BUDGET, 1961

Speech in the House of Representatives by the Prime Minister, the Rt. Hon. R.G. Menzies, 24th August, 1961.

Sir, I must be careful not to laugh. This debate has been quite interesting. It has been very reminiscent of budget debates that I have listened to for a long, long time. I have heard some of it directly, and some of through the medium of the wireless. I have learnt more things about myself than I ever knew before. Not for the first time, but for about the twelfth time, I have listened to honorable gentlemen on the Opposition side explaining with some vehemence how my Government is busy ruining the country, creating disaster, and bringing despair into the hearts of people. This may be, of course, merely repetition for the sake of emphasis, but I know, and all those who have been here for a similar time know, that this is the customary diet. The odd thing is that, in spite of this ruinous process of administration that we have adopted, not only in 1949 when, I gather from one honorable member who spoke earlier, we won the election by fraudulent practices, but in 1951, 1955 and 1958 - at five consecutive general elections - the people of Australia, who are not fools, have been told of this kind of thing.

Mr. Costa - You said this afternoon that people are gullible.

MR. MENZIES - Gullible are they? Is that the Labour Party's view? All I can say is that in this series of five elections they have voted for us although there has never been an election campaign yet which was not preceded by prophesies from honorable gentlemen opposite of mass unemployment and grave disaster. At the end of nine years of our incompetent administration, the people of Australia gave us the biggest majority that a government has ever had. Gullible are they?

So I speak tonight on behalf of the people of Australia who have voted for us, who have maintained us, who have supported us, and who are now under attack for their own folly, so the Opposition says. That is the issue. Are the people stupid? Do they not understand these things? Or has the Opposition suddenly, in the still watches of the night, discovered the answers for the first time? It has never had them before.

I do not propose to waste my time on this or that. I want to say something about the speech of the prospective Prime Minister - the Leader of the Opposition. It is quite proper to refer to him in that way, as you will at once be disposed to agree. One must fight in one's own division. Therefore, I deal with the speech of the Leader of the Opposition, who was described this afternoon in a somewhat intemperate speech as - am I permitted to use his name? - the great Arthur Augustus Calwell. I know him very well and we are, I am happy to say, on the best of terms. I have no objection to being Prime Minister and he thoroughly enjoys being Leader of the Opposition. The other night he favoured us with a speech on the Budget and I will with proper respect, confine my remarks within a limited period of time to what he had to say.

Mr. Peters - Get on with it.

MR. MENZIES - Yes, I will get on with it. So far I have been doing rather well, don't you think? The theme song of the Leader of the Opposition - I quote his words - was: All the troubles in the economy have been Government-caused. I would like to say to my distinguished friend, if he were in the chamber, that, as a matter of advocacy, it is a very great mistake to

overstate your case. He said: All the troubles in the economy have been Government-caused. That remarkable proposition ignores the rest of the world and the great tides of events that sweep around the world. Having established that proposition to his own satisfaction, he says - what? He cannot say, and he did not say, that we created the boom of 1959-60, because he denies that such a boom ever existed. I want all honorable members and all the people of Australia who may learn of the honorable gentleman's statement, to get that firmly fixed in their minds. He denies that there was a boom in 1959-60. I think I have a note here of what he said. I must quote his precise words. He referred to -

> The myth -

I am not lisping -

> of the 1960 boom which the Government has been trying to create in recent months.

That is how the Leader of the Opposition disposed of the boom. He said that there was no boom. It never existed; it was an invention, an act of imagination on our part.

Mr. Haylen - Hallelujah, I'm a boom!

MR. MENZIES - I know that the honorable member who interjects agrees that there was a boom, but his Leader, or whatever he is, says that there was no boom. If the Leader of the Opposition means anything, he means that everything was going nicely. I am delighted to see that the honorable gentleman is here now. For his benefit, I must repeat what I said. I was saying that the Leader of the Opposition denied that there was a boom. He described it as a myth created by the Government in recent months

Mr. Fox - He will "myth" out, too!

MR. MENZIES - I am sorry that honorable members should see fit to laugh, because laughter is prohibited by the Sydney "Mirror". I never read it without laughing. But what does the honorable gentleman mean, if he means anything, by his statement that there was never a boom? What he must mean is that, there being no boom and everything, presumably, going nicely, we, within a year of an election, being minded to commit suicide politically, took unnecessary measures and caused a depression and dangerous unemployment - all of which my honorable friend will cure by the time-honoured Evatt-Calwell recipe of increased inflation. If he does not mean that, I ask everybody: What does he mean? If there was not a boom - if everything was completely normal - why in the name of fortune did the Government that I have the honour of leading suddenly make up its mind to take unnecessary measures, to cause a depression and to go out to create unemployment? I put this to the common sense, if not of honorable gentlemen opposite, at least of the great Australian people: Why should they suppose that we would commit such folly, unless they imagine that in a single stroke we had all gone mad?

Now the Leader of the Opposition, having committed himself to these propositions, says, "When I come in" - he means after the next elections - "I am going to have a February Budget" - I suppose January will be devoted to reconstruction and all that - "for a £100,000,000 deficit". That sounds magnificent, does it not? It is the master-stroke of statesmanship. I think the honorable gentleman does well to be optimistic. Every leader should be optimistic. He says, "We have an election. I come in. We form a Cabinet. We get to work and in February I bring in a new Budget for a £100,000,000 deficit." A Budget in February, let me remind honorable members, would relate to the rest of the financial year. It would not become effective until

March. There would be March, April, May and June. So in four months of the current financial year the honorable gentleman would run into a deficit of £100,000,000. Subtracting the deficit of £16,000,000 for which we budget, he would have an £84,000,000 deficit for four months of the financial year. I am sure that, as an honest man, he means that; but I am equally sure that, as an intelligent man, he does not think it will happen. But if his statement means anything, it means that he would, in his Budget in February, introduce taxation reductions and increase Government expenditure at the rate of £84,000,000 for four months and, therefore, at the rate of £250,000,000 a year. This is the thoughtful contribution made by the Leader of the Opposition. The arithmetic is simple. The deficit would run at the rate of £250,000,000 for a full year.

Let me go on from that point, because I am perfectly certain that my honorable friend does not design himself to be the Prime Minister just for the balance of the financial year. This is always a salutary reminder. There will be another year, the financial year 1962-63. What would he do in his Budget for 1962-63? The honorable member for Shortland (Mr. Griffiths) is interjecting. I am not asking him, because he will have nothing to do with it. What would the Leader of the Opposition do with the Budget for 1962-63? Would he go flat out for another deficit of £250,000,000? Is that what we are being promised by this party that wants development and hates unemployment? Is that what the game is? Because if it is not, then presumably, having got through an election on this rather lush promise he will, in 1962-63, bring in a Budget in which he restores taxes, or cuts expenditure in order to achieve a balance, or continues the inflationary process and budgets for a deficit of over £200,000,000. Now, Sir, I do not ask the honorable gentleman to come clean onthis matter in this debate, because he has already spoken; but I do hope that he will come clean on it with the people of Australia before polling day.

We want him to come clean on this: Are we being promised a vast inflationary system of finance - because I will say something about the consequences of that a little later - or is he just saying something at this stage in order to get over the problem of the moment, and will then come along six months after polling day saying, "I am sorry. Those taxes I reduced I must now increase. That expenditure I let out I must now pull back"? Because, Sir, he has made glowing promises of easier borrowing. I wonder if he would mind my repeating it? Easier borrowing! Easier borrowing for the Government? For the people? How do you make borrowing easier if you are running into an inflationary boom? How do you make borrowing cheaper if the value of money is running away through inflation, as it undoubtedly would on the programme he has put before us - a programme which, I may say, was so admirably exposed by the honorable member for Wide Bay (Mr. Bardidt) this afternoon.

Mr. Curtin - Aw!

MR. MENZIES - Yes, admirably exposed. It is a pity you were not here listening at the time.

Mr. Reynolds - You are easily pleased.

MR. MENZIES - The honorable member says that I am easily pleased. If he would make only one bright remark I would be delighted. Easier borrowing. If I may use the famed Macaulayan phrase, every schoolboy knows that in a period of inflation borrowing is harder because interest rates must rise. But he is going to have easier borrowing. He is going to do something about the pay-roll tax. I must say to him, as an old friend, that I rather admired the way in which he phrased it. He did not really say, "We will abolish the pay-roll tax." That would have been well received

by some of those business interests that we are supposed to serve, would it not? He did not actually say, "We will abolish it." He said, "We will look into this to see whether we can replace it in some other way." That is as broad as it is long, and I do not attach much significance to it. He is going to do something about the petrol tax. He is going to have vastly increased expenditure in Western Australia and Queensland, in which States the expenditure by this Government leaves for dead whatever was done by the Labour Party in its own time. He drags out the good old thing about an overseas shipping line - the deficit on which no doubt he will carry on Treasury account. He is going to have some sort of government insurance company that is going to be unlike any other insurance company and be able to carry on profitably at a loss.

This is the kind of thing he says, and because he has put it in that way, because he or whoever has advised him has looked up all the points of criticism, particularly in one or two places that we know of, and they have added them together, he produces this astonishing programme - so astonishing that I hope Australia will never have to suffer from it.

Mr. Reynolds - It has suffered from the Menzies Government a lot

MR.MENZIES - Australia has suffered from the Menzies Government for twelve years, and if you can find anywhere in the world a happier and more prosperous country than Australia, I should like you to drop me a postcard.

Now I pass on from that in order, if I may with profound respect, to point out a few gaps in the reasoning of the honorable gentleman who made this policy speech. I admit it is a little subject to correction, because the federal executive of his party had not finished meeting at the time the policy speech was made, and we all know that the policy of the Labour Party is fixed by twelve people, or whatever it may be, outside. But I say nothing more about that, because I am sure he has had a difficult time. However, first of all, let me take the gaps in his reasoning. He denies the boom. I just repeat that, because he went to some pains to say that there was not a boom. I wonder Sir, if the honorable gentleman believes that, and whether he is unaware of the tremendous rise in 1959-60 of what has been called "fringe banking" but which I much prefer myself to call money dealing by people dealing in money, many of them making enormous profits in consequence.

Mr. L.R. Johnson - You could have stopped that.

MR. MENZIES - You say so, but I had other legal advice. Then there is hire-purchase finance. Is he unaware of the tremendous development in this field, of the development of fancy rates of interest, or does he deny that those things existed? To me, there were many indications of a boom, and to my delighted colleagues they conveyed the same idea.

Does the Leader of the Opposition deny that we have had a tremendous speculative boom in land sales?

Mr. Peters - Promoted by the Government.

MR. MENZIES - Wait a moment! You do not get away from it by saying "promoted by the Government". I am asking a simple question: Was there a boom in land selling? Was there a speculative land boom?

Mr. Haylen - Ring up Artie. He will tell you.

MR. MENZIES - All right. Run away as fast as you like. Having a sense of relativity I am saying this to the Leader of the

Opposition, who says that there was no such thing as a boom. You do not explain this by saying that somebody was to blame for it, because immediately you say that you admit it existed. But the Leader of the Opposition denies it existed. Does he? I wonder what people would say who found themselves having to pay a most fantastic sum of money for a bit of land on which to put up a home. But the Leader of the Labour Party denies that there was any such thing. Does he deny that there was a speculative boom on the stock exchange? Not a bit! He says there was no boom. I do not like speculative booms on the stock exchange because, quite frankly, stock exchange speculation very seldom, if ever, puts new money into industry. Does he deny that there was enormous increase in purchasing power, and that in consequence there was an immense demand for imports? Does he deny that? I put this, because he never thought fit to refer, directly or indirectly, to the fact that there was a grave threat to our overseas reserves, which were falling rapidly and, but for strong action, would have fallen to the point of danger. The prospective Prime Minister of Australia is unaware of the fact. It is so trifling in his mind that never, from first to last in a carefully prepared speech, did he mention it. This is the leader of the alternative government. Does he deny that there was an acute competition for labour and materials? I wonder whether it crossed his eye, looking over the records in the course of his studies, that because of this boom and this tremendous demand for basic materials, Australia, with all its remarkable increase in local production, had become a net importer of steel. There was no mention of it.

These are all the marks of a boom, and a government that is confronted by a boom and is afraid to do something about it is not fit to be a government. A Government that inherits a quelled boom, or an abolished boom, and sets out to create a new one by its policy is not fit to be the Government of Australia either. Being confronted by all these obvious questions the honorable gentleman took refuge in saying that the boom was an imaginary thing created by our imagination and having no existence in fact. So, Sir, as I repeat, he paid no attention to the problem of the balance of payments. May I remind him and remind Australia, if it needs to be done, that this wonderful country of ours lives on international trade more than does any other country of its population. We are one of the great trading nations of the world. I am not boasting about this. It is a fact that if you put down the first ten trading nations in the world in absolute terms, not in comparative terms, we are one of them. Of course we live on it, because our exports enable us to pay for the things that we bring in from overseas, the bulk of which are in aid of production in Australia itself. We are a great trading nation and therefore we have a vital interest in what our balance of payments may be.

Do honorable members realize that all the economic troubles that have arisen in Great Britain of late are troubles of balance of payments - America had a few of the same kind not so long ago - all problems of how you can keep your exports up to the world so that you may buy what you want from the world and not go bankrupt in the process? This is the simplest possible way of stating the problem of the balance of payments. But the honorable gentleman opposite says nothing about it. It does not count in his world. Whoever advised him did not think of it. Governments have had to think about it very greatly in my time. I wonder - Iam now speculating on what would have gone on in my friend's mind if he had thought about this matter - Iadmit this is a dangerous and almost an impertinent exercise on my part - whether he would have said that there would not have been a problem of that kind if import licensing had not been abandoned. It is a very odd thing that in his speech, so much admired in the Sydney afternoon press -

Mr. Haylen - The dailies were not bad either.

MR. MENZIES - I was referring only to the juvenile section; you know what I mean.

Mr. Haylen - I understand. You would read the comics first.

MR. MENZIES - I always do - except that I read the leading articles; they are the same thing. Of course, my friend reads the comics, provided they are guaranteed written or drawn by an Australian. Anyhow, we will not quarrel about that. The Leader of the Opposition said not a word about import licensing. I thought he was going to say, "Of course, there was a boom and you caused it. You did not invent it; you caused it. And you would not have caused it if you had not got rid of import licensing."

Now, Sir, this leaves us free to speculate. Does not the Leader of the Opposition know that in a period of domestic inflation with full and, from time to time, over-full employment a reduction in the supply of goods will increase the inflationary pressure unless, corresponding with the reduction in the supply of goods by import licensing, you stiffen up the credit restrictions at home? You cannot have it both ways. There are two weapons you can use on this matter. One is to let more goods in, and the other is to restrict credit at home by various processes. But if you let all the goods in, then quite palpably you will have to restrict credit twice as much; otherwise the inflationary boom will go right out through the roof. This is elementary. You do not need to be a professional economist to know that. But the honorable gentleman has thought fit to ignore it. I wonder, Sir, whether my friend, who is a good Australian and believes in Australian industry, regards import licensing, with its inevitably arbitrary and bureaucratic character, as a sound permanent means of encouraging Australian industry, because quite frankly I do not. I am a great believer in Australian industry. I am a life-long protectionist. I will not accept the proposition that the right way to protect Australian industry is to put it at the mercy of the government of the day and of the officialdom of the day under a licensing system. Import licensing lasted long enough, and I hope that it will never come back.

There is one other question that I ought to put. I wonder whether my honorable friend, when he wins the next election and puts this new Budget of his into operation, is going to restore import licensing. He did not tell us. I am sure that as a member of the government which made Australia a party to the General Agreement on Tariffs and Trade, known as Gatt, he will realize that with the present state of our overseas reserves - because our measures have restored them to a position of abounding health in the last few months - he could not re-introduce import licensing because, as he well knows and as his Government explained to us at the time, you cannot impose quantitative restrictions except to protect your balance of payments, and the balance today - thanks to these measures that we have taken - is so healthy that nobody would have believed it possible five months ago. That, of course, explains why the Leader of the Opposition has not promised that he will restore import licensing. He has not even referred to import licensing and in fact, of course, he would not dream of making a promise because he knows that until his policy has been operating for six months there will be no justification at all for import licensing.

Then, Sir - I am bound to say that I heard this with great reluctance and with some sorrow - I am accustomed to some of the extravagances elsewhere, but the honorable gentleman seemed to me to set out to destroy confidence, to preach gloom, to prophesy mass unemployment and to prophesy a depression deeper than anything we have ever known. Of course - and listening in

this afternoon, I have learnt that there are quite a few expressions that are now parliamentary - it is utter drivel to talk about a mass depression of that kind. There is not the faintest reason for any such prophecy.

The fact is that every one in this chamber - I say this emphatically on behalf of all of us - hates to have out of work people who like to be in work and who are competent to be in work. Of course we do. No government in our history has done more over a period of twelve years to maintain the highest possible level of employment than has this Government. We do not need to be told by bellowing fellows - you know, Sir, whom I mean - about unemployment and its hardships. Unemployment presents the most tremendous human hardship that one can possibly imagine. But when people make speeches which, unless those people are utterly stupid, are intended to increase unemployment and human hardship, I express my utter contempt for them.

One of the greatest tasks we have is to get rid of the relatively small amount, but too big for our comfort, of unemployment that exists at present. The right way to do this is not to destroy confidence in the community but to encourage it. Let me put it into simple terms. Today, the numbers of registered unemployed are a little more than twice what they were in the period of the boom. Do not let us forget that we have always had a number of people registered as unemployed, even in a boom when we have had full employment. Let us agree that the number today is twice as great as it was - that is 50,000, 60,000 or whatever you may care to call it. These people are tremendously important. How do we get them back to work? I put it in the simplest terms: We get them back by improving business turnover in this country by 2 per cent - that is all.

Mr. Griffiths - What sort of business?

MR. MENZIES - The business of buying at the ultimate end, if you want it explained to you. If people are threatened with unemployment and are constantly told by their supposed leaders, "You never know, you may be out of a job tomorrow; this is going on and it will get worse and worse until it reaches the Lang 30 percent.", then, of course, they will button up. But if they go about their affairs in the normal way, believing, as I think they should, that this country is in a resurgent movement which will make everybody before long forget these troubles, business activities will return to normal. I put it in this way: 2 per cent. more buying at the ultimate end -

Mr. James - With what?

MR. MENZIES - There is a good deal of purchasing power in the community. The honorable gentleman forgets that there has been a substantial increase in the basic wage, a substantial increase in social service payments in this Budget and a very large amount of tax refunds this year, running, I think, to about £90,000,000. An increase of 2 per cent. and the trade position will begin to clear, the stocks will begin to move out and the manufacturers' wheels will begin to turn. Sir, I am trying to put this in proper proportion. It is all right to stand up and moan about people. I know it is the fashion for a few honorable members opposite to think of me as a thoroughly inhuman fellow. I am not.

Mr. Jones - Aren't you?

MR. MENZIES - You are the last man who ought to say so. I am not. I am a responsible political leader and as such it is my duty to point out to this country that whatever reduces the confidence of the people will destroy their employment and whatever makes them see the position clearly with all the elements that make for employment will restore the jobs of those who today are without them.

Opposition Members - Oh!

MR. MENZIES - I have heard that "Oh" many times. I have been here a long time. I know Opposition members say I have been here too long.

Mr. Curtin - Too long!

MR. MENZIES - Yes, too long for you. I know that honorable members opposite live year by year, election by election, on prophesies of gloom. They say there will be more and more unemployment. That is the most shockingly barren policy I have ever heard. It is quite discreditable. When they find 97 people out of 100 employed in a factory or whatever it may be, they say to the 97 as vociferously as they can, "Be careful, you may be the next to go". I know it is not very well regarded by people of a delicate nature to say this kind of thing, but I perfectly well believe that there are honorable members opposite who would regard another 100,000 on the list of unemployed between now and December as the greatest political triumph in their lives.

Mr. Reynolds - Who is being inhuman now?

MR. MENZIES - I am being human, but I am taking leave to question your humanity. You might think about that occasionally.

To me, the existence of unemployment is a terrible thing. It imposes human hardship. It is quite true that every government, whatever its political colour may be, must deal with these great problems in the broad and occasionally may have to accept some of these consequences. But it is a monstrosity to think that the Government does not know that there is tremendous tragedy in homes in which the breadwinner is willing to work but cannot work. The whole of our policy is designed to remove this tragedy. The whole of our policy has been to get rid of inflation, which is a threat both to development and to investment, to produce a sensible stability in the community, to prevent the value of wages, salaries and pensions from being run out by an inflationary movement, and thereby before long in total to restore a complete prosperity - not a boom prosperity but a sound prosperity to the country.

Our position today is that our overseas balances are good; that the seasonal prospects appear to be good, except, I regret to say, in parts of Queensland; that we have good prospects for wool production; and that we will have, I hope, good wool prices. Sales tax has been reduced on many commodities that affect the householder and we have the virtual ending of the credit squeeze, because all banking restrictions today, under Reserve Bank directions, are concentrated in substance of speculative operations, as the Treasurer (Mr. Harold Holt) pointed out in his Budget speech. We have good bank liquidity and a vastly accelerated works and housing programme which has not received the study in this place that it deserves, though the Treasurer might, if he had had time, have said a good deal about it. We have increased purchasing power along the lines that I have mentioned.

The last thing I wish to say is this: The Leader of the Opposition said, being put to it by himself, that he prefers expansion to stability. I want to say, if it is a permissible form of words, that we prefer both. We attach enormous importance to stability not for stability's own sake, but because we believe in expansion and because we believe that unless we can have a stable base in this country we can never attract the investments, the hopes, and the willingness to take risks that the country needs if it is to expand as it should. I could elaborate on that, but I will not, because my time has almost expired. Perhaps, before I resume my seat, I ought to say that I hope I have made it clear that we do not accept the proposition advanced by the Leader of the Opposition.