

SPEECH IN THE HOUSE OF REPRESENTATIVES BY  
THE PRIME MINISTER, THE RT. HON. R.G. MENZIES  
ON NO-CONFIDENCE MOTION, 10TH MARCH, 1960

MR. MENZIES: I am indebted to the House for allowing me to speak for a period of 30 minutes. It really is not long enough.

MR. CURTIN: It is too long.

MR. MENZIES: No, it is not. I felt that a period of 30 minutes was not long enough for the Leader of the Opposition (Mr. Calwell) and I myself would have liked a little more time. I want to say first, Mr. Speaker, that the Government, oddly enough, will vote against what is in effect the no confidence motion. That, ofcourse, will surprise honourable members opposite!

Secondly I wish to say something, quite briefly and I suppose not comprehensively about the points that were taken by the new Leader of the Opposition in his attack on the Government. I should like to chide him a little gently, if I may, about one or two statements he made in the course of his speech. He said, for example, that there was not one word in any Government statement about the impact of inflation on ordinary people - wage earners or those on fixed incomes. Having said that, the honourable gentleman went on to pay me an ill deserved compliment of a theoretical kind about the speech I delivered to the Institute of Management conference in Melbourne to which, as I did not realise, he had listened, learning from it but not, I regret to say, acquiring wisdom from it. If he had listened to that speech as closely as I should have hoped he would, he would have known that we have made a feature of this matter because in that very statement of mine in the Melbourne Town Hall I said, if I may quote my own words - I know it is an ill business -

'But the fact is that one of the great obstacles to counter inflationary action is that there are many people who think a bit of inflation is a very good thing. Such a view pays little heed to the position of those on fixed incomes and no heed whatever to the continuing and growing need to finance by public borrowings at fixed rates of interest a great programme of public works the completion of which is absolutely vital to transport and water and power and housing and schools and universities, to the expansion of industry and commerce, and the maintenance of employment.'

Then, Sir, the honourable gentleman, when making his maiden speech as Leader of the Opposition which we all appreciated, said- 'We believe that the country is prosperous'.

Indeed it is. It is prosperous for the overwhelming majority of the people of Australia. If one had time one could demonstrate that by showing how the ordinary standard of living has risen. But I was glad to hear the honourable member admit that the country was prosperous - a rather unpleasant admission for an Opposition Leader to have to make. But he made it like a man. However, it was a notable reversal of form for one who has been busy prophesying disaster and mass unemployment for the last ten years and urging people not to save. Even he must know that saving is one of the prime means of defeating inflation. He has been saying, "Do not save your money; spend it. There is disaster coming and there will be mass unemployment."

One of the many things I like about my distinguished friend is that he is devoted to prophecy but over a period of ten years his prophecies have never turned out to be right. So this time he got away from prophecy and undertook to analyse the present state of affairs in which there is a distinct upward rise of costs and prices. He said that this was a profit - not prophet - inflation. In order to establish that there was a

profit inflation he quoted another authority as saying that the total profits of Australian companies other than mining companies last year was £130,000,000. Because of that £130,000,000 in the total national income of Australia he said that all these things were explained.

The honourable member spoke about wages, too. Has he realised that under the last two decisions of the Commonwealth Conciliation and Arbitration Commission - I do not discuss them - the annual addition to the wages bill has been £165,000,000. That is an addition over and above what has existed before. Even that annual addition exceeds the total company profit by £35,000,000. That may give a lot of intelligent and thoughtful people something to think about. My honourable friend seems to think that that portion of company profit which he regards as being excessive - I do not know whether it is 10 per cent., 20 per cent., or 30 per cent - has brought about the present inflation while all the other obvious factors in the situation have not affected it at all. That is a very remarkable state of affairs.

I shall accept the honourable member's view purely for the sake of argument even though, between ourselves, I think it is nonsense. Let us suppose for the sake of argument that there is a profit inflation and that profits are being made by companies every one of which employs thousands of good Australian people. What does the honourable gentleman propose to do about it? Our supposition lends itself to a supplementary question, and it is this: Does the honourable member regard inflation as a theoretical or future problem or an immediate problem? As I suppose he would agree that it is an immediate problem, I ask: What does the honourable member who, thank heaven, has made this the issue propose to do about it? First of all - indeed, I thought at one stage it was last of all - he proposes an amendment of the Constitution and then to decide how to use any new powers that the people may vote for. Sir, I have had a long experience of attempts to amend the Constitution. I would not dream of speaking of them in that confident way, particularly if I were saying to the people, "You give me charge and I will settle inflation. I will change the Constitution."

Mr. Bryant: Put value back into the £1.

MR. MENZIES: Dear me! If you would put a bit more value into the £1. that you get the £1. would be worth more. That is all I have to say to you.

Mr. Bryant: That is a pretty bright remark.

MR. MENZIES: It is. Brighter than any remark I have ever heard you make in this House. But I am not to be led off by these matters. The time ticks on.

The Leader of the Opposition is going to amend the Constitution. Really! The honourable member has enough experience of politics to know that you do not just say today: "We will amend the Constitution", and get it amended tomorrow. I can remember sweating my way around this country many years ago - 23 years ago - asking the people of Australia to vote to give power over civil aviation to the Commonwealth of Australia. They voted, "No". Therefore, if the honourable gentleman is saying to people who are properly pressed by the weight of inflation, "You leave it to me. I will alter the Constitution", they may have a somewhat sceptical mind about it. But that is his first step: He will amend the Constitution! As a solution for an immediate problem of inflation I have never heard anything more futile.

In the second place, the honourable gentleman does not say on behalf of his party that he would not intervene before

the Arbitration Commission, because it has been made clear for years by his predecessor and himself that it would. To do what? To support further immediate wage increases so as to increase the volume of demand and, if I may add it, turnover, and, if I may add it, profit. That is the one short run remedy that he presents. The long run one - quite theoretical at this stage is to amend the Constitution. That takes an awful lot of doing. I am not saying that it might not be done in due course, but it takes an awful lot of doing and involves a lot of time. In the meantime, the short run proposal is to increase the volume of money in circulation in order to restrain inflation!

Mr. Courtenay: You should get Sir Frank Richardson.

MR. MENZIES: Did you refuse your increase? Stand up and be counted! Did you refuse your increase? Of course not! There is nothing I despise more than a fellow who wants to cash in on a popular clamour, but takes the money while the money is going. So we need not pay any attention to you.

The third proposal of the Opposition is to increase government expenditure both in respect of private citizens and of State governments. We are not paying the State governments enough! Last year when a new arrangement had been made with the State governments and a bill was brought in to give effect to it, every member of the Opposition voted for it. But there is a by-election coming and so they say now, "Oh, this is wicked. The State governments are not getting enough." So, as a counter to inflation, the Opposition proposes that more money should be provided for the State governments and for private citizens!

Of course, all that means, once again, is that Opposition members - and I should like to have heard their views on this matter - either accept deficit finance in the middle of inflation, when clearly there could be nothing more damaging, or they propose, without saying so, to raise taxes in order to avoid a deficit. It would be very interesting to know whether the Leader of the Opposition was proposing the outlines of a counter-inflationary budget in which he would substantially increase expenditure and jack up revenue by further taxes on the citizen. Well, he has not told us. But the alternative to all this greatly increased expenditure - as a counter-inflationary measure, mark you! - the alternative to increasing taxes to raise the wind is to lean heavily on central bank credit; to make what the Opposition would call a more vigorous use of central bank credit, thereby increasing the supply of money, but not, of course, the supply of goods and services.

Sir, for a Labour Opposition much enriched by the presence of a new Leader, and a new deputy leader whom I compliment on his appointment to be seriously making an issue of inflation, and at the same time producing a body of ideas which would only pour petrol on the fire of inflation, is one of the most pathetic things in political history.

So far, I have stated what I believe to be the Opposition's counter-inflationary policy - if it is to be called one - in positive terms. But there are negative terms which we all ought to remember. The first of them is that there is to be no borrowing of capital from overseas. I hope that will not be denied.

Mr. Pollard: It was never said.

MR. MENZIES: No, Reggie - I am sorry, Mr. Speaker - I should refer to the honourable member for Lalor.

MR. Pollard: It was not said by the Leader of the Opposition.

MR. MENZIES: I am very interested to hear you say that because I made a few notes on what the honourable member for Melbourne, the Leader of the Opposition whom you loyally serve today, said in 1955 in this very House. He said -

As a party-

I suppose that means, "As a party" -

we do not believe in overseas borrowing. We have a very strong objection to borrowing at all from overseas.

Mr. Pollard: Hear, hear!

MR. MENZIES: My old friend, the honourable member for Lalor, can make the best that he can of that. That is the view unless it has been changed in the last fortnight. Labour would not borrow from overseas! That might be a little awkward because this country is chronically short of capital in its present amazing state of development. We cannot, at present, generate all the capital we require for public works, for the needs of private enterprise, and for the employment of all our people.

So, the first thing that the Opposition says - unless the policy is now to be cancelled - is "We do not believe in overseas borrowing. We are entirely opposed to it." All right! That means that that avenue is closed. Do honourable members opposite believe that we can get sufficient capital for development, capital for employment, capital to reduce the excessive demands inside Australia which so easily produce inflation, unless we enrich ourselves by an inflow of capital from other countries? What is their view on that? So far as I have been able to understand - the Leader of the Opposition said nothing about it, but I heard his predecessor speak about it a great deal - the Opposition is severely critical of foreign investment in Australia. Foreign investors are bad people. They squeeze out Australians. They have regard only to their own interest. They make profits. Is this the policy of the Labour Party? If so, it is a policy that ought to be expressed quite plainly in Dandenong, in Geelong, and in Broadmeadows, to refer only to my own State. Suppose Labour did succeed in deterring foreign investment, would it have made a contribution to defeating inflation or would it have poured petrol on the fire of inflation? These things are worth remembering. I wonder whether honourable gentlemen opposite, when they find themselves addressing people who, by the thousands, are employed in Australia as a result of developmental industrial capital, will say to them, "You ought not to be employed by these peoples; you ought to be out of a job. It is much better that you should be out of a job than that we should allow money from overseas to come into Australia."

Time marches on, and I pass to the next point I want to make. My honourable friend, talking about the increased costs produced by recent events, has said that the Government is not asking business interests to absorb some of these costs, but if big business is so prosperous, it should be able to debit some of the wage increases against its profits. I was sorry when I heard the honourable member say that, because he had done me the great honour of going to the Melbourne Town Hall to hear me make a long and considered statement on these very matters. I merely recall to his mind what I said. I shall quote it to honourable members:

'The employer who simply passes on wage increases into higher prices is contributing to the inflationary spiral, rendering inevitable the next wage increase, and cost increase, and price increase. Vast numbers of ordinary citizens will suffer in the process, the export industries will be penalised,

and the national finances will be disorganized. The task of the employer, who is for this purpose the manager, is therefore to meet each upward movement of labour costs first, by absorbing it as far as possible, not regarding the current rate of profit as sacrosanct, and second (or should it be first) so improving the efficiency of his operations as to reduce, or at least stabilise, his unit cost of production.

I quote those words in order to demonstrate that this has been by no means overlooked.

As I am now left with eight and a half minutes I think I should perhaps say something about our own policy in case it becomes overlooked. I will pass over all the proposals that have been made by Labour leaders or by a Labour leader over the last seven or eight years. In every political campaign and in every policy speech we have heard of more millions, more hundreds of millions and more promises, all adding to purchasing power, and not one of them having any relation to production. I pass over that. As counter-inflationary measures they were, of course, quite pathetic. But, Sir, we the Government have done something that the Opposition has not done. We have had a good deal of experience about this matter. In 1951 in the Budget of that year, when the wool boom following on the Korean war had led to the most tremendous inflationary pressure, we introduced a Budget which was violently assailed by the Opposition. This Budget was designed to draw down the total purchasing power so that the demand in the country would not outstrip the supply. Honourable members opposite had a wonderful time. They took us to pieces and they had great supporters. The gallup poll showed us right down at carpet level. But in the 1954 election we won, and we won in 1954 because the action we had taken against inflation had produced results. We may have won because the honourable gentleman who is interjecting was one of the candidates. Of course, we won in 1954 because the people saw that stability was being achieved by this Government. The people are not such fools as members of the Opposition appear to them.

I shall therefore rehearse quite briefly what action we are taking. We have had to deal with booms by budgeting for a surplus and have been hated in the process. We have had to deal with minor recessions by budgeting for a deficit and whatever we have done on these matters has been wrong, but in the net result as the Leader of the Opposition himself admits, this country is in a state of prosperity that it has never been in before. Our inflationary measures - I mention them very briefly devoting about 45 seconds to each - are these: We are going to avoid deficit finance because deficit finance adds to the supply of money ahead of the supply of goods or services. Deficit finance is proper in a period of recession. Budgeting for a surplus, as in 1951, is a proper counter-inflation action. Does the honourable Leader of the Opposition agree with not budgeting for a deficit? He has not said so. He does not believe it. Being an honest man he could not honestly say so because the promises that will pour out from the Opposition in the next few weeks would make a balanced budget impossible. Therefore we are for avoiding deficit finance. The Opposition is for having it.

In the second place we support a central bank policy of restraining the growth of excessive liquidity at a time of inflation. The Leader of the Opposition said on behalf of his party - though I should doubt that he said it on behalf of himself - that that is not right. His motto is more and more and more liquidity and more and more central bank credit. That is crazy and I say that on behalf of the ordinary people of this country who suffer from inflation.

In the third place we have said plainly that we are going to do what we can to resist, not paying increases as such,

but to resist increases in the pay cheque of the country which are not matched by increased productivity. This is the whole basis of truth in this matter. If you pay more than there is production then you have, of course, inflation and rising prices. If you pay less than you have production, then you have a period of depression and recession. The honourable gentleman says, "Forget about productivity." Indeed, he did not say a word about it - not a word. Nor did his great predecessor over nine or ten years say a word about productivity. He said, "Support the increases whatever the result may be."

Finally we say let us move as quickly as possible towards the removal of import licensing and thus towards an increase in the total supply of goods. Whatever nonsense may be talked about profit inflation, the truth is that by and large, over a period - a month, a year or five years - inflation represents an over-supply of money as compared with the supply of goods and services. Therefore, Sir, we have stepped towards the removal of import licensing. Before I finish, having said that the Labour Party is opposed to this, let me remind those of the other side who have some memory that when, in 1952, we introduced the modern edition of import licensing - quite severely - we were assailed from the Opposition for doing so. Dr. Evatt, who was then Leader of the Opposition and who is now happily placed in another jurisdiction, said, "We look forward to the time when this system can be removed and when there will be substituted for it a proper system of tariff duties so that the trade of the country may run free". But, today, the Opposition is scratching about for a new look. However, it is very hard to develop a new look in three or four days. So it has now discovered that the removal of import licensing is a wicked thing, although it thought, only a few years ago, that the imposition of this kind of licensing was a piece of villainy.

I sum up, Sir, by saying that the Australian Labour Party, having decided, as it has done, to make inflation the issue, has absolutely no remedies to offer, except, first, an attempt, some day, somewhere, in respect of some matter, to induce the people to alter the Australian Constitution, and, secondly, further taxes - I think they were vaguely hinted at - on the profits of companies.

Mr. Speaker: Order! The Rt. Hon. gentleman's time has expired.

MR. MENZIES: Thank you, Sir. That was exactly where I wanted to end.