The Budget's Attack On Inflation

A speech on the 1951 Budget and the Government's economic policy by the Prime Minister of Australia, the Rt. Hon. R. G. Menzies, C.H., K.C., M.P., in the House of Representatives on October 3, 1951.

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"Every argument used by the Leader of the Opposition was an argument against anti-inflationary measures and an argument for inflation. The one thing to which the Leader of the Opposition and, presumably, his Party, are not opposed is inflation. They are not opposed to inflation because the Right Honourable gentleman himself recognises inflation as the substance of his political stock-in-trade.

"The more our people get to know this Budget and see its effects the more will they reject the Opposition and the more will they rally in firm support of the action taken by the Government." —The Prime Minister in his speech on the Budget.

• Economic Policy and the Budget

IN my speech to-night I want to deal with one or two special features of the Budget, and then make some statement on the Government's economic policy generally, fitting the Budget into the pattern.

But before I do that I should refer to one or two of the special features.

There has been an onslaught on this Budget in some quarters on the ground that it increases taxation, as it undoubtedly does. There are, therefore, two questions to which I want to address myself on behalf of the Government.

The first is: Should taxation be increased? If it should, are the increases fairly distributed?

I will undertake to demonstrate that the answer to both these questions ought to be: "Yes."

In the first place, those who say that taxation should not be increased are, in effect, advocating a deficit budget—that is to say, an inflationary budget. The most cursory examination of the figures laid before the Committee by the Treasurer, Sir Arthur Fadden, will show that apart from any increases in taxes there would be, on this Budget, a deficit of £46,000,000. That is a large deficit.

Somebody may say that expenditure could be cut to eliminate the deficit. To that I reply that anyone who will trouble himself to look at the items of expenditure appended to the Budget speech will see at once that very few of those items lend themselves to a reduction at all.

Nobody would pretend that the Defence vote ought to be reduced. Some might be heard to say—as they have, indeed, already—that it ought to be greater. Nobody would say that the Social Services vote should be reduced. On the contrary, there have been, and there will be, those who say that it ought to be even greater. If Honourable Members looked through all the items of expenditure they would come to two items, one of them Public Works, the other General Administrative Expenditure—which, as an item, is substantially smaller than the deficit to which I have referred. Members will not find any item that lends itself to reduction in any real sense.

What has happened about works? The fact is that the works programme of the Commonwealth, which we agreed we would carry entirely on revenue (for reasons which I will give in a moment), will this year be only £3,000,000 or £4,000,000 greater than last year. This year it will be of the order of £106,000,000. Last year it was of the order of £102,000,000.

In brief, our works programme appears practically static in terms of money. Therefore, having regard to increased cost, our works programme has been cut in volume.

This has not applied to any of the complainant States—and there are some complainant States at present. It applies to the Commonwealth.

The first question that the critic has to answer for himself is: Would he be prepared to make a substantial further cut in the Commonwealth works programme? Would he be prepared to cut out the Snowy Mountains hydro-electric project? Would he be prepared to bring to a stone end any further development of any description in the postal services? The answer is perfectly clear. Nobody in this House, and I do not believe any student out of it, will say there is any further room for reduction of expenditure on the public works account.

That leaves, as the one allegedly reduceable item, general administrative costs, which, after all, amount to somewhere between £30,000,000 and £40,000,000, and are in themselves substantially less than the deficit which the Treasurer contemplated when he began to compile this Budget.

I do not need to remind Honourable Members of probable repercussions because, in an another capacity in full House, they have heard the discussion about the Government's attempt—its successful attempt—to introduce an economy in general administrative costs. I do not suppose that I will hear anybody opposite say that there should be a further cut in the general administrative cost, which we do not control in terms of money and can control only in terms of manpower.

Deficit Would Be a Scandal

The moment it is established that this Budget represents the end result of a sincere attempt to reduce the reduceable expenditures of the Commonwealth we are confronted by the fact that either revenue must be increased or a deficit of £46,000,000 incurred. A deficit Budget in an inflationary period like this would be a scandal. It would expose any Government to the accusation that it did not care about inflation because it was prepared to pour £50,000,000 of new money into the existing supplies and so aggravate the inflation.

Therefore, I answer the first question: "Yes." There must be increased taxation unless we are to have an inflationary deficit budget. How have we secured the increased revenue? We have secured it by proposals which bear justly on all sections. It could hardly be said by any Honourable Member—and certainly by no Honourable Member opposite—that in distributing the additional burden of taxes we have favoured the rich. The whole trouble is that Honourable Members opposite felt grievously baulked when they read the Budget because they realised how heavy a burden would be placed on the richer sections of the community. They have, for example, complained very bitterly that at a time of inflation something ought to be done to impose some kind of ceiling on dividends of great corporations. I have heard that suggestion time after time. We cannot impose a ceiling on dividends under our powers.

But what we have done in this Budget is to raise substantially the taxation on the distributable profits of companies with the result that the new rates of taxes will put a severe check upon the increasing of dividends.

In the second place, the increased revenue has been obtained by curtailing the demand for capital equipment—a demand which, as everybody who has studied this matter knows, is a demand far too great for the supply.

There is no greater element in the present inflation than the exorbitant demand for capital equipment and the inadequate supply of it. Therefore, the Treasurer has made provision for alterations of the existing law in relation to special initial depreciation. We have reversed a policy that was originally devised to encourage investment in capital equipment. That policy must now be reversed because we have too little capital equipment to meet the demand.

Some Comparisons on Income Tax Rates

The taxation proposals in the Budget affect the demand for luxury and less essential goods. That has been achieved—very justly but not very popularly in some instances—by sales tax and excise increases and by the increase of individual income tax. But this increase still leaves the rate of income tax on all relevant rates of income in Australia most favourable when compared with the rates in operation in our sister countries of the United Kingdom and New Zealand.

The Budget has affected the purchasing demand of large rural income-earners, not because it is desired to penalise them but because it is desired to remove an advantage that has been and is being enjoyed by income-earners in that group. That has been achieved by the partial abolition of averaging. **I do not expect to hear anything from the other side of the Chamber about this "rich man's Government" pandering to large income-earners in the country!**

Next, this Budget by its taxation proposals has provided for the modern valuation of land for land tax purposes. No one can deny the justice of that in a time of high and rising land prices.

Finally—and there has been some clamour about this—the Budget provides for a substantial increase in the fees payable by broadcast listeners. If Honourable Members will take the trouble to look at the figures of revenue and expenditure in relation to broadcasting, they will find that all the increase does is to reduce the loss on broadcasting, which is now being carried by general revenue. It does not entirely eliminate the loss; but reduces it and prevents a new element of deficit from coming along, with all its inflationary effect.

I now invite Honourable Members to observe the effect upon the Budget of Capital Works programmes and of payments to the States. I go further and invite the attention of some outside critics (who are diminishing in number as time goes on) to this matter.

In normal financial times, Capital Works — both State and Federal—would be carried on Loan. That is one of the truisms of public finance. To-day, under inflationary circumstances, there is a movement away from loans and from fixed interest-bearing securities. That is inevitably so when prices and costs are rising and when the value of money is falling. One expects to see that kind of movement at such a time As the rise in costs and prices begins to flatten out the movement away from gilt-edged investment will tend to disappear.

Against the background of that simple truth, let us face the fact that at this inflationary time in Australia's history, with all that ought to be done in Australia, with our enormous arrears on the transport side, with our arrears of power, with our shortages of coal and with our defence preparations, we cannot expect to finance all of our works on loan.

Revenue For Works Programme

Look at the figures. This year the States have a Loan programme of £225m. and the Commonwealth of

£106m.—or a total of £331m. Last year, the loan market yielded £151m. If we got as much from the loan market this year as last year, we should still, on those figures, have to find £181m. from sources other than the loan market. Alternatively, not finding the £181m., we should have to cut the whole programme back to £150m. for both the Commonwealth and the States. That would create chaos in all programmes and instantly involve damaging and wide-spread repudiation of contracts and of obligations.

It is clear, therefore, that until inflation is arrested or is in process of being arrested we must have enough revenue to find large sums for Works. The effect of all those things has been completely overlooked by the critics. Out of a total of £927m. expenditure in the Budget, payments to the States are at the record figure of £161m. What I shall call our underwriting liability to the States in respect of their Works programmes (which is the difference between what the loan market will yield and the £225m. expenditure that has been approved) may be anything between £75m. and £100m. Neither the Treasurer nor myself knows what it will be exactly. In addition, because we have remained out of the loan market and left that market with its limited resources to the States, we have to carry £100m. of Commonwealth works on the Budget.

Let nobody pretend he is grappling with this problem unless he decides whether we should have cut payments to the States. Does he challenge paying £161m. to the States? Does he challenge us standing behind the States in this underwriting sense? Does he challenge us doing £100m. worth of Commonwealth Works this year?

Unless he challenges one or other or all of those things, the result is that from £336m. to £361m. — or more than one-third of the entire Budget—is made up of items of that kind. When people say in a rather broad, easy and sweeping fashion that we must not increase taxation but must cut something, let them face up to the real truth of the matter. If we cut those three things out, turn our backs upon our partners in the Federation, and if we adhere to the whole of our revenue and make no tax or other reimbursements to the States, we can have a high, wide and handsome surplus without raising an extra penny piece by way of taxes.

But all of those items are entirely significant and are not to be avoided merely by the process of not looking at them.

Government's Anti-inflation Programme

I turn from those two matters to say something about the anti-inflation programme of the Government, because one of the things that is most glibly repeated is that the Government has no programme about inflation. It is said particularly—not in this House, I agree, but outside—by those to whom an anti-inflation programme means altering the exchange rate and nothing else. The people who advocate such an alteration of the exchange rate never have anything to put along side it, in my experience. The Government's programme is designed to deal with the real causes of inflation as far, of course, as they are internal to Australia. External causes are not matters that are within our jurisdiction, but as far as they are internal to Australia this is what the Government is seeking to do: to deal with real causes. Therefore, we have directed our programme, and have been directing it for a long time, to five elements.

I do not wish to be tedious on this matter, but I take leave to state those five elements to the committee and to the country. The first is to increase production; the second, to increase procurement of goods from overseas; the third, the limitation of excessive capital demand by governments; the fourth, the limitation of excessive consumer demand for non-essentials, a demand which attracts too many resources to non-essential production; and the fifth, the diversion of resources of manpower and materials to enterprises of productive and defence

importance. I shall take those five matters in their order.

First, positive measures to increase production. It was very gratifying to my colleagues and to those who sit behind us in this chamber to hear the Leader of the Opposition (Dr. Evatt) last night at the penitance stool about production. His conversion to advocacy of production is tardy but welcome. After all, it is never too late to mend on such matters. But although it is tardy and although we hope that from now on we shall have his support in encouraging people to understand that you produce your way out of inflation far more than by any other technique, I desire in passing to recall that the communists are production's greatest enemies in this country and that so far the Leader of the Opposition has done nothing but protect them.

Positive Methods to Increase Production

With that slight recollection, I now wish to turn to the positive measures to increase production. The first of them was the 100,000,000 dollar loan We were told at one stage that it was impossible or undesirable. The object of the loan which this Government negotiated was to bring here essential capital equipment which could not be obtained from non-dollar sources. The Australian Government is not, for the most part, the buyer of the commodities that are imported. State Governments and public instrumentalities are, for the most part, the authorities to whom the dollars are made available under this loan. Honourable Members will be interested to know that under that loan we have made available in dollars for agricultural practice and other agricultural equipment 29 million dollars; for heavy industrial crawler tractors and earth-moving equipment, 24 million dollars; for transport equipment, including locomotives, 15 million dollars; for electricity generation and transmission, 26 million dollars; and the balance is made up of plant and equipment for mining and manufacturing. This is a pretty good list of articles, every one of which has to do with production and vital transportation in Australia.

As the second element of a positive production programme I wish to refer to immigration, because there is applause of our immigration policy as well as criticism of it. Of course, there is always room for criticism of any policy so great in its scope, but we have specifically directed the immigration policy towards aiding the basic industries. Honourable Members will be interested to know that 19,000 contract immigrants are now working in national undertakings such as rail, road, water storage and power projects, while 2,600 contract migrants have been placed in the steel industry. Accommodation for Commonwealth-sponsored immigrants has been located to meet the labour needs of basic industries and of basic services. For example, prefabricated houses from overseas are being erected on the South Coast of New South Wales for British immigrant miners who will produce coking coal for the Port Kembla Steel Works.

Flow of Imported Scarce Materials

The third element in this positive policy of production is that this Government has encouraged the flow of imported scarce materials because a great deal of production in any country depends upon how it can obtain the product of another country's enterprise to use as its own material for its own production. We have encouraged the flow of imported scarce materials by relaxing import duties on essential materials, and on prefabricated houses, by subsidising the importation of coal and of houses, and by negotiating favourable allocations of scarce materials and equipment. I do not wish to weary the committee with a mass of figures, but I shall quote three items in order to indicate how fruitful and constructive this policy has been. For instance, let us take iron and steel.

This country imported 160,000 tons of iron and steel in 1948-49, 425,000 tons in 1949-50, and 685,000 tons in 1950-51. That is constructive talk, because steel has been one of the great basic shortages in Australia. Now let us take timber. In 1948-49 Australia imported 222,000,000 super feet; in 1949-50, 240,000,000 super feet; and in 1950-51, 375,000,000 super feet.

In the case of machinery, taking it in £s. f.o.b., the figure has risen over the same period from £41,000,000 to £86,000,000.

I refer to these matters because they are conclusive evidence that under the policy which we have consistently applied we have been able to produce first-class results in adding to the instruments of production in this country. Only the instruments of production, mechanical and human, will in the long run answer this problem for us.

Now I take the next item in our production programme, which is coal and steel production. We have subsidised the importation of coal in hundreds of thousands of tons. Orders for a further 1,000,000 tons of coal have been placed abroad, but there is difficulty in securing shipping at reasonable rates. Therefore, the Government is at this very moment taking steps, some of which are complete, to secure needed shipping by both charter and purchase for the bringing of this coal to Australia. We have subsidised coal production at Callide. I do not mean that we have made a direct subsidy to the Queensland Government, but we have entered into an obligation to subsidise the two principal purchasers of Callide coal—the States of Victoria and South Australia. We have under way, and are vigorously pursuing with all the resources we have, a large opencut development which, when completed in a few years, will have added about 5,000,000 tons of coal a year to our supply in Australia.

Coal Production Has Increased

Coal production actually increased by more than 1,000,000 tons in the financial year that has just ended. It ought to increase by another 1,000,000 tons in the financial year that has now begun. Ingot steel production in Australia in 1950-51 was 1,400,000 tons, which was 200,000 tons more than in the previous financial year. I am not going to labour these figures, but in all of these things there is proof that to the extent that production is the answer to inflation we have fruitfully concentrated our efforts on stimulating it.

Apart from basic materials, which might be described by economists as capital goods, we have deliberately as a counter-inflationary measure encouraged the increased procurement of goods. The Government is of the opinion that Australian industries, at a time of the greatest under-supply, are in no danger of fatal competition from goods imported from overseas. We must, if we are going to meet inflation, have a large flow of goods coming into this country. In 1949 the imports of merchandise f.o.b. amounted to £414,000,000; in 1949-50 to £536,000,000; and in 1950-51 to £742,000,000. On the present rate of flow of imports of merchandise into Australia the figure this financial year may actually exceed £900,000,000.

That is all I want to say of that particular aspect of this problem. Anti-inflation programme Item No. 1 is to stimulate production. Item No. 2 is to stimulate increased supply of goods. I have dealt with both of these, and I venture to say we have shown very practical results. The third item in an anti-inflationary programme is the limitation of excessive capital demands by governments, and that sentence raises the whole issue so violently discussed by the Premier of Victoria in recent weeks.

Facts About Public Works Expenditure

First of all, I shall give some figures in relation to public works' expenditure in the last complete financial year before the war. In 1938-39 the public works of the whole of Australia, including public housing construction, amounted to £57,000,000. In 1950-51 that figure has risen to £312,000,000. Honourable Members will see that when you multiply the demand for capital investment on works by between five and six times in that period of time and you have a population not so enormously greater, then the strain put on the economy is tremendous. If we add to that a rise in private capital investment over the same period from £109,000,000 to £405,000,000, then we see the consequences and none of us need to ignore them.

The consequences are an excessive demand for labour, plant and materials, bottle-necks and high competition for available resources. All of these things are acutely inflationary in their effect. We, in short, believe that Australian Governments—and I use the plural—are trying to do too many jobs at the same time. The result is delays, high costs and acute inflationary pressure.

At the last meeting of the Loan Council, my colleague the Treasurer and I dealt with this problem. The States had brought in a works programme. They had, so they informed us, vetted this programme with great care. But the programme amounted to over £300,000,000 and the whole of the loan market in the financial year just ended produced only one-half of that amount. In other words, the States presented a loan programme double the established capacity of the loan market at that time. They had already agreed at a former special Loan Council meeting that works ought not to be financed out of Treasury bills—that is to say, that you ought not to create new money out of the central bank in a time of inflation to carry out public works. We also agreed to that principle. There is no economist in the country who would deny the correctness of the principle.

The States accepted that proposition. They said in effect: "All right then, we must not have recourse to the Central Bank to create new money to add to the flow of purchasing power at a time like this." We all agreed at the same time that the loan market would not yield anything like £300,000,000. The Commonwealth said—and I still say that it was the proper thing for us to say—that in order to ease the reduction that was obviously coming in the States' works' programmes we would finance our own works out of revenue and we would leave the loan market to the States. It is very curious to remember, in the light of these facts that I am reciting, that the Premier of Victoria (whether speaking his own mind or somebody else's I do not know) is now denouncing us for injustice and harshness towards Victoria. All I can say is that we agreed to finance the whole of the Commonwealth works' programme from revenue and that the States could have the whole of the loan market to themselves for whatever it might produce.

What the Loan Council Decided

Faced with those facts, the Loan Council, by a majority of four States to two, approved of the reduction of the States' programmes to £225,000,000—a reduction in their programmes of £75,000,000, a reduction of an unprecedented order. That was agreed to by a majority of the States, one of the majority being the State of Victoria. So the programme was cut to £225,000,000, an amount which nobody believed the market would yield.

Nobody believes it now. No one can see any reason why, in the present economic circumstances, we should expect to get from the market £225,000,000 instead of the £150,000,000 we got last year.

To prevent confusion and chaos, the Commonwealth agreed to guarantee the amount of £225,000,000. To those who study the history of Commonwealth and State financial relations that decision represents an important landmark. This is the first time that the Commonwealth has, in effect, guaranteed the loan works programme of the States. The guarantee means that, to the extent that loan raisings fall short — whether by £75,000,000 or £100,000,000 — the Commonwealth will find the money and, let me add, will find it by non-inflationary means.

It will find the money, not by discounting Treasury bills with the Commonwealth Bank, but by subtracting money which would otherwise be available for spending

—that is, by taxation. No one was more eloquent in expressing his appreciation of what was being done than was the Premier of Victoria.

I do not quite know on what flank we are being attacked. One section of the press declares that we should have clamped down still harder, that we should have said: "Not a bean do you get beyond what the loan market provides." If that had been done the Premier of Victoria would not have been standing alone. There would have been a chorus of protests from one end of Australia to the other, and public works programmes would have folded up all over the place. We did the reasonable thing. We said, in effect, that we would not underwrite what we regarded as extragavant programmes that were beyond practical realisation. On the other hand, we would not cut the States down suddenly to what the market would yield. In order to give an illustration of how fantastic some of the statements on this matter have been, I point out that in Victoria the Government is trying to spend on public works in one year an amount equal to half the figure at which the public debt of that State stood in 1954, ninety-four years after the inauguration of the State. Honourable members can see how reckless has been the approach of some people to this question.

Meeting With the States Next Year

Having explained the nature of our underwriting obligation, I now say — and I wish this to be noted in certain quarters — that it is not to be assumed that the Commonwealth will necessarily repeat its underwriting. We propose to call the States together in the New Year to discuss their works' programmes. We are not prepared to encourage States to enter into capital commitments indefinitely—as some might like to do—in excess of the amount of money which the public will entrust to them by loan. We are not prepared to accept as a practice the burden and obloquy of imposing extra taxation in order to provide funds for

State works' programmes in excess of the savings of the people. It is in the light of these warnings that we propose to meet the representatives of the States early next year and to say to them that the kind of thing which was inevitable this year should be avoided in the future.

The next point is the limitation of excessive consumer demand for non-essentials—a demand which attracts too many resources to non-essential production. To this end the Government has taken certain steps which I could not have believed would be seriously challenged by Honourable Members opposite, because in their own day everyone of them has enjoyed at least the vocal support of those Honourable Members. The steps actually taken to date are—

1.—Limitation of inflationary demand by special account procedures under the Banking Act.

2.—General tightening of bank advances policy to produce selectivity in credit policy.

3.—Reintroduction of capital issues control to give priority in the capital market to those concerns which deal with basic production, development and defence.

The tightening up effect of these measures has been very considerable. Many honourable members are well aware of this, and of the influence which the measures have had in discounting demand. Because the procedures are selective, they reduce demand—or we expect that they will reduce demand—in the right places. There may be some errors of judgment here or there, but we expect the effect to be such as I have stated.

National Security Resources Board

The last item is the diversion of resources of manpower and materials to enterprises of productive and defence importance. Apart from what I have said on government and private capital investment programmes, we have created three principal instruments. The first is a National Security Resources Board, about which

I should like to say a few words. It is a widely representative body which includes leaders of heavy industry, as well as the President of the Australian Council of Trade Unions. It also includes civil servants, some of them with administrative training, and others with economic training. The Board has done a great deal of work, and has submitted valuable reports and recommendations to the Government. It has examined the whole subject of capital issues control, and has tendered certain advice. It has also reported on the migration programme and, as the Minister for Immigration (Mr. Holt) will agree, a most valuable analysis was made in conjunction with another committee which has been dealing with the problem. The Board has also reported on the creation of Commonwealth-State consultative machinery, on the rendering of assistance to basic industries such as coal and steel on the Defence Forces' equipment programme, and on the marshalling of our resources for defence preparations generally. On all these matters the Government has been put into possession of most useful views.

Do not let us be schoolboys in considering this matter. I suggest that the Honourable Member for East Sydney (Mr. Ward) in particular should not be too hasty in alleging that the Government is endeavouring to introduce industrial conscription. Industrial conscription was not provided for in the Defence Preparations Act, and this Government is not talking about introducing industrial conscription. It is talking about diverting resources from the non-essential industries to the essential industries. If Honourable Members are not in favour of the plan, let them tell the people that they are in favour of inflation going on and on indefinitely.

I have already referred to the second instrument—the Defence Preparations Act. The third instrument is the Commonwealth-States Joint Consultative Committees which are meeting by concurrence of the seven Governments of Australia. There is a committee on power, a committee on transport, a committee on materials, and a committee on agriculture already functioning It is anticipated that they will make reports containing lists of priorities which will go far to enable resources to be properly directed and concentrated. If basic materials can be concentrated for basic jobs, people will work with those materials on those jobs instead of wasting them in jobs that do not matter. That is the whole principle of a diversionary process.

Some Facts About the Surplus

I shall now turn to one or two special arguments that have been used in this debate. It has been stated that the surplus of £114m. disclosed in this Budget is not a true surplus because it will be spent on State Works. Again, one hardly knows from what angle to anticipate the attack. One gathers from the Right Honourable gentleman who addressed this House last night that he thought the surplus would be much bigger —more than the figure stated—but the critic to whom I now refer has said that there will not be a surplus. The argument has been put forward not by people who believe in having a deficit, but by people who think they believe there ought to be a surplus in the Budget at a time like this for sound economic reasons.

I have shown that reductions of controllable expenditure have gone as far as they can under the present circumstances. Therefore, the surplus could be made a nett surplus of £114m. with no charge against it for State works only by one of two means. The Government could pay no Works money to the States beyond what the market will provide. Or it could increase taxes still further to make the surplus not £114m. but £214m., so that it might then pay £100m. to the States and have a nett surplus of £114m.

Taking the second idea first—a further increase in taxation—the Government did not believe that it could reasonably ask the people to accept such a burden. As to the first idea of reducing the amount to be paid to the States and repudiating our obligations to them under the Loan Council Agreement, the Government will not repudiate its arrangements. Nor does it believe that it could reasonably ask the States to accept such a burden so suddenly in this financial year.

Having regard to the amount of their commitments for firm orders for plant which has been ordered overseas, there is no doubt that to reduce the State programmes at once to £125m. or £150m. would have wrecked their plans and practically brought their Works' programmes in terms of labour to a standstill.

Budget Is "Realistic and Moderate"

In this respect, as in every other respect, this Budget is both realistic and moderate. It has been said by the Leader of the Opposition, who is much more apt to produce a phrase than an idea, that this Budget is a sort of "blue print for depression." That statement is dangerous nonsense. The Opposition really ought to make up its mind, if it has a mind to make up, on any problem that involves the economic state of the country. Its modern opposition to the Premiers' Plan I have noticed with great interest. I have thought it courteous to forget that there would have been no Premiers' Plan without the consent of a majority of Labour Premiers and a Labour Prime Minister. It is now the modern idiom of the Honourable Gentlemen opposite to say that the Premiers' Plan was wrong and that in a depression the Government ought to budget for a deficit, that it ought to use Central Bank Credit for works, that it ought to extend its works programme to the limit of practicability. There is great force in that view, but one cannot have two inconsistent views at one and the same time. If the Honourable Gentlemen opposite believe that in a depression the Government should budget for a deficit and use Central Bank Credit—that is to say, create new money and expand the Public Works programmes to the limit of its physical capacity—then will they tell the people that they regard the same medicine as appropriate for an inflationary boom?

Let us compare the circumstances of 1930 and 1951 while the Honourable Gentlemen opposite are chewing over their ultimate answer to that grim question, in order that once and for all it may be quite plain that this talk about a "blueprint for depression" is wicked and dangerous nonsense.

There was large unemployment in this country in 1930, while to-day there are far more jobs than men. In terms of employment, the positions are at the poles.

In 1930 Australia had international reserves (London funds in particular) of £58m. It now has international reserves of £843m.

Our export income in 1930 (I am leaving out gold because it is not material for the purposes of this comparison) was £90.5m. In 1951 our export income was £983.9m.

In 1930 the sum total of the personal income of Australians was £557m. In 1951 it was £2,916m.

The money in the hands of the public (I speak of Notes and Bank deposits) in 1930 was £567m. In 1951 it was £2,447m.

Mischievous Nonsense About "Depression"

I have only to refer to those figures, and I invite every Honourable Member to look at them when they are recorded in Hansard, to show that the only people who have talked mischievous nonsense about a depression in 1951 are those who want to see one come about.

The last matter I want to say something about—I have saved the best for the last—is the speech that fell from the Leader of the Opposition last night. I think it was Lord Randolph Churchill who once said that it was the first duty of the Opposition to oppose, and as a former Opposition Leader myself I am not unfamiliar with that duty and its performance. But I am bound to say that the present Leader of the Opposition must be regarded as the greatest "opposer" of all time. Let me prove that statement before I sit down.

In the first place, I gather—though I may be wrong—that he was opposed to Sir Douglas Copland. That may be doing the Right Honourable Gentleman an injustice. Anyhow, I may say with perfect courtesy that the Leader of the Opposition, in relation to his debate on this matter, shunned the company of Sir Douglas Copland, who is a very distinguished Australian and a distinguished man from many points of view. He was, in point of fact, Prices' Commissioner under my own Government in 1939. He was, may I recall to Honourable Members opposite, Economic Adviser as well as Prices' Commissioner to the late Mr. Curtin and the late Mr. Chifley, and I venture to say that he enjoyed the confidence of both of them.

Dr. Evatt's "Fascinating Logic"

The Leader of the Opposition, with the fascinating logic that has puzzled me for many years, says in what logicians would call a curious syllogism: "I do not like Professor Copland. Professor Copland supports this Budget. Professor Copland, because I do not like him, must be wrong. Therefore the Budget is wrong." That is a pretty fair summary of half of the rambling and meandering obscurities we have listened to from the Right Honourable Gentleman.

In the second place the Leader of the Opposition is opposed to a reduction of Commonwealth administrative expenditure. He has made that abundantly clear. In other words, he agrees that we cannot balance the Budget by reducing expenditure. I do not do him an injustice when I say that I thought that that was clearly what he meant to convey. Indeed, on the contrary, he thought that administrative expenditure should be increased—because, he said, there should be bigger subsidies, bigger social services, and more civil servants. On those three items he is all for an expansion of expenditure under the Budget. But although he is opposed to any reduction of expenditure (and in favour of an increase), he is also opposed to any increase of taxation. Indeed, he thinks that taxes should be reduced. So he cannot balance the

Budget by reducing expenditure and he is unwilling to balance it by increasing revenue. How then does he propose to balance the Budget? It is elementary when one looks at these figures that the Right Honourable Gentleman favours a budget deficit. And the only way we can finance a budget deficit to-day is by raising the wind, through the Central Bank, by the issue of Treasury Bills. He favours increasing the supply of money as a cure for inflation!

In the next place he opposes the reduction of the State Works programmes—unless, of course, he is quarrelling with Mr. McGirr and Mr. Cain. If he is to be at all logical in his approach to this matter, he favours the financing of a deficit by the Commonwealth Bank by means of Treasury Bills. This gentleman who talks about inflation makes it abundantly clear that, in respect of revenue and loan deficits, he is all for going to the Commonwealth Bank and raising the wind by the issue of Treasury Bills.

Finally, I gather that the Leader of the Opposition is opposed to the recent rise in the bond interest rate. I trust that I am not distorting what he has said on that subject. I take his silence to signify his consent to the accuracy of my statement. I gather his reference to the recent rise in the bond interest rate to mean that he expects either to use Central Bank Credits on a grand scale to support the bond market and force down the interest rate, or that he would like the loan to fail, because if it failed we could then put the whole responsibility on to the Central Bank with the greatest of ease.

Every argument used by the Leader of the Opposition was an argument against anti-inflationary measures and an argument for inflation. The one thing to which the Leader of the Opposition and, presumably, his Party, are not opposed is inflation. They are not opposed to inflation because the Right Honourable gentleman himself recognises inflation as the substance of his political stock-in-trade.

The more our people get to know this Budget and see its effects, the more will they reject the Opposition and the more will they rally in firm support of the action taken by the Government.

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