

LIBERAL PARTY RALLY, LAUNCESTON5th July, 1961Speech by the Prime Minister, the Rt. Hon. R.G. Menzies

Sir, Senators, members, prospective members, ladies and gentlemen:

I want to tell you that I really feel that I am here under false pretences. Among the insinuating qualities that the Chairman has is one of leading you on. When I opened my sheet of paper - you know we always get a sheet of paper when we are travelling - I thought that we were going to stand around, and that I was to speak for 10 minutes. However I will probably have to talk a little longer.

I think perhaps I ought to begin by saying that I have a very soft spot in me for anybody who will undertake to win Wilmot. I have never understood why we lost Wilmot; I've never understood why we haven't won Wilmot back; and now that I see two candidates, and have heard them, jointly and severally engaged in the good work, I begin to have hope that good judgment will come back to Wilmot this year. Because, really, Wilmot ought to be represented by somebody of consequence. (Applause)

As for Bass, well I take my hat off to Brownie Marriott. (Applause) You see this is a perfect example of example being better than precept. Here he is, an eminently respectable member of the Tasmanian Parliament, likely, under the deep mysteries of the Hare-Clark voting system (Laughter) to remain a member of the Tasmanian Parliament forever, or so long as life lasts: and he turns his back on this rather verdant prospect and says, "I'll have a crack at Bass". And good luck to him. (Applause)

But if there is one thing that stings me a little it is that it isn't so long ago that we held four of these seats out of five. We have, at one time or another, in my period at Canberra, held each of the five. Today we hold two. This is not good enough. Do you know this really makes Tasmania a rather backward State, the one State - I say this to you quite frankly - in which the decline of our political fortunes in the Federal field has been so remarkable.

Now whose fault is that? You can't say it's my fault entirely because I'm the Prime Minister of all the States and it hasn't happened in other places: it hasn't happened in Queensland; it hasn't happened in Victoria; it hasn't happened in Western Australia. It has happened here. Perhaps the reason for it is that in a smaller community we know each other so well that we are more conscious of each other's faults, than we are of the virtues of the other man: "Oh, so-and-so, I know him well; I was at school with him. Oh, he's just an ordinary fellow, yes". And having disposed of your own man on that basis you then vote for somebody who is practically a half-wit! (Laughter, applause)

And it won't do; it won't do. If there is one thing I want to say tonight it is to seek to recall this State, this favourite State of mine, as you know, in a personal way, to recall this State to a sense of its own pride and responsibility. It is your simple duty to give back, in the Federal Parliament, Braddon, Wilmot, Bass, to the Government. And it can be done if everybody in this Hall tonight - and there are not so many of us - said "This is my great objective for 1961". It could be done. There is nothing that can't be done by enthusiastic supporters; there is nothing that can't be undone by feeble friends, the kind of friends who say "Oh, yes, but...". "Yes, but" won't put these

boys, or either of them, into Parliament; "Yes, but" won't put Brownie Marriott in as member for Bass. Of course not.

You can't have this qualified support. This I believe is an occasion, for reasons that Denham Henty has mentioned, when nothing but the warmest support will do, because if we can't win our full quota of seats in the Senate - and we won't do that unless we win in the Lower House - then, although after the Election we will still be in Office, I don't doubt it for a moment, we will have the serious risks of having a Senate of which we don't have command. What happens then? We are entering a period of great economic troubles; even more so we are entering a period of immense international problems and complications, so immense that I hardly care to think about them except in private. Fancy having a Government at Canberra, the Government of the nation, the only Government that represents Australia in the Councils of the world, rendered frustrated and futile by a hostile Senate. I had this once, you know, when you were first good enough to send me back into Office at the end of 1949 - we had a big hostile majority in the Senate. And right through 1950, and the first half of 1951, we were in trouble constantly. We couldn't get a Bill through the Senate; we were always liable to have any of our measures just pushed aside, made to look foolish; we were being rendered, in the public mind, futile - not because we were futile, but because we didn't have a majority in the Senate. Therefore I began that now classical series of movements which brought about the double dissolution of 1951, a double dissolution which the learned gentlemen of the Opposition, including your famous ex-Tasmanian Senator said could not be done. But it was done. And we got a double dissolution. And we came back with a majority in both houses.

So that our real period, you know, of authoritative Government didn't begin at the end of '49; it began, because of these reasons, in the middle of '51. That is why it is, in reality, 10 years old, although by the end of this year the Government itself will be 12 years old. But in terms of effective administrative authority and legislative command, and an authoritative voice in the rest of the world, 10 years. But it might have been 11½.

Now I beg of you, don't let that happen again. You know the business of the Government of a nation is tremendously important. You have to devote your days and nights to it, you have to concentrate all the intelligence that can be marshalled in order to deal with the problems of a nation in this complex, modern world. A lot of your friends may think you are right; even more may think you are wrong. But the fact is that you cannot do the job as it ought to be done if you are devoting your attention to side issues, to the mechanics of staying in office, to the mechanics of conducting a manoeuvre so that the Senate won't be able to frustrate you. Look, if you don't mind me saying so, I speak with expert knowledge on this matter. I have had more experience of this kind of thing than any other living political leader. I can remember when I was first Prime Minister, which will be beyond the memory of some of you, in 1939, trying to conduct a Government which was a minority Government because the Country Party wouldn't play, and sat on the cross-benches. Whenever I went back to the Lodge on Friday evening when the House was up, my wife would say "Well how are things going?" And I would say, "My dear, we are safe until Tuesday". (Laughter)

Looking back on it, it seems funny doesn't it? But living through it it didn't seem funny because it meant that 40% of your time was being devoted to political exercises which no Government in a time of great national importance ought to be required to engage in. There is no more complete way in which

you can avoid these unhappy results than by taking this wonderful opportunity that now presents itself in Tasmania, or that will, at the end of the year, to win back these three seats, all of which ought to be ours, and to give us a majority in the Senate which I believe we will need in this State if we are to have one in the Senate as a whole.

Now having said that to you I just want to mention, quite briefly, two or three other aspects of the affairs that we have been dealing with. Mr. Thomas said, very rightly, that he hoped that in this time, the period of economic difficulties, the position of the primary industries would not be overlooked. Now, of course, as he knows, we have been extraordinarily conscious of this problem. I said something about it last night in speaking at Burnie. What can be done for the primary industries in terms of taxation measures, and so on, has long since been done by us, far more than for any other aspect of industry. But we believe that hard as inflation is upon all people with fixed incomes, it bears most cruelly on rural industry. They can't pass their costs onto somebody else, unless they are very lucky and live in a little closed market. The wool industry has been referred to. This is the great industry of Australia, the industry of all industries upon which our international solvency depends; which enables us to buy from the rest of the world all the things that we need. I wonder if I might put it to you in this way. If the wool industry in Australia were blotted out tomorrow and we no longer had an income from wool, hardly a manufacturer in Australia would fail to receive a violent blow. Because, of all the imports that come into Australia, 60, 70%, maybe more, are imports on behalf of manufacturers - raw materials, plant, all these things. And yet of all the export income that we earn with which to pay for our imports, a high percentage, perhaps 40%, sometimes 50% is earned by the wool industry of Australia. So all you have to do is to abolish our wool income and you can write an end to our present high and happy state of living, our high and happy state of national development.

These are important facts to have in mind. We must never lose sight of them. We don't want to see the wool industry subsidised: this would be the crowning folly, wouldn't it, of national economic history, to subsidise the wool industry? Who subsidises whom? It will be a problem, won't it, in due course. We don't want to be subsidising other primary industries which produce, primarily, for export to the rest of the world. But if we are not going to, then we must take great pains to see that their costs are not added to by a high and rising inflationary pressure.

The greatest sufferers in an inflationary boom in Australia are the men who produce from the soil for export. Now I say that as a member for a metropolitan seat. I haven't the faintest doubt that this is the truth. But of course the moment you begin to attack inflation then the fun begins. How do you attack inflation? Nobody denies that in 1960, last year, we had an inflationary boom. I occasionally indulge myself in the luxury of reading "Our Economist", or something, in a newspaper, or "Our Financial Editor", in a newspaper, or "Our Commentator" in a newspaper. I read them all for they are most readable, most readable. They usually disagree with each other by and large; but anyhow there is no harm done by reading them. Not one of them denies that in 1960, this last calendar year, we were confronting an inflationary boom, shortages of labour. People are always willing to tell me that there are a hundred thousand people registered for employment, or whatever it may be; and of course I don't want that to happen. But they don't tell me that last year the position was exactly the opposite, that to get labour you had to bid up, and pay extra rates over the awards, you had

to buy people's services by heavy overtime. Quite rightly, when people are scarce in comparison with jobs they demand their price. That is good private enterprise principles. But it doesn't reduce the costs of production in industry; it doesn't reduce the costs of the man on the land. When he finds that it costs him another 2d, 3d, 4d, 5d. to produce a pound of wool he can't say to himself "Mark it up to the public" to the same extent, because he can't. He sells his wool by auction; he gets what the world will give him. And I want to make it quite clear to you that we live in a world in which our greatest national products on the world market receive the world's price. They may be wool, they may be meat, they may be base metals - increasingly important in Australia, including the non-ferrous metals - but they realise what the world will give for them. If you lift their cost of production at home by having a merry inflationary holiday, then you will end by destroying them.

Now I am an old political sweat and quite frankly I have got to a stage of life when I am not going to cry myself to sleep if somebody kicks me out. I've been here a long time. But I would resign from my job if I didn't think I had enough guts in me to stand up to an inflationary problem and do what I thought was the right thing to do about it. (Applause)

Now there is something rather comfortable about inflation. It's profitable from the point of view of some people. I understand that: more people, rising price level, more turnover - these things have their great attraction. But they have no attraction whatever for people whose incomes are relatively fixed, no attraction whatever for people who are living on superannuation, or pension benefits, no attraction whatever for people who have provided for themselves by investments on fixed rates of interest, as so many people have, no attraction whatever for the holders of over £1,000m. worth of Savings Bank deposits in Australia. They don't want inflation. And in order to deal with inflation you must hit it quite violently on the head, you mustn't be too polite about it, you must bring it to a halt. I notice that everybody now concedes that we have, that the boom has passed over, that land speculation has fallen back to a very remarkable degree. I don't find many people who deny that. But we still have people who will say to me, and no doubt say to my brother candidates here on the platform in due course, that the cause of all the trouble is "the credit squeeze". It is one of these beautiful expressions. I don't think too many people, except a few business men, know what it means. But I will explain it to you in one paragraph.

You have an inflationary boom when there is more money available to be spent than there are goods and services available to be bought. When that happens the price of everything goes up - the price of labour, if it's labour that is short; the price of materials, if it's materials that are short. Whatever it may be, you can't have two people with the money in their hands competing for one lot of supply without seeing the price go up. Of course if you are dealing with such a situation you are going to make an enemy of one or other, or perhaps both, of the two buyers. They say, "This is terrible, this is terrible. You should have allowed us to go ahead in the ordinary way". You make an enemy of the fellow who has the goods to sell because he was contemplating getting a fancy price for them in an inflated market. I understand that; I didn't come down in the last shower. But the interests of the ordinary people of Australia are paramount. You vote the Labour Party into office at the end of the year - as I said there will be no tears on my pillow - you vote them in and the inflationary boom of 1960, if they carry out 10% of their promises, will be nothing to the financial disaster that will overtake this country within six months of their arrival. (Applause)

Now, Sir, having said that, I wonder if I could just answer quite briefly, two points that have been put to me and I am sure have been put to some of my colleagues from time to time. First, somebody will say to you, "Yes, well of course we know the Government has this great problem, and we are great supporters of the Government, you know, but why do you change your minds so much? None of us knows what is going to happen next." Now that is good Labour propaganda and I am surprised when I find any Liberal falling for it. "Why do you change your minds so much?" You know you would think that managing money and credit in a community was child's play. All you have to know is the seven times table and put a competent clerk on the job and leave it to him.

In Great Britain which doesn't have a Federal system, in which the central Government has uninhibited power over any subject that you care to mention, there is the Bank of England in the middle of the structure, like our Reserve Bank, formerly the Commonwealth Bank. But the Bank of England, let's say, announces tomorrow that the bank rate has been changed, raised 1% or 1½%, the Bank discount rate on first class bills. The effect of that right through the economy, right through the business centres of London, right through the financial centres of Great Britain is instant, and dramatic. We have no such power in Australia. But when the bank rate is raised in March and lowered in July, and raised again in October, and lowered again in January I have never yet heard anybody say in England "What a lot of boobies they are at the Bank of England, they don't know their own minds, they are always changing their minds". I would hate to go to sea with a navigator in a rough sea who gave the helmsman the course and said "I'm going to bed, that's fixed, because it would never do for me to change my mind". That would be a horrible way of going to King Island judging by what I saw of it the other day.
(Laughter)

Any competent people must be prepared, not to change the broad course; and our policy is quite simple: we want stability, economically in Australia, and development on the basis of stability. But when it comes to applying policy you would be foolish if you ignored changes of wind, changes of the sea, particular storms that arise, particular circumstances that arise, very few of which are created inside Australia, but which affect us for a very simple reason, much overlooked, that we don't happen to be the only country in the world. We are, in fact, a very small country in terms of numbers. But we are a great trading nation; and we are affected by the wild currents of world economic events, and of world trading crises, and so on, just as much as countries 10 times the size of Australia. Therefore you must expect some variations of application of policy as circumstances change.

You know, of course, I am a very great admirer of the newspaper press. It seldom gets what I say right (Laughter) but still, no doubt it has a part to play in these matters. They always have in a newspaper office a gentlemen whose task it is to write the headlines. Deliver me from head lines. You can make a prosaic, simple statement of the kind that I characteristically make and when you see the headline that is put on it you say, "Did I say that?"

Now it happens that last November when we were bringing down a few additional, economic measures, all of which I firmly believe were quite right and well justified, we gave thought to whether we might strengthen our overseas reserves. I don't want to be too technical about this matter, but the nation has balances overseas which are the result, partly, of the sale of exports, partly the result of borrowing overseas, or investments by people overseas, and these overseas reserves of ours must, at

any given time, be pretty substantial. I won't give it a precise figure but over my time in office I have never been very happy to have the overseas reserves less than £400m. because that represents no more than about 5 months' purchase of imports. If we had some sudden financial trouble, a fatal collapse in the wool market, or a great drought in the wheat industry, or something happening in the meat industry, we would, in order to avoid bankruptcy internationally, have to have reserves overseas on which importers could draw, through their banks, in order to pay for the goods coming into Australia. By and large we are so poverty stricken in Australia that our people between them manage to buy £1,000m. worth of imports every year. Not bad for 10 million people in a state of incipient bankruptcy, is it? Therefore we must have adequate overseas reserves. And we said, "Very well, in order to avoid any suggestion of panic, or crisis, we will, before the overseas reserves fall too far - as they were at that time by reason of the boom - we will make a drawing on the International Monetary Fund".

The International Monetary Fund is one of those mysterious bodies like the International Bank from which fellows like me, on behalf of other people, borrow money from time to time. We decided that we would, having a perfect right to do so, make a drawing on the International Monetary Fund because we had deposited many millions in it, like all the other constituent countries. We said "Well, we will draw £70m. We will tuck it into our overseas reserves. It probably won't be needed, but at any rate it will prevent people from getting an idea that there is some critical state of affairs". The last thing to have is this miserable attitude of crisis, the loss of confidence, the prophets of gloom, the people who create depressions by advertising their own troubles about them. Therefore we made this drawing.

At the time we made it we put a statement in to the International Monetary Fund and my colleague, the Treasurer, Mr. Holt, tabled it in the House of Representatives with an accompanying statement. Parliament approved of the drawing and the headline that night in the paper was "No relaxation in credit squeeze until June, 1962". There must have been a fair number of businessmen who read that headline and went back and said "Well that's the end of it. Not until June, '62. Another 12 months with nothing done to relieve the present position". The headline was, as a point of fact, completely false. I brought with me to Tasmania the precise words of our statement to the Fund. I will read them to you: they are not very long, they are completely true, they are consistent with everything that we have done; and they are consistent with the remarkable fact that between the time when we presented this document to the Monetary Fund and today, we have made two or three major relaxations in the policy. It is worth remembering that, because people who thought we had contracted out of doing it must have been surprised when we did it. Here is the relevant part of our statement:

"Economic conditions in Australia are subject to rapid change and are influenced by a number of external factors outside the Government's control. Policy has therefore frequently to be adapted to meet a shift in conditions. The declarations of policy made here must therefore be understood as applying only to conditions as they now appear. Should any major shift in the direction or emphasis of policy become necessary during the currency of the stand-by arrangement, the Australian Government would, at the request of the Managing Director, be ready to consult with the Fund, and, if necessary, reach new understanding before any request for a further drawing under stand-by arrangement is made".

That doesn't sound much like a cast-iron position for 12 months, does it?

"Seasonal needs apart, however, the Monetary authorities" -

that's the Reserve Bank and ourselves -

"intend to keep a firm control over the liquidity position of the banks"

which I may say the Banks would do themselves, anyhow, because that is part of their great art and responsibility -

"with a view to limiting during the year ending June '62 the amount of outstanding bank advances to a total that would be consistent with the maintenance of financial stability".

And on those words you were told by some clown "No relaxation in credit squeeze until June, 1962". The document as I have read it to you makes it quite clear, now, as then, that our policy is to maintain financial stability insofar as any Government of the Commonwealth can do it; and by maintaining financial stability encourage the development of Australian enterprise to the fullest extent and the increase in the Australian population by immigration and otherwise.

The last thing that I want to say to you, because I have spoken much longer than I had any desire to do, is this. Prophets, notoriously, have no honour in their own countries; Governments have very little honour in their own countries. The number of people I have met who could run the financial affairs of Australia better than we could are legion. The pity is that they don't go into Parliament.

But outside Australia there are hard-headed people who want to invest in Australia - people in the United States, in Canada, in the United Kingdom which, with all its own profound economic troubles, much more grave than ours at this moment, is still the largest investor of private funds in Australia

A few years back I used to say to my Treasury people, "Tell me, what do you estimate to be the inflow of private capital investment into Australia, not public borrowing by Governments but private capital investment, a company deciding to start something, a company investing its money in something?" And when the answer used to be, 10 years ago, 8 years ago, round about £100m. I must say I used to rub my hands and say "That's wonderful, that's wonderful". And so it was. Because 10 million people can't find all the capital that they need to develop this enormous continent with its resources. By last year that inflow had reached a figure roughly three times the size of that of ten years ago.

Then along came the blundering Menzies Government and wrecked the economy. I suppose that all these wise, shrewd fellows - not philanthropists, I haven't encountered too many philanthropists in the overseas money markets, though I have had a great deal to do with a great number of them, nice fellows, but not philanthropists - want to see the right investment, they want to believe in the country that they are putting the money into, they want to believe that it has stable Government and sound and stable ideas, and a future. And in this very year, just ended, the financial year 1960-61 most of it disfigured, I'm told, by our reckless policies, the amount that has come into Australia for private investment from outside Australia is an all-time record. (Applause)

I don't feel happy if my supporters are occasionally doubtful, critical. You can't win elections, you can't maintain

Government on the basis of doubtful supporters, supporters who leave, supporters who are half-hearted. If you are half-hearted about us then I want to say at once to my friends here they haven't a dog's hope of winning the next election, not a dog's hope. Good as they are, they are not going to win their elections if the community behind them has reservations about the Government that they are going in to support. Therefore the first condition of getting these men into Parliament - House of Representatives and Senate - is to be able to go behind them with a full heart, and a satisfied mind, and a belief, which I say is a well-founded belief, that there could be no greater disaster come to Australia than that the incompetents whom I look at across the table in Canberra should be entrusted with the affairs of this country.
(Applause)
