

COMMONWEALTH OF AUSTRALIA

SPEECH

BY

Rt. Hon. R. G. MENZIES, C.H., Q.C., M.P.

ON

BUDGET 1962-63.

[From the "Parliamentary Debates," 16th August, 1962.]

Mr. MENZIES (Kooyong—Prime Minister) [8.8].—The honorable member for Yarra (Mr. Cairns) has a rich vein of humour that I have always admired; but he really ought to make up his mind one of these days what it is he means because in the last five minutes of his speech, he opted in his attack on the Government two utterly inconsistent positions. In the first place, he drew a picture of the Government as full of low cunning. He says we are going to make ourselves more unpopular in the next six months; we are getting ready to do something in a year's time when the election is getting nearer. You can imagine the low cunning with which this cold-blooded Government is planning a political future. That rather surprises me because after the last election I was given to understand by the Opposition that we would not be here very long. Now the Opposition has us engaging in a three years' plan, all cold and calculated.

In the next breath, the honorable member for Yarra has said that the Government is frightened—frightened of the future and of all sorts of things. You know, I find it difficult to believe that anybody except the honorable member for Yarra could be at one and the same time consumed by terror and full of cold-blooded, low, calculating cunning. However, I do not want to worry about him now. I will do that if and when he becomes the Treasurer of the Commonwealth of Australia.

I want to say something now about the motion of censure moved by the Deputy Leader of the Opposition (Mr. Whitlam), and then I want to say something about our own policy, in a positive sense. The speech by the Deputy Leader of the Opposition was very interesting. It was a not very original exercise in phrase-making. I seemed to hear, as I listened to it, all the clichés which enjoy currency in half-baked

socialistic academic circles. I gather from this morning's press that we may expect to hear more of these in the future, fresh from the National University. I know the honorable member opposite who is interjecting does not like anything except the sound of his own voice and the distant waves from a certain foreign country. But may I, even with difficulty, return to what I was saying about the speech made by the Deputy Leader of the Opposition?

He accused us—I made a note of a few of his phrases—of ineptitude, unprincipled conduct, neglect, callousness, incompetence, and intellectual and political dishonesty. I hope I will be allowed to say to the Deputy Leader of the Opposition that for him to accuse anybody of those offences really hurts. It hurts profoundly. Presumably—the honorable member for Yarra gave a hint of it in the closing passages of his speech—the country has suffered from our ineptitude, unprincipled conduct, neglect, callousness, incompetence, and intellectual and political dishonesty for twelve years or more without knowing it. That is the most astonishing performance in democratic history. Here is a community which, time after time after time, has had elections, but we are still in government. The poor simpletons, as we are told—the Australian electorate—did not know the kind of people who were conducting the affairs of this country.

The CHAIRMAN.—Order! The honorable member for Wills is interjecting. He must keep order.

Mr. MENZIES.—Sir, I do not expect honorable members opposite to be very happy. Now that they have decided they cannot win, they have determined that they will squeal. Let them squeal.

The CHAIRMAN.—Order! Honorable members are still interjecting. The Deputy Leader of the Opposition was extended the courtesy of being heard in silence, and I expect the same courtesy to be extended to the Prime Minister. If that courtesy is not extended, the Chair will be forced to take action.

Mr. MENZIES.—The favourite phrase which ran through the speech of the Deputy Leader of the Opposition was that the Australian economy was a stagnant economy. We have heard this time and time and time before. I have heard it ever since we

came into office in 1949. Until we had been here for a year or two we did not hear much of it, but thereafter there were constant references to a "stagnant economy". The stagnancy of the economy, presumably, is due to the defects that the Deputy Leader of the Opposition has enumerated. Sir, I do not want to labour the obvious, but what has happened in this stagnant economy during our dull, incompetent and unimaginative régime? I will tell you, Sir, for the benefit of all those who are not sitting in opposition and therefore are not professionally bound to disregard it. The population of this country in that period of time has risen from 8,000,000 to over 10,500,000.

Mr. Ward.—You had nothing to do with that.

Mr. MENZIES.—I had as much to do with it as the honorable member. My contributions to the population during that period were all by deputy. The net value of production in Australia has trebled in that time. There are very nearly 18,000 more factories in Australia. There have been enormous increases in mineral development and production. The value of our exports has doubled. Just under 1,000,000 houses and flats have been built, so that already, in the proportion of homes to population, Australia leads the world. General revenue grants to the States, which have their own great responsibilities in the federal system, are almost five times what they were when honorable gentlemen opposite went out of office. The loan works programme—sustained by the Commonwealth Government for the first time in the Commonwealth's history—is nearly four times what it was in 1949.

But, Sir, there are, of course, other continuing proofs of progress in this "stagnant" economy. Too few people realize that a cash deficit of £120,000,000—I will put it in round figures—will of itself have a most expansionary effect. We shall pay out to the citizens £120,000,000 more than will be collected from them. So far from being timorous—I think that was another of the words used by the Deputy Leader of the Opposition—this is adventurous finance. Add to the deficit the tax refunds

now being made, and it is clear that purchasing power in Australia this financial year will be uncommonly high. The real task of any government to-day, as well as of the business community and all sensible citizens, is to get that purchasing power exercised.

Sir, there are other factors. The gross national product in the June quarter of this year—this year of so-called super-stagnation, but a year in which no change occurred in the consumer price index—showed an increase of 7.6 per cent. over the June quarter of 1961. Here is further proof of the “stagnation” of the economy. Deposits in the savings bank, which are not the haunt of the rich, amounted in 1961-62—the financial year we have just ended—to £157,000,000. Hire-purchase debts fell by £40,000,000. The banks were not liquid. Our external balances, a great source of anxiety to us only two years ago, rose and are healthy. And all of this has occurred, Sir, and is occurring in a period of stable price levels and stable monetary values. I say no more about the allegation that the Australian economy is stagnant. Most people in other parts of the world would love to live in a country with so stagnant an economy as is Australia's.

I know that the professional task of honorable members opposite is, to use the old phrase, to cry stinking fish—to make everybody believe that the Australian people are in the depths of misery. The Opposition thinks that once it convinces the people that they are in the depths of misery, they will vote for Labour—you have to be pretty miserable to vote for the Labour Party, but that is what honorable members opposite are hoping for.

Now let me say something about the bases of our policy. The first item in our policy—this does not distinguish us from other people—is to build up Australia's population. An increased population is vital to Australia. Whatever fluctuations may have occurred in our population, let me remind honorable members that in 1949 the population was a little more than 8,000,000, but to-day it is well over 10,500,000. Our second great objective is to maintain full employment of man-power and resources. The two things must go together if we are to develop Australia.

It is true that in January of this year 131,000 people were registered for employment, but last month that figure was down to 90,000. That is a magnificent reduction in that period of time. That process of reduction will continue. I do not need to be reminded that honorable members opposite will cry themselves to sleep if the number of persons unemployed declines to the point where it disappears, because then they will have lost their one great claim to statesmanship. The reduction in the number of persons unemployed has occurred with the full effect of the February measures obviously yet to be seen, and most obviously with the full effect of a £120,000,000 cash deficit yet to make its mark on the spending power and willingness to buy of the Australian community. Of course I am optimistic. The honorable member for Yarra, who obviously has never had to associate himself with the compilation of estimates, says: “But your estimated figure for unemployment benefit is such and such. That means you have reconciled yourselves to a certain volume of unemployment.” I would be very sorry for the man who, having approached the Treasurer with an estimate of how much had to go out in unemployment benefit, had to go back and ask for more. Of course, when the honorable member for Yarra is older and wiser—

Mr. Jones.—When he is grey headed, like you!

Mr. MENZIES.—Yes, when he is grey-headed like me, or is the honorable member referring to the honorable member for Barton (Mr. Reynolds)? The fact is that confidence—the important element in putting all this purchasing power to work—is attacked and undermined by an Opposition which relies on unemployment to put it into office, but, as I gladly acknowledge from the honorable member for Yarra, not for three years—that is what I gathered from his remarks.

Our third objective is to restrain inflation. I did not hear anything about restraining inflation in speeches made by honorable members opposite. As far as one can judge, the Deputy Leader of the Opposition neither says nor cares whether anything is done about inflation. In fact, at one stage during his remarks, as cliché followed cliché I expected him to say that inflation was a

bogy—but I have heard that one before. He seems to believe—presumably his party believes it too—that stability in the value of income of any kind and in costs is stagnation. This is something about which everybody should begin to think. It is something about which I invite the people of Australia to think. Do they believe that stability in the price level—in the value of the money they receive and in the cost of things they buy—is stagnation? No sensible person could possibly believe it.

We have had eighteen months of stability in the consumer price index, and in that period we have conducted, or materially contributed to, some of the greatest works of development in the history of Australia. Far from believing that stability means stagnation, we have proclaimed that stability is a condition of growth and development. We have spent vast sums of money on the Snowy Mountains scheme, on the standardization of rail gauges, on a great project in Western Australia, on a now-completed programme in Victoria and on the Mount Isa railway. The latter is a very great enterprise involving the development of our copper resources and the export of copper from this country. We have given encouragement to the coal ports, and we have assisted the building of beef cattle roads in the north. It would be tiresome to list all the undertakings that this Government has helped. They are all in the minds of honorable members. The point I make is that those projects have been completed or undertaken by us in a period of stability, which the honorable member for Yarra continually confuses with stagnation.

Our next great objective is to see that there is a steady and strong growth of manufacturing in Australia, because manufacturing is one of the essential conditions of full employment in a growing population. Every honorable member knows that. There is a limit to the extent to which an increased population may find gainful employment in rural affairs. Everybody knows that. We must find employment in secondary industry and in tertiary industry for the fast-increasing population that is coming to this "stagnant" country.

Our next objective is to reduce costs of production or, alternatively, to prevent them from rising. I am speaking now about

manufacturing industry. I remind honorable members that it is this Government that has introduced investment allowances to help manufacturing industry to improve its plant and to reduce its costs. It is this Government that has introduced export tax concessions in order to give material inducements to manufacturers to get into the export business and not leave it all to the primary industries. It is this Government that has expedited tariff procedures. It is this Government that has introduced provision for quota restrictions in selected cases of some urgency and particularity. It is this Government that has introduced export payments insurance in order to encourage export industries. I think it will be understood that all of those things have a great bearing on costs of production because if manufacturers in Australia developed a large export market their turnover would be greater, their unit costs would come down and they themselves would be able to resist other pressures upwards on the cost level. Therefore, the whole objective that we have, in the case of manufacturing, is to increase turnover, to facilitate the maintenance of plant efficiency and to reduce unit costs. With the primary industries, we have pursued, and are pursuing, corresponding policies.

Let me remind the committee—and I find that I need to remind the Deputy Leader of the Opposition, because, from first to last, he had not a word or a thought to spare for the rural industries in Australia—that the exports of primary products by Australia produced most of the income which enables manufacturing industry to have the imports of plant and materials that it must have if it is to grow and to employ people. Here is the perfect example of interdependence. Manufacturing industry needs materials. To a great extent still, it needs plant from overseas. It cannot buy plant and materials overseas unless we establish overseas credits by the export of primary commodities. As a result, the preservation of the primary industries and the strictest attention to their cost level have a direct bearing on the extent to which manufacturing industry can grow and employ the increasing population that I stipulated for at the very beginning.

So I can add, in the case of primary industry, also, that the avoidance of inflated costs is essentially related to increased productivity of the land. So far, the results, in terms of increased productivity, of the use of applied science or technology, have been quite remarkable, as has been the development of new and wider markets. All of these things are being attended to by this Government. The Treasurer (Mr. Harold Holt) is a much-abused man. He has been responsible for some of these things. The Minister for Trade (Mr. McEwen) has been responsible for others. I suppose that I may regard myself as the innocent bystander. These things have been done and are being done by this Government. Yet, Sir, the problems of production, of costs and of export for both primary and secondary industries were not regarded as being worth five minutes' time by the Opposition when it presented what I, in my innocence, regarded as the policy speech on behalf of an alternative government.

It is quite clear, as all honorable members who followed the speech made by the Deputy Leader of the Opposition will remember, that the first fatal omission from that speech was his failure to say anything about rural costs. On the contrary, he advocated, in a rather broad and undetailed fashion, a policy of acute inflation, laughing at the idea that we need to worry about the stability of costs because, in his opinion, stability, if we achieve it, will be equivalent to stagnation. This is the thought right down in his mind, or in the minds of these academic observers and advisers of his.

I have stated the first thing omitted from the Deputy Leader of the Opposition's speech. I am talking about major matters. The second thing is that there was in it not a word about the need to encourage the productivity of the export industries and to increase export income, because the Deputy Leader of the Opposition failed to realize that those two things are essential to full employment. Is this a draft of the policy of those who hope to form the next Labour government? If it is, let the man on the land in Australia take warning. He will be forgotten and irretrievably damaged, and full employment will be imperilled by lack of real nourishment for the great primary and secondary industries.

Sir, we hear a lot about full employment. We are asked questions about it now and then, and there are arguments about words. But full employment is not an artificial idea or something to be achieved by some sleight of hand, by some artifice on the part of a government. It is the desired end of national and industrial actions operating together to create a state of affairs in which people are employed because they are needed for work. In other words, you can look at full employment as if it were a theory, or you can look at it as the desired end of a great co-operative effort throughout the country—an effort in which action is productively directed and people are productively employed.

The next objective that we have in our policy, Sir, is to develop the basic resources of the country. Honorable members opposite would be hard put to it to deny that during our term of office the most astonishing development of these resources has occurred. This development is quite right, because basic resources and public works are the foundations of real growth in both the public and the private sectors of the economy. I have said this before, and I repeat it: I do not accept this artificial division of the economy between the public sector and the private sector. We look at the works programmes of the States and we think that they are very good programmes. They are very good indeed. Without them and without our works programme, private industry could not grow. It could not employ people. It could not see them housed and provided with transport, schools and all the amenities of civilized society. So we must not draw these acute distinctions. But we must understand that if we are to have all these things, the roots of development must be deep in the soil of Australia. We must look at our basic resources, wherever they are, and expose them and use them in the service of the people of Australia.

Our next objective of policy, Mr. Chairman, is to raise the standard of living by massive assistance in housing, by the maintenance of industrial peace, by large and growing payments to the States for transport, schools and water supply, and by development generally. I lump those things together. I wish I had enough time and the

committee had enough patience to enable me to take them one by one and analyse them, but I must lump them together for my present purpose. Assistance in each of these fields represents a powerful contribution to the improvement of the standard of living. In consequence of this assistance, the standard of living has actually been rising in this "stagnant" economy!

Next, Sir—I hope the Opposition will pay some attention to this—one of our great purposes has been to maintain the public credit so as to ensure the maximum capital raisings in Australia, a substantial inflow of capital, on both public and private account, from abroad, and, generally, Australia's international financial repute. Nothing is more valuable to a country than a good reputation. The Deputy Leader of the Opposition, speaking, I admit, with not too much knowledge about this matter, said that if we would give the Australian Labour Party the chance it would reduce the interest cost of raising money on the public account. That seems quite simple to do if you say it quickly. It is not so simple to do. As a matter of fact, it was quite wrong for him to say this, because he wanted to create the impression that there was an unduly high interest rate on public securities in Australia as compared with other countries. I will take the long-term yield, which always affords a basis of comparison. On the long term, twenty-year yield, what were the current figures in July of this year—that is, last month? They were: Australia, 5 per cent.; Great Britain, 6 per cent.; West Germany—no one has ever said that West Germany's was a stagnant economy, for it has been throbbing with activity ever since the war—6 per cent., not 5 per cent. as in Australia; and Canada, which has great access to powerful financial resources from the United States of America, 5½ per cent. Australia was the lowest of the lot.

Having made those remarks, I just want to make two particular comments. Time would not reasonably permit me to make more. First, we were charged the other night with callous treatment of the unemployed. I take it that that is the general belief of the Opposition. I hope that all honorable members on the Opposition front bench agree with that charge—callous treatment of the unemployed.

Mr. Ward.—That is an understatement.

Mr. MENZIES.—He will always rise if you cast the fly enough. "That is an understatement", says the honorable member for East Sydney. Well, well! Sir, I seem to remember that the Australian Labour Party was in office for a number of years—eight years. I remember that well, because I was sitting on the Opposition side of the chamber. The Labour Party was in office for eight years. It was not notably deficient in talent, compared with those now on the Opposition side. Labour was in office for eight years, had majorities and ran the country. In 1949—my year of grace, if I may put it that way—when Labour was still in office, there was substantial unemployment for a time. I am not worrying about—

Mr. Allan Fraser.—Of course you are not!

Mr. MENZIES.—I know that the unemployment arose primarily from a Communist-inspired coal strike. But do not forget that right through the period there was some unemployment.

Mr. Allan Fraser.—Three hundred.

Mr. MENZIES.—You ought to study the figures. I defy you to find any time in the whole of that period when no people were registered as unemployed. There were masses of people unemployed. Anyhow, whether they were unemployed for short time or a long time, or whether they were few or many—

Mr. Reynolds.—Many jobs were available.

Mr. MENZIES.—I am talking about people receiving unemployment benefit. Even you must understand that when they were drawing benefit they did not have a job; so let us discuss it in that way. Few or many, it does not matter; they were still unemployed. What did the Labour Party provide for them? The benefit for an adult or a married minor was 25s. a week and for a wife, £1.

Mr. Pollard.—And it bought three times as many pounds of butter as your benefit will buy.

Mr. MENZIES.—The honorable member for Lalor will be advocating a reduction in the price of butter shortly. Really,

Reggie, you must behave! Mr. Chairman, I know Opposition members want to interrupt the reception of this speech.

The benefit was 25s. for an adult or a married minor, £1 for a wife, 5s. for one child, nothing for any more children, and a permissible income of £1. This year, under this "callous" Government which does not care what happens to the unemployed—that was the phrase used by the Opposition, so we had better accept it—

Mr. Uren.—Who created the unemployment?

Mr. MENZIES.—Under this Government in 1962, no thanks to you, the adult married minor receives, not 25s., but £4 2s. 6d.; the wife receives, not £1, but £3; each child receives 15s., not just one child receiving 5s.; and the permissible income is £2. Let me just summarize that. Labour provided for an unemployed man with a wife and two children, £2 10s. a week.

Mr. Pollard.—You provided nothing in 1939.

Mr. MENZIES.—I know you do not like it, but for once in your life take it. I will repeat it.

Mr. Pollard.—Why don't—

Mr. MENZIES.—I will repeat it as long as the honorable member for Lalor does not want it to be heard.

The CHAIRMAN.—Order! I warn the honorable member for Lalor that he must cease interjecting.

Mr. MENZIES.—I know what happens the moment you get them like this. The moment you have them on the hip, they begin to say, "What did Lord Wellington say in 1832?" This is the oldest debating exercise in the world.

Mr. Peters.—What did he say?

Mr. MENZIES.—I haven't a clue. Probably all he did in 1832 was to vote against the Reform Bill.

I will repeat this; it will ultimately reach the public ear. Labour provided for an unemployed man with a wife and two children, £2 10s. a week, and permitted an additional earning of £1 a week. For the same family we provide, not £2 10s., but £8 12s. 6d., with permitted additional income of £2, not £1. It is of no use for honorable members opposite to say, "Ah,

but the cost of living has increased". No increase in the cost of living that has occurred can explain the difference in the benefits paid. Opposition members have my deepest sympathy when confronted by these figures, when they have it demonstrated that this argument about callousness to the unemployed is hypocritical drivel. When this is demonstrated to them, of course, they run back and ask what happened in—oh, dear, dear!

The second particular comment that I want to make—I might well make 50, but I will limit myself—is that the honorable gentleman said in his projected budget there would be an emergency grant to the States for education. He did not give any details of this. I confess it puzzles me a little. An emergency grant! Does he mean for one year? Does he think that a grant for one year will solve the problem? Or does he mean that it is to be permanent and therefore not an emergency grant? He really ought to tell us, I think, at some convenient time, which idea he has in his mind.

But under this "stagnant" Government, in this "stagnant" period in Australian economic and social history, what has happened? In 1950, the States, which have the prime responsibility for education—greatly assisted by us, as I will show—were spending £46,000,000 on education. In spite of us and our villainy, in 1960-61, ten years later, they spent, not £46,000,000, but £184,000,000. This does not sound much like stagnation. From 1951, when we began it, to the current financial year, Commonwealth direct payments to State universities rose from £1,000,000 to just under £16,000,000, and our scholarship provision was multiplied four times. I will not take too much time on this, because I am preparing a statement which will show how much the Commonwealth contributes directly and indirectly to State education expenditure. The figures will show that in 1950-51 the Commonwealth component of the £46,000,000 that the States spent was £22,000,000, and that out of the current £184,000,000 the Commonwealth component was no less than £85,000,000. But, Sir, I will not anticipate because I think it is due to the honorable members that I should have a paper prepared—and it is now well in hand—to deal with these matters.

I have briefly explained the objectives of our policy and I have explained them, I hope, in positive terms. We know quite well, if nobody else does, that in any country economic conditions will fluctuate. But that does not mean that a long-term policy cannot be pursued with vigour and determination provided that it is widely understood and that targets are clearly seen. If we compare our progress in Australia—this great country of ours—for the last decade with that of any other comparable country we shall see that our advance has been steady and sure. True, we have recently had some recession of business activity—now recovering—and some unemployment. But this Budget, coming as it does on top of the liberal measures of a few months ago, is expansionary and will, subject to one element to which I shall refer again in a few minutes, facilitate a full return to a rapid but sound national growth. The large deficit of nearly £120,000,000 is, for reasons I have mentioned, calculated to stimulate this process.

Sir, our foundations are solid and sure. Our overseas reserves and our balance of payments, which gave us great concern in the boom months of 1960, have been restored to health. The banking position and the availability of credit are both satisfactory. We have cost and price stability. The inflow of capital for Australian investment is being maintained. The public credit is high. We are confident of a good future, and we are determined to achieve it. Our task is not to produce a return to an inflation which, in its turn, could produce rapidly rising costs and prices with excessive labour turnover, inefficiency and damaging speculation. That that is not our task, I am happy to say, was recognized by every businessman and primary producer with whom we had discussions about six weeks ago.

Our duty is not negative but positive. It is to promote a climate favorable to rapid but sound growth of national resources and

primary and secondary exports and the new and enlarged markets that we need in a changing and challenging world. To do all these things we must and will accept some risks, but not foolish risks. However the chances in this national adventure may fall, we do not propose ever to lose sight of the need for growth, which is supremely important, nor of the basic condition of growth, the preservation by the joint efforts of science, management and labour of a general cost level which will enable us to meet and overcome competition both at home and abroad in the products of our fields and factories.

Sir, before I conclude, may I say this. Much play has been made by our opponents, evidently unacquainted with the fact that the economy, as well as road transport, has its traffic problems, on the brilliant term "stop-go". Adopting this metaphorical expression I can say for the Government that economically speaking, we shall drive ahead on the right road as fast as we sensibly can. We hope to have the green light with us. We may well occasionally see the amber light, which means caution, but we will not drive through the red light just because some passing pedestrian would regard that as a proof of liberal thought.

I said that there was one element operating against a full return to speedy growth. That element is insufficient confidence up the line from consumer-buyer to manufacturer. For all the reasons I have mentioned, there should be to-day a powerful surge of confidence. Those who devote their major attention to the defects of our present position, and withdraw their attention from the real foundations of prosperity, do a great disservice to the nation. They promote in the public mind that very ill-founded uncertainty which is the sole remaining cause of the degree of unemployment that still exists. There is no room for pessimism in a country whose entire history is a triumph for hope and faith and confidence.