort of friends. He was known as Alan, that was his stage name, and so this was why he probably put that in there.’ And I thought that he’d been disguising his own name because he probably wanted to get a job here when he finished his law degree. (laughter) So I was probably misunderstanding that, but I always sort of had a little bit of reservation about Don because of that.

Right, gee. You saw him as, what, a – – –? I won’t put words into your mouth, but perhaps an opportunist, or a – – –?

No, he probably just didn’t think. He just didn’t think there was a problem. But he didn’t tell me that our names were going [to be on it] because the example he gave me, showed me, the study they’d done in New South Wales, had no names on it and if I’d have known my name was going to be on it I may not have been willing to write this. And particularly not knowing about his contribution. Anyway, so that’s how I really first got to know him.

Right, and what about over the years?

Well, there’s one more thing that happened.

Yes, sure.

Sometime, about April or May – it must have been May because I didn’t know my future wife until April 1948 – but Joy and I had joined the Fabian Society, and Don was involved also then in the Socialist Club at the University; he was having a bit of a stoush with Ron Heiser, who was a communist, and the communists had control or near-control of that Socialist Club, and Don asked me to come and bring any of my friends who’d like to enrol on the spot as members of the Socialist Club, which we
did. We were only in it for about an hour or two, because we went to the meeting and got completely rolled by the communists, who then took over the thing completely, and we all resigned.

I see.

And so for about an hour or two I was a member of the Socialist Club. (laughs) And I was only a sort of mild democratic socialist; I wasn’t really sort of a red-hot — — —.

So what was Don’s line, did he ever explain it? He obviously was linked up with the Fabians, but in contrast to the communists?

Ah, yes, he believed in democratic socialism. I mean the communists don’t believe in democracies, but then in the ‘dictatorship of the proletariat’ I think was their thing.

(indicates list of questions) You’ve got in here — — —. I was impressed with him as a “one time” lecturer when I first saw him, that was the previous year, and then in the Fabian Society, when I went to have meetings.

In 1949, Don went off to Fiji for several years. He married Gretel when she was very young — she might had just turned nineteen; I think she married on her nineteenths birthday, which would have been in June, I think, 1949.

Yes, I was impressed with Don’s speaking ability, of course.

His persuasion as well. Did you see him operate politically at all in the university?

No, not really. I can’t remember him giving any, can’t remember any speeches that he gave then. I remember a lot of speeches he gave later on — — —. Perhaps we could jump down to the role of the Economics Unit, because I think we’ve covered some of the other things.

I’ve told you why I joined the Premier’s Department.

Yes.

Now, you did say at question 4 did I stay in contact over the years.

Yes.
Well, they were in Fiji and I was in Sri Lanka. He came back to Adelaide I think a little bit before I came back to Australia. I met him again in 1955, when I was in Melbourne. He came over there and he and Hugh Hudson came to my place at one stage there, in the middle of Barry Jones’s first political campaign (for a Federal Seat, Isaacs, which he lost).

Oh, I see.

Barry Jones ran in a Federal seat that included my area, and some of them came back to our flat in Melbourne. I’d been in the Labor Party, I was in the Labor Party for about two and a half years as a young guy before I went to Sri Lanka. Then I rejoined for one year in Melbourne in 1955, I was in a branch there. Now, when I came back to Adelaide I didn’t rejoin the Labor Party here, partly because it was an extremely conservative place that I went to work for and the boss was Vice-President of the Liberal Party in the state; and my immediate boss was also very conservative, and so I kept my head down. I needed the job. (laughs) But we did have a sort of modest social relationship, Joy and I, with Gretel and Don and we’d sort of exchange meals occasionally at each other’s houses in those early days.

Now, that – you said did I stay in contact. I was in contact from a work point of view once we worked later on, but really socially I made no effort to keep a close social friendship or anything from the time he became Premier, the first time.

Premier, right, yes.

And certainly when I went in and worked there I didn’t believe in the idea of public servants being socially friendly or involved in any way with their ministerial bosses because I think you need to distance yourself and to be able to give advice that is on the facts as you know them in your own interpretation, not trying to please people by trying to find reasons why they’re right, that sort of thing.

Anyway, you’ve said in here – – –. And then I suppose after Don left as Premier I lost contact with him pretty well entirely until I retired in about July 1990 and I asked the people who were organising a bit of a farewell speech, you know, that sort of stuff, and I said, ‘You might like to ask Don Dunstan, see whether he’d like to
come,’ and he came to my retirement thing in the Treasury Department. And after that I lost contact with him wholly. I was invited to the Celebration of his life in the Festival Theatre, which was a pretty good function, and I was told I could bring a friend or wife or anything. Joy didn’t actually go to that, she was in the last stage of her illness.

Well, ‘role’: well, I don’t know whether I’ve already said this – – –.

I think you’ve covered that one.

We were supposed to provide mainly economic analysis of what was going on in our State within the Australian context and then were asked to concentrate on particular industries. That covers both 6 and 7. I’ve listed these as numbers here.

All right, sure, yes. So did that role change over time, was it – – –?

Well, yes, possibly. I think the analysis certainly became a lot more sophisticated, probably after, in the second Labor Premiers’ period of office when John Bannon came in, and Bruce was the head of the Department then –

Bruce Guerin, yes.

– they wanted an analysis – John Bannon wanted something that could be put out as a little publication each month on what was happening in the South Australian economy versus other states and things, which we did. I don’t know whether I expressed some reservations to John Bannon on the lines, ‘publishing this analysis might look good while SA is going well,’ which it was for the first few years of John Bannon’s regime (we had a big boom in building activity and the motor industry was ok. I said, ‘This is fine while the story is good.’ And we actually charged for people to pay for this report. We had, I can’t remember, it was a modest subscription but we sent these out to a lot of firms. I said, ‘While we’re telling a good story, because they’re the facts, this is going to be easy; but it’s going to be very challenging for you to allow this report to go out if the economy turns down.’ He said, ‘I’ll take that risk.’ But in fact, when things had really turned sour, (laughter) we only lasted another eight or nine months with these reports. You can censor that if you want.
That’s all right – no. Just when you were there in the Dunstan period, one of the things of interest is how you related to, say, people like Barry Hughes, the economic adviser, and the industrial development people.

In the Dunstan period I thought our relationships were quite good, and I’d met Barry before he came onto the Dunstan personal staff because he was editing articles on the economy for the Financial Review with the assistance of Owen Covick – he’s now a professor, I think – but he was a senior lecturer or reader or something then, and Graham Scott.

Scott, Owen Covick and one of the guys, I think he was a senior monetary economist in Adelaide, plus Barry – they used to meet and they would write a section and Barry got me to come to the meetings over in his house for a period of a year or two, and I provided some background on what was happening in retail and particularly motor industry and building industry etc and we got on pretty well. While Dunstan was Premier I think my relationship with Barry was quite good.

What did he add to the economic advice, in your view?

Well, I don’t know exactly.

You were an economist there, but a bureaucrat, but – – –.

No, but I didn’t see things that were Barry’s writing or hear any verbal advice. I don’t know whether I said before that Don told me that he had tried to persuade Whitlam to get a personal economist because they had a mad policy in 1973–4. Whitlam merely wanted to get every bit of his program in, and I was told by a guy that was a member of that parliament and he’d been told by one of the Cabinet people that over the first two or three years of the Whitlam Government they’d had one discussion on foreign policy and no discussions on economic policy at all for about the first two years; it was all on the implementation of the program.

Amazing.

Now, I could tell you the name of the member that said that, but he may not want to be quoted; but he got that from people that were in Cabinet. And Don must have been aware of this and he was very keen that Whitlam would try to pare down things
and try to rein in the inflationary situation, you just don’t pour flames on the fire. But Don said he was ignored. (laughs)

So you did your economic advice, and were you interested in what happened to that advice, or – – –?

Well, we weren’t really giving advice; we were giving information.

Just information, right, okay.

Ah, well, in certain cases we were battling against federal tax policy, for example in the wine industry, or if they were trying to load up taxes on the motor industry; but I think by sometime in the ’70s the Federal Government had stopped using the motor industry and taxes on it as a major economic regulator. They’d finally got the message that that caused very undesirable fluctuations in the level of activity there.

So when you provided your advice, were there any recommendations or was it, again, just straight information?

No, we were really providing information.

Okay.

Except where it was an industry policy thing like taxation on the wine industry where we obviously had a view that was formed from discussion with industry and analysis of data available. A significant part of several years of my activity was being in touch with the wine industry and getting technical information and becoming really informed on these issues, and then occasionally, fruitlessly, talking to Federal Treasury guys who were not necessarily sympathetic.

They didn’t have a regional development policy as such, then.

Well, for example, early in ’73 they brought in a punitive system of tax on fortified wine and I said to one of the guys, who later became head of Westpac but he was a senior Treasury guy –

David Morgan?

– yes – I said to him, ‘Look, all you’ll do is you won’t get any more revenue, you’ll so depress the production of those spirits.’ Well, six months later they
acknowledged that this had happened and they withdrew that tax. But, a few days later in the August 1973 Federal Budget, they abolished Section s.31A, which was a major concession to an industry which held stocks for quite some time before selling— you know, they gave with the one hand, and then slapped the industry with the other, generally. Anyhow, that was a bit of a sad and lengthy episode with some part concession later granted to the wine manufacturers. (break in recording)

That’s all right, I’ll just keep going. Can you recall your major projects or briefings you had to do on industry studies? You mentioned the wine industry, the car industry.

A lot about the wine industry.

You mentioned other agricultural type of things.

Yes, that was a fairly small one, early. We did some submissions to the old Tariff Board and then we were involved also in looking at the grape industry – I think we were in discussions with the Agricultural Department’s people in the infamous grape [pull] decision where grape growers were paid to pull out some grapes which were considered surplus at that stage.

Oh, yes, the wine pull.

I mean, the problems, they looked ludicrous years later when demand for wine surged but when the situation was desperate the ‘vine pull’ appeared appropriate.— looked quite sensible at the time. I was involved marginally— Brian Chatterton, the Minister of Agriculture had a committee that was interested in wine grape production and wine industry generally, Brian Chatterton was chairman of that committee and Agriculture had some people on it and I represented the Premier’s Department on that. It went for several years, and he appeared before the Tariff Board up in Berri at a hearing where they considered the position of the grape growing industry. There’d been various inquiries into the wine industry and I did appear before a Senate committee on some aspect of it, but I can’t remember exactly what it was but it was to do with the wine industry. The Senate Committee came into Adelaide and I appeared before that group.
What about Grants Commission work, did you get involved in any of those submissions?

No, I didn’t.

And the Railways Agreement?

No, no, no. Ted Carey, the then Under Treasurer, and I travelled over it in January ’75, I think, to the famous Terrigal conference.

Oh, yes.

Remember when one of Don’s staffers threw another one of Don’s staffers into the pool?

Yes.

Well, (laughs) we arrived there about that day when that was happening, and I was asked to come up to talk to Senator Murphy, the Minister for Customs and other portfolios at the time. Don had rung Bob Bakewell and said, ‘I want you to get Ted Carey to come …… …… We’ve got this railways agreement, for the details we want Ted there. And I want Milton to come and talk to Senator Murphy.’ Senator Murphy was just about at the end of his ministry –

That was Lionel, yes.

– and he was going to become a judge a week or two later, and he said, ‘Talk to Murphy. He’s got a great idea for helping the wine industry.’ But it didn’t turn out to be that great. But Murphy was a person that was quite charismatic and while you were talking to him you certainly thought he had the answer, and when I came back and researched this point it had already been done. But it was interesting to meet a figure like that.

Yes. What about feasibility studies for major projects like Redcliff, you didn’t get involved in that?

No, no, no.

That was Treasury and others, yes.
We were not in that. Well, there may have been other people in the industrial development area who had work on that; we were not in that at all.

Yes. In any of this, were you aware of or Don actually explain what he wanted for the state, because there were some studies like gap studies and things like that? How did you relate to those sorts of – you know, the ‘big picture’ and then – – –?

There was a gap study – now, I’m trying to drag my mind back to that. I think Don had commissioned that from W.D. Scott.

W.D. Scott, yes.

– they merged later on with another firm, Coopers Lybrand – Scott put out a report on South Australia’s advantages and disadvantages for manufacturing and early in 1988 I talked to them quite a bit. They were just about formulating this, they put out a book on this, the Scott Report, a few months after I started there and we talked to their chief economist quite a bit. One of the things that I thought that came out of that that was quite interesting, they looked at our disadvantage as a location point for manufacturing and tried to assess the transport costs and how much that was offset by cheaper labour cost, which was one of the things that Playford aimed to establish and as a counter point aimed to provide cheap housing for the workers – particularly around the Elizabeth area. His view was that these lower wages would still give a reasonable standard of living if local costs for housing and other things were low. The Scott people did show in the various estimates they made that there was a considerable disability that SA suffered from being badly distanced from the main markets and it was a fairly significant factor. I can’t remember the numbers in that, but Melbourne and Sydney were much more logical places to put a new manufacturing industry if other factors were equal. And of course we had very limited funds to offer incentives to anybody to come here.

Yes. And you did some early advice on the Monarto project.

Well, I don’t know about advice on it. We were asked to do a paper on certain aspects of the Monarto scheme. Ross Harding actually worked on some of that. And I remember Bruce Guerin, who was then at The Advertiser – I think we or someone must have given him a copy of the work we did, I’m not sure about that,
but he praised this analysis in one of his articles while he was Economics writer for *The Advertiser*. But unfortunately there was a bit of a clash on the basic assumption behind Monarto that Dunstan had framed with the help of Hugh Hudson and Don Simmons, who were very pro. Monarto and decentralisation. Don was very pro – what was the term you used? When you try to get people to go out in the country? Ross mentioned it.

**Decentralisation?**

Decentralisation, yes. That was a big idea at the time. Whitlam had ideas of decentralising some government departments as well. But although I think the Monarto scheme was partly a bit of a gesture towards decentralisation, I think Don had wanted to keep the Adelaide city from just continually expanding north and south and becoming out of bounds. He had an idea of keeping Adelaide to one million people. I think Hugh Hudson had convinced him that the great decline in birth rates that had started by the early 70s was going to reverse itself somehow or other. That’s not a view that I held then, and I did get into a bit of trouble with the tenor of, the implications behind, the material I put in there, was that it looked unlikely that we really needed Monarto from a population point of view.

**Right. This wasn’t news people wanted to hear.**

Yes, and that part of the report – I think it was attached to one of our economic reports – and, as I’ve told you, that was circulated perhaps by mistake to members of the caucus and that was the one time that I think (laughs) Don was pretty annoyed. Not so much with what I said, although he disagreed; I was quite sure that he and Hugh Hudson were wrong about population growth, but Hugh was an optimist about population from a rebound in family size. It did not happen.

**They had some broader things in mind.**

Anyway.

**Did you talk to Don very much about economic issues, like directly?**
Well, I think we had a – I can’t remember the period of this – I went with Bob Bakewell each month, after we’d put out a monthly economic report. We talked to the Premier about anything he wanted to raise out of it. I mean I didn’t always bring issues up with him. But he was very interested in certain areas. He was interested in some of the industries like the motor industry and the wine industry, particularly the wine industry because of its tourism promise but other times you would go there and unless you were on a subject that really interested him his eyes would glaze over (laughs) and so you’d sort of get off that.

**Did you ever see him work from a brief, from what you’d done?**

I will tell you one time of significance that Robert Ruse, if he was here, would confirm was striking. We briefed Don before he appeared before a Commonwealth Government Committee set up by Whitlam on manufacturing. It had two or three senior industry figures, you know, major corporate guys.

**Was that Jackson Report?**

Yes, it was probably the Jackson Committee. Jackson was on it; there were a couple of pretty good Canberra economists on it; and it was a fairly sizeable committee. We briefed Don for about fifteen, twenty minutes before he went in, Robert Ruse and myself, about the main things that we thought could be brought up. Well, Don’s talk to these people was really outstanding. He encapsulated all the things that we’d said but he said them better than we could have because he had the oratorical ability and he had the lawyer’s mind to be able to pick the guts out of things. And Robert said to me afterwards, he said, ‘I’m not a great admirer of politicians, but,’ he said, ‘that was a pretty amazing performance.’ I thought that was worth recalling.

Well, it’s been said to me by somebody, I can’t remember who it is, that Gretel claims Don knew nothing about economics and maybe she helped him out, having an economics background; but the other stories I’ve got is his ability to pick up things so quickly that – – –. What do you think his real level of understanding was?

I don’t know, I don’t really. I mean I never got the impression that he didn’t – this is a double negative – that he didn’t understand. I’m fairly sure he understood-
whenever he was listening to what I was saying. I did travel with him a couple of times interstate to meet federal ministers, mainly on issues that were state concerns in industry. But yes, he’d pick things up. He was very good on ‘big occasion’ speeches and the major production, and I’ve heard him a number of times give terrific speeches and when he was meeting high-powered people he was obviously very good. On the other hand – I don’t know whether you want this in there – but he was very embarrassed and stumbling, in more formal occasions e.g.– if the Department was saying goodbye to a secretary who was retiring to have a baby or something or other, he was really bumble-footed in handling the little speech that was needed saying goodbye to them and perhaps giving them a present, that sort of thing.

Yes, amazing.

He was totally (laughter) uncomfortable in that. But it was such a contrast between the big occasion speaker and handling a little, informal [speech].

And how would you compare – I’ll use that word – with say working with Hugh Hudson? Was Hugh more incisive about economic issues?

I didn’t really have – I mean I knew Hugh from Melbourne in 1955 and when he came here we were friends with Ainslie and Hugh to some extent, and that even – well, because I was working in Don’s department we didn’t have any social contact; with Don but I did keep a social contact with Hugh and particularly Ainslie. Joy and I regarded Ainslie as a really great person. But it was not a lot, but occasionally we’d see them. But Hugh understood a lot of economic issues but he was a very strong-minded sort of character with opinions that he didn’t really necessarily take much notice of other people’s stand over.

Was there any sophisticated discussion about economic things, or was it mainly just – – –?

Not that I can recall. For two or three months, I think, Hugh was the minister for our group but only for a month or two.

I see, yes.
But we had really minimal contact with him in that period, and then ministerial
responsibilities changed a bit. I think for a little while we had the Deputy Premier –

**It was Don Hopgood, yes.**

– Don Hopgood, for a little while; but then he retired from politics later on.

**And just thinking back over the period, what was your sense of what was
happening? Did you feel the state was progressing? Because there’s this whole
issue about Don and the social reforms being remembered but the economic side
of things seems to get forgotten about, or derided.**

I don’t know that he actually ..... Certainly his main emphasis and interest was – I
mean, in my view, Don’s great contribution to the state has been in electoral reform,
which he pursued from an early stage and kept on it and he was brilliant in his
speeches in that area, and Aboriginal rights, things like that, and the arts of course,
he made a big contribution. In the economic area there’s just so little that a premier
of a small state can do, especially at that stage when we were revenue-bereft. Other
things determined whether we were going well, not State Government initiatives.
We were going well, particularly in certain years of Don’s regime, from about ’73 to
’75 or ’76, we were going that well that I even heard a couple of quite well-known
businessman say, ‘I think Dunstan’s doing a fantastic job for the state.’ But that
would sour when the economy went down. When things went down and the motor
industry went down, employment started to look bad. Governments often can be
judged on how our unemployment figures were, and that was always the focus of a
lot of interest. I used to go to meet with the Commonwealth Employment Service
people every month in their office when the new employment figures came out. Other
people from around the State and Federal Governments also attended these
meetings to discuss the figures that came out. That was very useful.

The Bureau of Statistics, over the years was very easy for me to approach for
statistical information, although they always had the restraint from Commonwealth
Treasury who didn’t really want to put a lot of work, a lot of money, into getting
better statistics on a state basis. But we needed it: we needed to see where we were.
There’s no point in having a national figure if you didn’t know what your share of it

**Milton SMITH**
was and how you were going, and over the years we finally got a lot of traction in obtaining some of the vital data we needed. The view expressed by the Treasury economists and the Reserve Bank guy at these Australian Statistical Advisory Council (that I was on) was ‘We can’t run a seven area policy’ – that’s six states and Australia – ‘we’re only just trying to analyse the Australian economy and get the Australian economy settings right.’ So they were never too keen to consider the effect of their policies on particular areas. It’s the recurring problem where some states were booming but others not so. If the boom seemed excessively strong they’d tend to restrict things by various policies, but the states that weren’t going so well can be hurt quite badly in those situations. They said, ‘Look, it’s hard enough knowing what’s happening nationally without trying to regard the states.’ That was their line. But eventually we did get play on the – – –.

**Steele Hall said in an interview the ABC**¹ **did of him that he thought the Dunstan period was bereft of economic advancement and he mentioned Don didn’t really get into appropriate infrastructure development. I’m not sure whether he was just talking about the dam, but – – –.**

Well, you remember the Liberals wanted to do this MATS² Plan.

Yes.

They had an idea – I don’t know, maybe it was a great idea. Then Dunstan brought out two experts that had some idea of having people on small carriages elevated on rail lines that provided suburban public transport. You could get into this thing and you could get out where you wanted to and that sort of concept.

**That was Carl Breuning.**

I’m not technically-minded enough to know what the merits [were] of these, but for a long time we probably have got away with limited transport infrastructure. I think it’s overdue now and governments, I think, are always reluctant to sink a lot of money into infrastructure when they’ve got so many other demands- groups in the

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¹ ABC – Australian Broadcasting Corporation.

² MATS – Metropolitan Adelaide Transport Study.
community wanting money for education, health and hospitals and things that are perhaps electorally more appealing or apparently more urgent.

**Direct, yes. And you mentioned the senior industry people commenting favourably; did you ever see Don relating to captains of industry?**

No, not really. I didn’t, no. I remember an industry captain who was Chairman of the Economic Society at one stage— I knew him also from another contact point – and I remember him saying – and he was, yes, probably a fairly conservative guy – that he was quite impressed with him. But the views of business largely depends on what’s happening with the economy, which has often got nothing to do with the State Government’s performance. But politicians generally don’t like to be told (laughs) that, ‘Really, you can’t do anything much immediately,’ because it’s a matter of ego – – –. I think state politicians can damage a state if they have policies that are discouraging certain industries or something like that, but unless you’ve got a lot of money to throw around there’s not much you can do. And international things affect Australia, and Australian government policy affects the states-and these are the main determining factors.

**And he had some advisory committees of industry people. Did you ever attend any of them, like Industries Development Advisory Committee?**

Can you give me a bit more detail?

**A guy called Roscrow, there was quite a large group that would sit and contemplate what ought to happen with economic development in the state and make suggestions to Don, some of which he followed through.**

I don’t recall ever being in any of that.

**You didn’t brief them?**

I’ve heard that name, but no, no, no. I did give reports regularly to the more narrow building industry body that met about every 6 months. I usually gave a short commentary on the overall economy and their industry statistics to them and then answered questions. That went on for some years, and that was useful to me as well because you get other people telling you about aspects that you didn’t know the detail on.
And just working in the Premier’s Department, what was your feel: that it was a good place to be in, or -- --?

Well, I thought and think the other younger guys that worked [there thought] it was quite an exciting period in the ’70s. It was made better by the fact that the economy was going well until about ’76 or ’77. Yes, it felt like quite a good place to work in and most people were pretty co-operative with each other, I think.

But, of course, when bad times come – and they set in late in ’77, early ’78, and we went down after Australia; whereas normally, (laughs) we tended to go down before, in previous periods, but in that period our building activity and various other sectors only crashed in the last bit of ’77. It crashed just after the September ’77 election, which the Labor Party won. I think it was the ’77 election. It was September ’79 that Corcoran went to an early election, didn’t he?

Yes, that’s right, yes.

Extremely foolish on his part.

Yes, that’s right, yes.

If he’d have waited another year – the Australian economy was pulling up over that next year – he might possibly have survived, I don’t know.

Interesting.

But I think politicians like to get a win in their own name and right and it was a case of misjudgement, I think.

You mentioned Don got a bit frustrated at what he saw as perhaps a lack of action by the Department in meeting some of these economic challenges.

Well, there was this famous highly critical letter that he sent around (laughs) to various departmental chiefs, not just on the Economic Development aspect, I think it probably went wider, I don’t know, but he seemed to have been very disillusioned by the lack of implementation and development of some of his great idea. And he was an idea producer, but the quality of those were not necessarily all one hundred per cent practical. (laughter) I’d think that would be the view of the public
servants. Public servants may tend to perhaps be cautious at times. But I don’t think that letter was justified, frankly.

And there were ideas of his — — —.

And I haven’t got a copy of it, so I can’t remember. I’ve only had it read out to me and other section heads in the Industry Development Department by Bob Bakewell.

There were ideas of his, say on industrial democracy, which have been criticised pretty heavily in that period. Have you got any comments about that whole thing?

I was only on the fringe of that because I was managers’ representative on something or other and we actually — yes, Ken Wang and I, he was representing the general staff. Yes, it was quite an interesting period because the resolutions we came up with [that] were done in this democratic way (laughs) didn’t necessarily coincide with what Don might happen to think. Look, I can’t remember the detail now. I’d have to ask others whether they can remember that episode.

Yes. But in a broader context, you were there advising on what was happening with the economy; did you ever think, ‘Well, some of these ideas are really counter to what Don was trying to achieve in the economy?’

No, I don’t quite understand that.

Like industrial democracy, the captains of industry thinking, ‘Oh, what the hell’s this about?’

I don’t think it’s necessarily contradictory. I mean I think Don was influenced by the German and Swedish examples although their historical background of industrial relations were different to ours. You had a question here, by the way, ‘Where do you think Don got his ideas from?’

Yes.

I haven’t mentioned that, but I’ve got a little ..... on that.

Sure, go, yes.

Well, I didn’t ask him where he got his ideas from but he did tell me in 1968 or ’69 he was very enthusiastic about Laski, who was a post-War writer, and I don’t know
whether he was an economist or merely a political writer, but he was a very strong-line socialist.

That was Harold Laski, yes.

Harold Laski, that’s right. And Don was very much taken with his ideas. I was much less so, I must admit.

And what sort of ideas — — —?

Well, I mean intervention by governments and the advantage of intervention by governments. For a long time I’ve had the problem with this that how do you motivate and how do you get enough well-motivated public servants, who are not necessarily being really well-paid compared to the people in industry. How can you get them to give you the sort of dedication and the work, and particularly if you put them in running economic organisations or businesses and that sort of thing, where you haven’t got a profit motive and you merely have the idealism that you hope that’s going to be there, I don’t think you’ve got enough people that’ll have that. I said this to John Bannon one time. We were just standing talking and waiting for something to happen and I said to him, ‘I was always sceptical about having too much government control or influence in things because it’s going to be very hard to find enough well-motivated people because they haven’t got that essential economic stimulus that people in business do where they’re driving for a profit, they know what they’re doing.’

My father used to say to me, just as a little reminisce, he said, ‘Milton,’ he said, ‘the problem with Christianity and socialism and communism is that they’re great ideas but they’re quite impractical because human beings are so unable to fulfil the sort of ideals and behave. They tend to be more selfish and difficult to control.’ Anyway, that’s just a throwaway line.

Is there anything in your notes that you wanted to add, because I’ve sort of jumped pretty well right through?

Right. I’ve told you about the sort of things that we were asked to talk on. I think both Governments, Liberal and Labor asked me to give some comment on the
daylight saving issue - whether we should advance our clocks half an hour to be on Eastern Standard time.

**Right, Eastern time.**

Because that was a business thing. (indicates) The files in Premiers on that topic in 1969 were very high.

**This is about one and a half feet thick.**

Yes. Well, and in the wine industry you couldn’t *jump* over them. ‘Were any particular economic theories driving his thinking?’ I don’t know. On many of these questions I don’t know the answers.

**Yes, that’s all right.**

I’ve mentioned the fact that he wanted Whitlam to take some economic advice because that government was going right off the rails in spending.

**Yes.**

I think I’ve already talked about ‘Did Don take advice he didn’t like?’ I don’t think anybody’s too good at (laughter) accepting views they don’t like much. I didn’t have much experience where it was a problem.

‘What was the economic context of the time? Employment levels, finding extra opportunities for our manufacturing industry. Well, those sort of things were certainly important. I don’t know how he related to captains of industry except he did have a period where they were pretty happy with him. But it depended on the state of the economy. ‘Advice from the universities?’ I think he probably plugged in and talked to quite a few people down there-perhaps on an episodically.

**Well, you mentioned you were on the Economic Society. Did that –– ––?**

Yes, but also I was on the Economics Faculty as an outside member. Bakewell had been on that and Bob I think found it fairly boring and he had plenty of other things to do, and so I got handballed that one and so for a couple of years I was an outside member of the Faculty. I don’t know whether you want it, perhaps you can suppress this, but they were *very boring* meetings.
Were they interested in South Australian economics or not?

No, no, it was all staff matters.

Yes, okay, right. They weren’t chewing your ear about what Don ought to be doing or anything?

No, not at all, no, no. There was no interaction of that kind.

That’s interesting.

You said in your questionnaire, ‘How effective was the economic advice Don was getting from various quarters?’ I think it was segmented, you know? We’d do one thing, Treasury do another thing, and I didn’t have any problem with that or see any sort of conflict at all.

And did you ever have a round-up, like a periodic meeting about all these advisers to see whether you were being consistent?

No, no, not as far as I can remember.

No, nothing.

This number 26 here, ‘Was there any involvement in the area of government investment in key corporations – SA Brewing, Fauldings, SGIC, et cetera, et cetera?’ No, we had no involvement in that at all. Now, we did relate to the Commonwealth Government and its advisory departments. We had quite a lot of interaction, we got a lot of information. I mean we had some interaction with Federal Treasury, but mainly with the Bureau of Statistics. The local ABS head was prominent in the State Statistical Advisory Committee and then they formed the national body, the Australian Statistics Advisory Committee. (I was South Australia’s representative on the Australian Statistical Advisory Council from its formation-I think- to 1999). I was also Chairman for a while of the state Statistical Advisory Committee and we looked at issues involved in trying to get better state data. The Bureau of was very good for us and I think they were competent people and they were excellent to deal with.
'Don’s success as an economic manager?’ I don’t know that Don would have even regarded himself as an economic manager. He was Premier and his issues covered many areas. I mean the economy tends to happen. (laughter)

Yes, right, yes. But he didn’t have some targets somewhere?

You know, you can’t expect your state premier to control what’s going on in the economy. He can be lucky, I mean if you get an oil strike or you get big mines coming in or something or other you’ll look good.

Yes. Well, if you look at the current government’s SA Strategic Plan they’ve certainly got some targets they’re working to, so they must feel as though they can actually do something.

Yes. Well, there are one or two that I’m not too sure that I think are a great idea. For example, the two million within a short period of time, given our water problems and infrastructure problems I don’t think that’s been thought through. But business is very keen, of course, and the housing industry always wants to build more houses, that’s what they like to do; and of course there’s the idea of bigger markets for everything if you’ve got more people.

‘Overall assessment of the Dunstan Government’s reforms?’ I would have thought it was probably a bit above average, particularly in areas they could influence—not necessarily the economy.

You didn’t see any noticeable shift, say, when Tonkin was Premier and whether a state Liberal Government could actually do more than a Labor Government?

Well, no. I’m quite doubtful about the ability of state governments to be different. I mean, obviously, political commentators detect difference in performance, but I think it’s more a matter of being in lucky eras. If you’re in a good era you can look good, and if you run into some problems – – –.

‘Did Don leave any legacies on economic reform like he did in the social arena?’ I don’t know of any.

We’ve talked about people that the project should follow up.

Yes.
Have you talked to Ian Kowalick?

Yes.

All right.

**Talked to Lew Owens; I want to talk to Barry Hughes.**

Right, yes. Well, Barry, you should talk to Barry.

Yes. David Mitchell, who used to help out the Industries Advisory Committee, talked about that process.

I think we’ve probably just about covered the waterfront, don’t you think?

Okay, good. Well, thanks very much, Milton. That’s the end of our interview.

END OF INTERVIEW.

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**Don Dunstan History Project**

**Addendum to A Milton Smith’s interview on Economic Advice**

On the 20 May 2008, Milton advised me that Don joined a Communist Cell of the Communist Party of Australia in 1945 or 1946 for two months. One of the people in that Cell was Ronald Heiser.

Don has told Milton that the two months was the greatest two months of his life. Don had been appointed the local commissar.

He had joined the CPA after a short stint with the Liberal Party, doing some work for them by way of doing advertisements on the radio in 1944 in relation to Doc Evatt’s referendum on price control. Don spoke against the proposal.