

LIBERAL PARTY RALLY, SYDNEY TOWN HALL

7th August, 1961

Speech by the Prime Minister, the Rt. Hon. R.G. Menzies

Mr. Chairman, parliamentary colleagues, ladies and gentlemen:

Tonight I propose to confine myself to matters that I know are vexing your minds. I won't talk about international affairs in the broad tonight, though I have no doubt that on some other occasion I will have something to say about them. But I do want to talk about the more material aspects of our life as affected by what goes on here, and by what goes on overseas.

I think it is proper to do that because there have been times - only a few - but there have been times when I felt frightfully popular. (Laughter) And I must say that on those rare occasions I have enjoyed it - being like anybody else. And there have been times when I have been frightfully unpopular - and on the whole I haven't lacked some enjoyment of those. Other times represent a sort of middle course.

But the fact is that last year, and particularly in November of last year, the Government, your Government, the Government which all of you support and have helped to put in, had to take some pretty stringent measures to deal with an inflationary boom in Australia. Although inflation is properly unpopular with many people, and with me, it is not unpopular with some others who find in it the exhilaration of going out on a booming market, and leaving the casualties to look after themselves.

Interestingly enough since we adopted our course the same problem has come to the top in Great Britain. We have, of course, all the great things in the world in common with Great Britain. But it was only the other day, metaphorically, that the Government of the United Kingdom had to bring down a "little Budget". Having brought down one or two "little Budgets" in my own time I know that this is not necessarily a term of affection. (Laughter) But they had to bring down a "little Budget" out of the ordinary time for a Budget; and they had to bring it down, may I remind you, for reasons not dissimilar to those for which we brought down our economic measures in November last. They found themselves with a high measure of inflation at home; with their trade balances getting a little bit weak, a little bit bad, a little bit sick, worried about their exports and worried about their imports, worried about the strength of their currency.

This is a pretty good short description of the kind of thing that we were experiencing in our own country, though, of course, naturally, on a slightly smaller scale. When I noticed that the Chancellor of the Exchequer, Mr. Selwyn Lloyd, had brought down a little Budget in which he had increased sales taxes, which they call purchase tax in England, in which he had frozen wages and dividends, in which he had raised the bank rate, as they call it there, the discount rate, which dominates the interest structure of Great Britain, from 5% to 7%, that he had gone to the International Monetary Fund to make a drawing to protect his currency abroad - except that he drew £892m. and we drew a beggarly £78m.; when I saw all these things I thought "Well now, he'll be in trouble". (Laughter) You know it is one of the great truths of life that nothing so takes your mind off your own troubles as to see another man in his. (Laughter) "Well", I thought, "poor Selwyn, he's in trouble". And I expected that some of my closer admirers in the newspaper world would have made nasty remarks about him. but they didn't. They seemed to think that what was right in Great Britain must be wrong in Australia.

Now I mention those facts to you because if you find great problems being dealt with in other great countries along similar lines, then there is probably something to be said for what we have been doing in our own country. And may I remind you on that point that we did it first. (Applause)

Now, you all know the kind of thing that we found it necessary to do, the steps that we found it necessary to take. You are no doubt very familiar with the criticisms which I don't resent at all, and no doubt you yourselves have made them, or heard them. Therefore tonight I think I would like to show you, if I may, that we are not unaware of these criticisms; and I, for one, would like to help you to answer them, fairly and fully.

Was the policy that we pursued, starting at the beginning of last year, intensified, ultimately, in November of last year, a pig-headed policy, a policy dictated by theorists? Or was it not? And the second question is: Have we pig-headedly pursued this policy after it was no longer needed? Now I think those are two questions that you have heard and that I would like to say something about.

I have the great pleasure of having on this platform half a dozen of my colleagues in the Government at Canberra. I don't think any one of them was ever accused of being a theoretical man: all are men of wide experiences of one kind or another, not at all the kind of people who want to get a University professor to write them an essay and they say, "That goes for me". Not at all. I have had a lot more practical experience in dealing with the economics of Australia than any of them - not my colleagues, but any of the theorists - and I take leave to tell you that whenever I have expressed a view on behalf of the Government it has represented a view which stems from my own experience and my own judgment, a view that I am prepared to stand up to, as you would wish me to stand up to it.

There was a boom roaring along in 1960. I have met many people, some of them politely and some of them impolitely, critical; I have never yet met one who didn't admit that there was a boom blowing up in 1960, a boom in which the demand on our resources, the demand on manpower and materials and everything else was so tremendous that prices were rising fast, that the cost of getting things done was rising fast. If you have a boom like that what do you do about it? In the short run it is popular to do nothing about it. There are a lot of people who say, "What is wrong with a boom?" We have had plenty of those in the world and of course those who speculate in money don't mind a boom because they chase it along. But from the point of view of a sound community like Australia, a boom is every bit as anathema as a great depression; and every bit as dangerous.

You know, I sometimes wonder whether our memories are as good as they should be. We are not going to have, in my lifetime or in anybody else's, a depression of the kind that we knew in the early 30's. The day has gone by for that. People know too much today to have that happen. But it is perhaps worthwhile recalling to ourselves, how that one happened: a depression, which in Australia at the beginning of 1932 exhibited 25 to 30% unemployment. It didn't come about for reasons peculiar to Australia.

I know that my poor predecessor Stanley Bruce was blamed for it. Prime Ministers are always blamed for something. It is fair enough because they are given credit sometimes for things that they didn't do. So I don't mind.

But the origin of that boom, and that burst, that depression, was to be found, above all places, in the United States of America which came out of the first world war for the first time in its history, a great creditor country and had millions invested all round the world. On the strength of these investments the United States had an enormous credit structure. You mustn't suppose that all these fine-spun credit schemes that we are so familiar with recently are new. There they were after the first world war in the United States of America, with the Stock Exchange booming, people gambling on margins on the Exchange, millions being won - and millions being lost, because it usually works out that way.

But what they hadn't realised was that it is no use having thousands of millions invested in other countries unless you can get the fruit of your investment. They found they couldn't get the fruit of their investment because they wanted to be a great creditor country and, at the same time, have the highest tariff in the world. So they shut out the goods of the countries where they had invested their money. By the time all the gold had come in and was parked away in Fort Knox they found that their investments were fruitless.

And yet on the strength of those investments, in the atmosphere of boom in the middle of the late 20's, they had this enormous structure of success in their own country. When their overseas investments became sterile, became unprofitable, then the whole structure began to collapse on itself. That is the simplest and truest explanation of what went on at that time.

So, almost overnight, the great boom became the great smash, and the great depression, and this, of course, influenced countries and people all round the world. It came to Australia to impose the most enormous suffering on Australian people.

Now we are not going to have that again. I, for one, decline to allow a boom in Australia to go to the point of burst and depression. And that goes for my colleagues. This is our duty; and even in politics your duty must be the prevailing element in your mind. (Applause)

Suppose we had said - as I have heard some people say - "Well what is wrong with inflation? What is wrong with a boom? It's just a sign of health in a growing country". I've even read some economists credited with such remarks. Let me answer them.

Inflation running, running, growing, growing, as it was in 1960, is the complete enemy of social advancement - not it's friend, it's enemy. You just consider: if we have inflation, if we have price levels rising and rising at a rapid rate, who wants to put money into anything at a fixed interest rate? Who wants to buy Commonwealth Bonds, or Bonds for one of the great public utilities in a State, if he believes that the value of his investment is going to be whittled away with great speed by inflation, by a fall in the value of money? We have found, in the past, that when you have an inflationary boom, or even the beginnings of one, the loan market becomes sick.

Now, when I talk to you about the loan market you may say, "Oh, I'm not interested in the loan market". But you are. You may never have bought a loan bond in your life, but you are interested in the loan market. And I will tell you why: because the great public works programmes of Australia have to be paid for out of loan money; or out of revenue from taxation. The smaller the amount raised by loan, the greater the taxation - and we are all interested in that.

What are these works programmes? You know I occasionally hear men talk about public works as if they were some horrible competitor with private enterprise. On the contrary! Private enterprise, to which I am devoted, couldn't advance without public works. Public works cover all sorts of things: roads, bridges, power production, the great Snowy Mountains enterprise, school, hospitals, transport of all kinds, water supply. Look, you could go through the whole gamut of public works and when you add them up they are all things that we are demanding as a people; and they are all things without which industrial advancement in Australia would be impossible.

Who would dream of establishing a new factory, a great enterprise, unless he felt that there was going to be housing and roads and streets and schools and all the things that would enable him to get employees to live in a happy community? The thing doesn't need to be laboured.

I just say to you that if you have an inflationary boom unchecked you will still need to have these public works. True they will cost fabulously more money because as inflationary booms go on up goes the cost of everything. And the money will more and more come out of your taxes which, of course, will be increased accordingly; and less and less out of the normal processes of borrowing capital on the public market.

I could give you a dozen illustrations of what I mean by the effect of a boom on the country. We saw it going on and we decided that we must check it. Now you don't check a boom by going to it and saying, courteously, "Would you mind quietening down a little?" On the contrary. If you are dealing with boom conditions you must be resolute, you must be prepared to take measures which, of course, nobody will like very much - and some people will dislike very bitterly - because those who profit from a boom don't want to have it checked. If you analyse the boom and you find that in certain industries there is an over-demand and that this is causing a boom, then of course you are going to have objections.

I will give you one simple illustration, and that is the motor vehicle industry. Now let us speak quite plainly about this. I know that there are one or two great motor car enterprises in Australia which feel the pinch of poverty at the present time. But let's face up to it: do you know that by the time we took these last measures of ours in November, 1960, roughly a thousand motor vehicles a day were being produced and sold in Australia; Australia, with 10½ million people and 350,000 motor vehicles coming out in the course of the year.

So great was the demand on labour, so great was the demand on materials in this industry that everybody was competing with the other man for the labour that he needed: bidding up on pay, competition for supplies of raw materials and half-finished materials. If ever there was one particular industry that was contributing to inflationary conditions in Australia it was the motor vehicle industry.

It seems odd to say that because it is a great industry, a useful industry. It has given enormous employment in Australia and, so long as it doesn't get entirely out of hand, it is vital to the economic existence of Australia. I grant you all that. But it was going too fast and too far. Therefore we had to check it. And we checked it, partly by what is now called the "credit squeeze" - though I will say something to you about that a little later on - partly by the provisions we introduced to render non-deductible certain payments of interest made by companies, and partly by a 10 per cent increased sales tax on motor vehicles. So the general policy and the particular policy were directed, among other things, to the motor car industry.

It is quite true that the impact of this has been that the motor vehicle industry is not producing as many vehicles. I want to say to you in plain, blunt, homely terms, that if it were, our policy would have failed. Do you see? It was bound to be producing less unless our policy was a fiasco. And if it produce less, so many less, then it will employ so many less people. Now this is one of the facts that I want you all to face up to. You can't reduce the pressure of the motor vehicle industry without reducing, for a time, its production; and you can't reduce its production for a time without having some impact on the employment that it gives. Therefore there were bound to be some people, through no fault of their own, who would cease to be employed in the motor vehicle industry and would, in due course, be employed in some other.

You know there are a lot of people who credit themselves with a spurious sort of logic, who will say to you, "Ah, so you intended to put people out of work. What a monster you are". A monster I may be - I don't think so. But how do you reduce even to a small degree, the activities of a great industry in the interests of the overall stable economy of the country without touching the affairs of a number of worthy individuals? It can't be done. If somebody had said to me when we were devising our programme, "Look old boy, you can't do that because General Motors, or somebody else, will employ less people" and I had said "Oh, well, of course I can't face up to that", and my colleagues had adopted the same weak-need attitude we would still have a boom; and before long we would have the smash of a quarter of a century.

We are not going to have it. Our duty is to this country, not to somebody else, on these matters, but to our own country. And our duty in this country is to all the elements of stability, that solid foundation for a country which alone can enable a great edifice to be built on it. We have a very lively interest in my Government, in the future of Australia. We foresee in our own country, in the next ten years, a degree of development, of growth, of strength, which will surpass the record of the last ten years. But we are not so crazy as to believe that we can move confidently into that decade if, in the meantime, we have allowed the foundations to be broken by a boom and a smash.

There is one other reason why we had to deal with this matter. I refer to it with some hesitation, but really it is very important. It is that Australia lives to a very large extent by trading with the world. Don't let us get into our minds the idea that we can live comfortably in Australia by taking in each other's washing at a premium rate and that everything will be right. Not at all. We are a great trading nation. Ten million people we may be, wretched Government we may have, but I tell you, with pride, that this Australia of ours is, in actual intrinsic terms, one of the great ten trading nations in the world. (Applause) That means, of course, that we sell to the world; and we buy from it. Because it is one of the oddities of life that if you don't buy you will soon be out of the business of selling. Trade happens to be like that: it runs both ways.

As our wool is sold, as our wheat is sold, as our meat is sold, as our sugar, and some manufactured exports, and so on, are sold so we, as a nation, acquire funds in the rest of the world. Then as we buy things from the rest of the world - I don't mean the Government, but John Smith, or John Jones Ltd., or whatever it may be - so there is a drawing made on the funds that we have in the rest of the world. The balance that we have at any given moment we call our overseas reserves, our balance of payments producing our overseas reserve.

Well I must tell you that in November of last year we found that our overseas balances were running down quite steadily and we had to think about that a great deal because if you start off with so many millions in your overseas funds and they are running down, month by month, you get to a point where they look as if they might disappear. I want to tell every importer in the country - though they know it already - that if overseas funds disappear they will never import anything because there won't be any money to pay for the imports.

The whole existence of our international trade depends upon us maintaining, as a nation, outside Australia, chiefly with the Bank of England, reserves which will enable us, even though we may have a failure of a harvest, or a grievous fall in the price of wool, to pay our way in relation to the things that come into Australia, so that we won't default, so that we won't be internationally bankrupt. We found that these precious funds were running down.

That was another reason why we imposed these stringent measures. We believed that if we did have, call it what you like, a "credit squeeze", a restriction in Australia, less and less money would be available to be spent on imports and therefore our overseas funds would not run down any longer. So that you won't think that we have been theorising about this matter, I tell you with great satisfaction, that putting on one side all the money that we arranged to get from the International Monetary Fund, our overseas reserves, as a result of the policies pursued by your Government, are today just on £100m. more than they were at the end of January of this year. (Applause) And just as it is a very good thing for a human being to remain solvent if he can, so it is an essential thing for a nation to remain solvent, if it can.

I was told, and no doubt some of my colleagues have been told, that we had made a mess of all this in Australia. We, this wretched Government who, by some accident have really managed the country tolerably well for 10 or 11 years, have made such a mess of it in the 11th year that everybody would lose confidence in us. I thought, "Well, there will be a very interesting way to test this because a great deal of our international solvency has been based upon the fact that with all our errors, with all our defects, with all our follies, we are the most popular country for investment in the world."

Now I wonder how that happened? Did that happen because you had a Government that would seek popularity at all costs? Or because you had a Government that would do what it thought was right and set out to have stability and security in this country? I say we are the most popular country for investment purposes in the world and I confirm that to you tonight.

Last year, 1959/60, going back to June of last year, we had a very large inflow of private capital. I don't mean money borrowed by governments; I mean capital brought in here by hard-headed people who see in Australia a great future. They are the people we want: the people who have some imagination about the future of Australia, the people who say to themselves, "That's the country to go to", just as on one occasion, if the circumstances had arisen, they would have been saying that the United States, in its beginnings of expansion, was the country to go to. These are hard-headed people. They are not philanthropists. I haven't met many philanthropists in my life. There are few, for example, in Wall Street in New York. Yet this year, this financial year that has just ended, the flow of private investment capital for business and development in Australia has been much higher than it was last year and in fact is an all-time record for Australia. (Applause)

Of course you see what that means? When one opens the paper and sees that some great enterprise has a development programme of £15m. or £20m. - and I have seen several of those in the last few weeks - that doesn't mean that something is going to happen next week, because things have to be got going. But it does mean that with all the impact of this enormous investment, with the development that it produces, with the demand that it sets up, 1962 is going to be a very great year of prosperity in the history of Australia. (Applause)

Now perhaps I might refer to a particular criticism which some of you, my friends, must have encountered. Every now and then somebody will say, "Ah, yes, well the Government may be right, but it keeps on changing its mind". "Stop and go", I think is the operative phrase.

It is quite true that we have modified our measures from time to time; it is much more importantly true that our policy has never changed at all. Our policy is stability and development. You can sum it up in that way. The economic stability of the country and the development of the country on that sound foundation. We have never lost sight of either of them. We know we can't have perfect stability. I don't want to be academic about that but we do know that unless you have some reasonable stability that gives people some confidence in what they have, then your development is going to be modified in consequence. So, stability and development.

Our policies of last year, our policies in March, our policies in the Budget last year, our policies last November were all designed to produce stability and encourage development. You remember, in the broad, what they were.

But, of course, we have changed some of the things we did. What sort of fools would we be to start at the beginning of a year and say, "Well those are the measures for the year and whatever happens we are not going to change them"? What sort of noodles, to use a good old fashioned word, would we be to go on in that pig-headed sort of fashion? I wouldn't hesitate tomorrow to change some measure that we had introduced if I thought it had outlived its usefulness, if I thought that so far from doing good it was beginning to do some harm. What do you expect? I don't know why all these charges of insanity should be concentrated on our unhappy heads in Australia because all over the world this is done. Nobody complains if the Chancellor of the Exchequer in England raises the bank rate from  $3\frac{1}{2}\%$  to 5% and reduces it to 4% six weeks later; and pushes it up to 7%; and then reduces it to 5% six weeks later. He knows that this is a flexible instrument for dealing with the economy. We don't have it. We have to choose rather broader methods. Nobody says of the Chancellor, "The poor fellow doesn't know his own mind". If he didn't move the bank rate around people who knew what it was about would say he wasn't fit for the job.

So this charge that we change front, let me answer it specifically. We wanted to reduce the pressure of the motor car industry - I've told you about that - so the general policy applied which touched hire purchase, which touched a number of financial dealers, money dealers, which touched bank credit; and we also put on an extra 10% sales tax.

When we looked at the matter a few months later, early this year, we said, "Well, we are having an effect on the motor car industry, but it is going too far because there are quite a few people who say, 'Well they couldn't keep that extra sales tax on in the Budget, in an election year' - you know what people think of us politicians - 'therefore we will hold off buying the new car until the Budget'". Therefore we thought that we were

inflicting, inadvertently in that way, a double disability on the motor car industry, and so we abandoned the extra 10% sales tax. Was this sensible? Was this a proof that we didn't know our own minds? You can take your choice. I think it was thoroughly sensible. If we had been unwilling to do it we would have needed to be ashamed of ourselves.

We found that in some places, and in some ways, there was - what shall I call it politely? - a little bit of a racket going on in the great financial world by the borrowing of money at fancy rates of interest, and then being able to deduct the whole of the interest before you worked out your taxable profit. A very agreeable device, one that no doubt is familiar to every accountant in the audience; a very agreeable device from the point of view of the taxpayer because it meant that he saved tax equivalent to about half the interest, or about 8/- in the £. This was, of course, extraordinarily popular. We came down with a wallop on this. We introduced a provision about the deductibility of interest before you assessed your taxable income that was a bit of acrippler, a bit of a wallop, to put it in those terms. It achieved results. I tell you that if the speculative boom in land for which there are probably many people in this audience who have had to pay, had been allowed to go on, the cost of houses, the cost of homes, would have risen more and more every year because of the fabulous amounts of money in a speculative market that had to be paid for a home site. Under those circumstances you hit, and you hit hard. Today most people would agree with you that that speculative boom has been quelled, that there is a great deal more sobriety in these matters than there was. When we found that we said, "Very well, to make this rather rough and violent measure of ours permanent would be unfair to legitimate business". So we dropped it. Do you see what I mean? All these changes that you have heard about have been changes in the direction of mitigating the severity of the measures that were taken.

There was a considerable boom in the building industry and nobody gets very happy about doing anything about that unnecessarily, because housing is one of the great problems of the nation, and one of the great human problems in Australia. But it was affected by the measures that we took. We found that the measures were going too far. Therefore without any hesitation we modified their impact; and, in modifying the impact we provided, or arranged for, very substantial additional finance for housing.

Earlier this year - after all these measures of ours had been taken - the Reserve Bank asked the Savings Banks to increase their rate of lending. The Trading Banks also increased their lending for housing. In May we arranged, as a special move, that the Commonwealth Savings Bank should provide an additional £5m. during the ensuing few months. At the same time in May my colleague, the Minister for National Development, who administers War Service Homes, was able to announce a special arrangement to eliminate waiting time for new homes under the War Service Homes Scheme. In June a very large sum of money was allocated in the defence vote for the building of defence homes in Queensland.

In other words great additional provision was made in order to counteract any undue fall in the rate of housing. And at the same time, in the Loan Council this year, in June, we, the Commonwealth, agreed to support a borrowing programme - and "support a borrowing programme" means putting a good deal of it on our Budget by way of taxes - a borrowing programme of £240m. for State works and housing - that is £10m. more than the previous year. The allocation for housing, agreed to by the States, was set at £42.9m. - call it £43m. - which is very nearly £6m. more than in 1960/61. And in order to encourage the

rapid attack upon housing schemes, we offered, as the Commonwealth, to provide the State Governments with these housing funds at an accelerated rate during the first half of the year.

Now, Sir, I won't labour that. All these things indicate what I have been saying to you: that where it has become necessary to make a change in the sense of modifying the severity of some measure already taken, we have done so. I am happy to say that in the field of housing, where, a few years ago, we used to talk about 65-70,000 houses as a pretty large annual programme in Australia, the figures already in this calendar year suggest a total of something like 78-80,000 houses for the year. Now this I regard as a remarkably good state of affairs.

You have heard a lot about the "credit squeeze". It has almost become like the blessed word "Mesopotamia". Wherever you go somebody says "I have been knocked about by the credit squeeze" - and some people have. Some people, of course, have been knocked about by unwise trading on their own account, but only some. There are others who have felt the stringency of these matters; just as they enjoyed the advantages of the inflationary boom conditions when they existed.

But today what is the "credit squeeze"? I hope I won't be haunted to my grave by ghosts coming out of the corner and talking about the credit squeeze to me because I want to tell you in plain terms that the credit squeeze, as people understood it, nine months ago, is not with us today. I enquired only yesterday as to what the last directive was from the Reserve Bank, because the Reserve Bank has the supremely important task of trying to regulate the monetary supply in Australia, and banking policy, and banking interest rates. Well the Governor of the Bank announced publicly at the end of June, five weeks ago, that in recent months the banks have been encouraged to increase their new lending in selective fields, in particular for housing and for primary production.

The reduction of inflationary pressures in the economy has now enabled the Reserve Bank to restore to Trading Banks greater discretion in the allocation of loans. They have been asked to ensure that appropriate bank finance should continue to be available for housing and for export production in rural, mining, and manufacturing industries. And within the limits of a moderate increase in their new lending, they may grant additional accommodation on the basis of normal banking tests, subject to continued observance of two broad principles - this is all that remains of the credit squeeze - first, existing restraints should continue to be exercised in providing credit to finance imports and for hire purchase and instalment selling; and second, finance should not be provided directly, or indirectly, for speculative activities.

Now that is what is left of the credit squeeze. In the last few months the better part of £90m. has been released from special reserves to the Trading Banks and I am happy to say that the Trading Banks today have a position of liquidity which is substantially above the normal minimum and, in fact, is substantially higher than it was in June of 1960.

The real trouble - this perhaps is the only other thing that I have time to talk about - the real trouble is not a credit squeeze, it is not bank policy, it is not the unwillingness of banks to lend, because in my recent experience they all exhibit willingness to lend, on a proper proposal. The real trouble is this: there have been too many calamity howlers in this country.

I am shocked, occasionally, when I see, as I did in my own State recently, people publishing advertisements to encourage in the minds of employees the idea that their job is coming to an end tomorrow. If I ran a business I don't think I would run it that way.

Well, primarily, is there some unemployment? Of course there has been a great stocking up from the past and it takes a while for stocks to be sold off. But basically the trouble is that the calamity howlers, and I want you to go out and deal with them, are always trying to persuade people that the worst is yet to come, that there is some frightful calamity around the corner. My political opponents, and yours, thrive on this, live on it.

Well, what is the fact? The fact is that in Australia, unlike the United States or Canada, where they would regard our position as most enviable, it is quite true that out of every 100 people willing and able to work 97 have a job and are working at it. That is making a liberal estimate of what unemployment may be today. I am not defending unemployment; I hate unemployment. I think that the great responsibility that we have to restore stability and security to Australia involves getting rid of unemployment. But there are 97 people out of every hundred at work. And if they went along and lived in the ordinary way, and bought what they wanted to buy, I will undertake to say that the position in trade, right back to manufacturing in Australia, would improve steadily week by week. But they have people saying to them, "Oh, no, you might be the next to go; you are one of 97, but perhaps you are the one to go". And so the whole 97 button up - and I don't blame them if they listen to these false prophets who are so plentiful.

What we have to do is to make it clear to people that this policy has worked, has produced the most magnificent results in the broad, has saved our international balances, has steadied down the increase in prices. It has achieved all these results superbly well.

From now on what we need is a steady state of affairs in which people go about their work in the ordinary way, do their buying in the ordinary way, and the retail stores are able to clear their stocks and pay their bills to the wholesalers, and the wholesalers to the manufactures, and the manufacturers set about replenishing their own stocks by manufacturing processes and employment. All this is a simple enough thing to say. But the process doesn't begin if you have people in Australia who are undermining the confidence of the 97 people in 100.

This is a great task, a great task, and it is a task for all of us. I am myself an unlimited optimist about the future. I know that somebody may say that over the next month or two months things may not be very satisfactory. I don't expect things to happen overnight. But I believe in my bones that by this time next year many of us will be wondering what the argument was about; and most, if not all, of the 97 will be wondering what the argument was about. And the other three working alongside of them will have occasion to be glad for what has been done.

This is not a crisis in the economy. The economy of Australia has never been stronger. Anybody who looks at it with any detachment - and even I can do that occasionally - will say, as the people looking at us from around the world will say, that the economy of our country has never been in a sounder position; and that the measures that have been taken have been good, and sensible, and profitable measures from the point of view of Australia.

The only crisis that exists, and I admit its existence and call on you to join with me in destroying it, is a crisis of confidence. Isn't it a remarkable thing that a people like us in Australia so rich in material things, so high in our living standards, so possessed of advantages that most of the countries in the world envy beyond words, should even begin to think of undermining our own strength by losing confidence in ourselves? I had always thought that the people of Australia had immense confidence in themselves. I know that when I go abroad from time to time to represent this country in the councils of the world I find myself able to speak with confidence because I speak for a confident country. And this is no bad thing for us. (Applause)

Sir, that is really half of what I intended to say to you but it is, perhaps, all that I needed to say to you that had importance. This is a splendid opportunity, tonight, to have this great meeting of people who work, of people who are supporters, who have loyalty and zeal, a great opportunity to say to you "Don't you lose any confidence yourselves; don't you become weakened in your resolution". Because if there is one thing about which I have taken a private vow, and now take a public one, it is that I propose once more, at the next election, to lead this party to victory. (Applause)

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