

COMMONWEALTH OF AUSTRALIA.

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SPEECH

BY

Rt. Hon. Sir ROBERT MENZIES,  
K.T., C.H., Q.C., M.P

ON

APPROPRIATION BILL 1963-64.

Second Reading.

(BUDGET DEBATE.)

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[From the "Parliamentary Debates," 27th August, 1963.]

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**Sir ROBERT MENZIES** (Kooyong—Prime Minister) [8.34].—Mr. Speaker, my purpose to-night is to deal with the amendment to the motion for the second reading of this bill submitted by the Leader of the Opposition (Mr. Calwell), which constitutes a motion of no confidence in the Government. After all, as we have already indicated, that exposes the Government at once to the risk of defeat. Therefore, it is proper that I deal with the matter. In order to remove any anxieties, perhaps I should make it quite clear that we propose to vote against the amendment. I think that is fair enough.

I do not propose, Sir, to duplicate what has been said already—and said very well—by a number of honorable members on my side of the House. I would like to begin quietly, as I hope to continue, by mentioning that one of the remarkable things about my distinguished opponent's speech was that two of the Opposition's earlier cries were abandoned. It is worth recording them so as to accord them, as it were, the proper obsequies. First of all, we were accustomed over quite a period to being told by the Opposition that we had ruined the loan market. That is very interesting. When the

loan market was a little sluggish, the Opposition explained that this was due to want of confidence in the Government. This capacity on the part of the Opposition, driven desperately by so many years in the wilderness, to have a bit each way fascinates me. The Opposition said that we had ruined the loan market. Now, it has to concede that the loan market was never heavier, never more successful. Opposition members said that they would restore the loan market by lower interest rates. We did that. We restored the loan market and then we reduced the long-term bond rate. And the loan market still was tremendously healthy. All I can hope is that the subscribers to Commonwealth loans issued on behalf of the States will continue to express their discontent with the Government in the same fashion.

The second allegation that is worthy of passing thought, Sir, is that by dropping import licensing we imperilled our overseas balances. I remember listening in this House time after time to Labour leaders—honorable members opposite have never had fewer than three or four at a time—saying, "Look at the overseas balances you inherited from us and see how they have fallen". When we got rid of import licensing for all practical purposes, we were told that we had taken the opportunity to destroy our overseas balances. At 30th June, the overseas balances of this country stood at £626,000,000 of gold and foreign exchange, plus an International Monetary Fund drawing right of £223,000,000. If this be the ruination of our overseas funds, we must have the dictionary re-written.

I just mention those things very quietly, Sir, because I think that, in order to observe continuity in politics, some of those who were not here at the time ought to know the kind of things that have been said by their leaders. I now pass on from that. I know that some of the things I shall say have already been said extremely well, but I just want to make my own speech on this subject as head of the Government that is under censure.

Time after time in his speech, the Leader of the Opposition made allegations of dishonesty. This is one of his favourite words. When I hear it from him, I take it seriously. If I heard it from somebody else, I would ignore it. We heard from the honorable

gentleman repeated allegations of dishonesty. Yet the central allegation that appeared time after time in his speech was itself completely dishonest. That allegation was that my colleague, the Treasurer (Mr. Harold Holt), speaking on behalf of the Government, proposes a deficit of £300,000,000 and that this deficit—he kept on repeating it—contains the seeds of inflation. That statement was clearly, deliberately, repeatedly and grossly dishonest. We might as well have the facts out on this. He is not going to accuse us of dishonesty and escape from these perfectly clear statements about his own attack. I will come back to this in a moment and demonstrate it, chapter and verse, but, before I do that, let me just continue with these rather agreeable, pleasant remarks.

It is only a few months ago that the Leader of the Opposition was preaching depression and stagnation. All of us who were here remember that, do we not? He spoke about these things so yearningly that I almost believed he wanted them. Perhaps he did. He spoke about depression and stagnation. Now he invents a £300,000,000 deficit with, as he pointed out, increased expenditure but no increased taxation, and he says now—or he did the other day—that this means a period of boom and bust. I use his own somewhat sculptural expression. To meet this, he wants largely increased expenditure to increase basic demand. That is what he called it. Apart from altering the graph of income tax to increase the burden upon those earning over £1,200 a year, which is the average wage earning of to-day—I will say something about that in a moment because I want to keep the best till the last—he wants to reduce revenues from pay-roll tax, from petrol tax—I need not go through the whole list—but he would increase expenditure on homes, on education, on defence and on northern development. This is a curious thing. He says this is a policy of boom and bust, that we are in for a deficit of £300,000,000, which he knows is completely untrue and which the Treasurer made it perfectly clear was untrue.

Having said that, what does he do about it? If this contains the seeds of inflation, then obviously the revenues ought to be up, and, or, the expenditures ought to be down; because he finds in a deficit of £300,000,000 all the seeds of inflation. What is his cure?

It is to increase the expenditures and reduce the revenues. Sir, this is almost incredible. I am perfectly certain that if all the electors of Australia could hear this statement, and think about it, they would refuse to entrust their fortunes to a prospective Prime Minister with these astonishing ideas.

Before I pass on from that, I want to say a word about what he proposes to do about defence. He wants more money spent on defence. I took an extract from his speech, and I propose to read it out. This is a puzzle. Even a quiz competitor might be hard put to it to explain this—

We will not pretend,—

said the honorable gentleman—

as this Government does, that the national interest is served by a system of down payments on the instalment plan for weapons and equipment which may be delivered anything from one to five years hence and which, when delivered, are obsolete or obsolescent.

This statement caught my ear at once. I asked myself: "What does the Leader of the Opposition mean by that? Has he discovered some profound means by which you can go and buy the latest weapons and the latest aircraft off the hook?" If he has, I would appeal to him as a somewhat occulting friend of mine to tell me the secret. "Oh," he says, "you must not buy them on down payments; you must not buy them on the instalment plan". Is he really innocent enough to think that you can get a replacement fighter or a replacement bomber or a reconnaissance plane by going along to a shop and buying it? That, I thought, of all the things he said, was the most fantastic. Having looked at it, I concluded that, as he has a rather attractive sense of humour from time to time, I must regard this as a sort of beau geste on his part. To sum all that up, let us put it in this way: His cure, and therefore presumably the cure of his party, for a boom is to have a bigger one, and the right way to avoid worrying about a bust is to make it a stone certainty.

Now let me come back to this famous £300,000,000 deficit. I ask all honorable members to think about it quite seriously. If the honorable gentleman knows anything about these matters—and he should by now—he knows that the estimated cash deficit is £58,000,000, and he knows that, on all former occasions, acting on the old system

of presenting the accounts in terms of cash results, this is a substantial deficit, though not the biggest one that we have ever budgeted for. The Treasurer explained this, I thought, in the simplest terms, and, of course, the figures establish it.

In past years—and I say this for the benefit of anybody who may not have followed these rather recondite Treasury problems, although the honorable gentleman opposite, of course, is familiar with them—revenue and loan items have been added together; revenue and loan or capital expenditures have been added together, we have subtracted one from the other and a cash result has been brought out. Under that system we determined that the cash deficit would be X or Y or Z. This year, we happen to have adopted the system which has applied—I think I am right, Mr. Treasurer—for a long time in Great Britain, where all of what we call the revenue and expenditure items are put above the line and the capital items below the line. Adopting that system and assuming that we do not borrow a shilling on behalf of the States, there is a deficiency of £358,000,000. But because we know that, on behalf of the States, we will borrow large sums of money from the public on the loan market, we make an estimate of the amount involved. The Treasurer estimated it—he cannot be precise at this stage—at £300,000,000. So you have a deficit of £358,000,000. You set off against that the £300,000,000 which you anticipate borrowing from the public—all on behalf of the States, mark you—and the deficit in cash of £58,000,000. The Leader of the Opposition knows that. It was explained with the utmost clarity in the Budget speech. Why does he now seek to deceive the public by talking about a record deficit of £300,000,000? That he has set out to deceive the public appears from his own speech. It is sometimes useful to quote your opponent, so I will weary the House by reading two or three passages from his speech. He said—

Thus, we have the spectacle of a Treasurer who poured ridicule on the Opposition's policy, in 1961, of running a deficit of £100,000,000—

Labour proposed a cash deficit of £100,000,000 in four or five months, which was equal to £300,000,000 in a year—himself proposing a deficit of more than £300,000,000 nearly three years later when, as far

as he is concerned, the unemployment problem has been solved.

Here is a deliberate falsification. Here is a comparison of a cash deficit of £100,000,000 and the £300,000,000 deficit in this Budget, which represents a cash deficit of only £58,000,000. The people of Australia deserve better treatment than that. They do not deserve to be deceived in this fashion. Plunging further, the honorable gentleman went on to say—

In our view, this increase of over £200,000,000 represents the cumulative results of the disastrous policy of too little too late—

The honorable gentleman is a master of the cliché—

which he has followed ever since he and his Government destroyed full employment and business activity in November, 1960.

I hope it is clear to all who are listening to me that here is a comparison between two utterly different things. But the honorable gentleman went on and stated—

And yet, in what is claimed to be a propitious situation, the estimated budget deficit is the greatest on record.

He knows that to be untrue, but although he knows that he says—

Let me repeat. It is three times more than that contained in Labour's policy speech . . . If the Treasurer's diagnosis is correct, then he is being highly irresponsible. He is imperilling price and cost stability because he lacks the courage—

Let me repeat for the benefit of all concerned that I am quoting the words of the Leader of the Labour Party—

to raise taxes to at least match the extra expenditure he is budgeting for.

I say no more about that. I regard this as a rather unsavoury episode and I apologize for having had to take up so much time to expose it.

I will go on with the author—if he is the author—of the motion of no confidence in the Government. He might say that this will be my last speech as Prime Minister. No doubt that is the expectation and therefore I must deal with these matters. He turned his attention to taxation. He said that he would reconstruct the income tax system to help the man receiving less than £24 a week. I imagine from what he said that he would like to save the man earning less than £24 a week 5s. a week in tax. I point out to honorable members that even that saving would increase the tax paid by those receiving more than £24 a week by an

average of almost 10 per cent. I do not think the honorable gentleman, or those who advise him, has ever worked out the problem to discover how the break-up in taxation in Australia occurs. There would be an average increase of about 10 per cent. The honorable gentleman might say, "Those who are receiving £26, £28, £30 or £40 a week naturally would be required to pay only a nominal increase". I wonder what he would do when he reached those income brackets upon which we rely so much for investment and development in Australia! He has not told us.

Then, hoping to strengthen his imperfect story—the one on which we are to be thrown out of office—the honorable gentleman mentioned direct and indirect taxation. He set out to convey the impression that under my Government there was a trend to increase indirect taxes and to reduce direct taxes. The honorable gentleman said, "The Labour Party when it comes to office" or "if it comes to office"—I have forgotten which he said—"will reverse the trend towards indirect taxes". This is a beautiful old argument. I have heard it all my political life. It is said that the hard shell tories or whatever we are called are the boys who want to pile on the indirect taxes because the ordinary fellow, the wage-earner, has to pay them, and they cut down direct taxes, income tax and the like, because the silver-tails will get some benefit. If the honorable gentleman wants a short course in political history he might direct himself to the facts. In 1948-49 he was a Minister in the last Labour government. Perhaps I could have said the latest Labour government, but I will call it the last. At that time Labour was the master of all it surveyed. It had a handsome majority in the House of Representatives and a handsome majority—at least a large one—in the Senate. In 1948-49 direct taxes in Australia were 56.6 per cent. of total taxes. Would honorable members be good enough to carry that figure in their minds? When we came into office—about half-way through the financial year 1949-50 and after the Budget had been established—the proportion was 55.2 per cent. In 1961-62 the trend about which the honorable gentleman has complained had been so reversed under my Government that the proportion of direct

taxes had risen from 55.2 per cent. of total taxes to 59.9 per cent. In the financial year covered by this Budget it is 59.5 per cent. It is well understood that under this Liberal-Country Party Administration the percentage of direct taxation has increased. It has not fallen. The honorable gentleman, having thought that he had something to complain about, now finds that the boot is on the other foot.

I pass from that. The Leader of the Opposition has a thesis which, with great respect to him, is self-contradictory. In one breath he says that the Budget is potentially inflationary. His own expression was that it contained the seeds of inflation because there was a huge deficit. In the next breath he says that the Budget, although potentially inflationary, will fail to restore a strong basic demand. With great respect, I say that he cannot be right both ways. If he is right in thinking that the Budget is inflationary, then, of course, demand will expand excessively in relation to supply. But if what he calls basic consumer demand lags, then there can be no inflation unless, of course, there is some cost inflation by the raising of costs in spite of the relative stability, or the almost absolute stability, of the consumer price index.

Then he went on to say that nothing has been done to restore the purchasing power of ordinary people. This is a time-honoured argument. I am happy to say that we have been put into office and kept in office for a long time by ordinary people—and ordinary people who are not fools. Let us have a look at the facts again. I apologize if I am repeating things infinitely well known to honorable members, but they deserve to be brought together. Just now I mentioned the consumer price index which is the most modern index of what I will call the cost of living. It rose by 0.2 per cent.—that is a negligible fraction of a fraction—last year. But the wages and salaries paid in Australia in this time of terrible depression increased by £210,000,000, or 6 per cent., compared with 2 per cent. in the previous year. This is worth noting. In the March quarter of this year, with a stable consumer price index figure, average weekly earnings increased by 2.5 per cent.—in one quarter. These are not my figures; these are the figures of the Commonwealth Statistician who stands outside controversy and outside bias.

The gross national product rose in 1962-63—the last financial year which finished on 30th June—by 8 per cent. The consumer price index was static. The gross national expenditure—that is to say, the total market value of goods and services bought for use in the Australian economy—increased by £752,000,000, or 10 per cent., in a dead year. Remember that I said the honorable gentleman talked about restoring consumer demand. Here you have the gross national expenditure rising by 10 per cent., with the cost-price level reflected in the consumer price index remaining stable. Personal consumption rose by £245,000,000, or 5 per cent. Private fixed capital expenditure rose by 13 per cent., including an 8 per cent. increase on dwellings, and was 4 per cent. higher than any previous rise in our history. We all ought to be crying ourselves to sleep when we contemplate these figures. The number of houses and flats approved in July this year was 9,465; in the same month last year the number was 8,200; and in July the previous year the number was 7,000. This is a tremendous symptom of development.

Since honorable gentlemen opposite choose to concentrate their fire on the question of employment of people, I point out that in the last financial year the total numbers actively employed in Australia rose by 100,000. This is where we all are supposed to get down and weep and persuade people that misery is on hand, that disaster is about us and that there is a sluggish economy. But, of course, I am wrong. I apologize to the Leader of the Opposition because, although I have dealt with one of his remarks—that there is a sluggish economy—I am bound to say that on the other hand he had a saving bet on the seeds of inflation. I leave it to him.

I want to turn away from that and say something very briefly about northern development. I would have said more about this, perhaps, if it were not for the fact that my colleague, the Minister for Territories (Mr. Hasluck), in the course of this debate, made what I venture to describe as an extremely brilliant speech on this matter—a speech which I hope will be read and circulated very widely in this country. I gather that the Opposition wants a committee or a commission. Before we came into office, the Labour Party established a

committee of Ministers from the Commonwealth, Queensland and Western Australia, with a committee of officials, to have a look at these matters. I have noticed that there has been some controversy on some television session; but I have made inquiries from impartial people as to the records in my own department. I find that the committee of Ministers last met in 1947 and that the committee of officials last met in February, 1948. After all, we did not come in till 19th December, 1949. What came of it? They thought it was a good idea. It might very well have been one. I do not discuss it. But what came of it, apart from tax zoning? If I give that in, what came of it? I do not know.

We have gone about northern development in a practical way. We have collaborated with the Queensland and Western Australian governments and with private enterprise. By so doing we have helped in the most spectacular and valuable northern development in our history. In discussions of this kind projects have been selected. They have been selected by governments. After all, governments have the responsibility of performance; do not forget that. These projects have been discussed by governments as priority matters calculated to improve Australian commodity trade balances, to increase exports and to save imports. It is a pretty practical and effective system, Sir, which produces in our own time the great mineral developments, cattle roads development, water storage, irrigation, railway works in the north and so on. I will not bother about giving an exhaustive list of these things.

**Mr. O'Brien.**—Oil.

**Sir ROBERT MENZIES.**—Yes, oil.

**Mr. O'Brien.**—You put it there, did you?

**Sir ROBERT MENZIES.**—No, but we did what you did not do; we gave material help in the search for it. All I need to say—because I am not going to repeat what has been said by my colleague—is: What do the people want—committees or results?

I want to talk about my last topic with some particularity because it has been the subject of a very intensive campaign. The newspapers of 19th August contained an advertisement published by the Victorian

Teachers Union of 22,000 teachers. It is very much in line with some of the things that I have heard from teachers in the House. I would like to read the advertisement. It is always a risk to do these things, but I will accept the risk. This is a large and costly advertisement and it contains explicitly and implicitly allegations which I propose to deal with and to denounce. I think there be no mistake about this. The advertisement reads—

In 1945 Mr. R. G. Menzies, speaking in Parliament on the problems of State schools—

This is 1945 when a Labour government was in office and I was Leader of the Opposition—

said—

And I am quoted in bits—

“The Commonwealth must in my opinion give aid to the States. . . . Whatever State Ministers of Education may say about what they would like to do, there is a sharp limit to the resources.” Now, after fourteen years of office—  
Sir Robert Menzies—

I was promoted in the meantime—

has yet to fulfil this promise. The situation in the State schools has become far more serious, yet they still do not receive any Federal aid whatsoever. This aid is essential—to provide adequate classrooms, equipment and playgrounds, to reduce the size of classes and to increase the number—

To increase the number mind you—

of trained teachers. Yet Mr. Holt's Budget gave no direct aid to State primary, secondary and technical schools.

Leave the Treasurer out of it for the moment; this is mostly about me—

The schools need more money. Your children's future depends on it.

That is signed “A public statement in education week from the Victorian Teachers Union of 22,000 teachers”. The reference to 22,000 teachers has a slight suggestion of pressure about it. Speaking for myself, I can resist nothing as well as that kind of pressure.

I hesitate to believe that that advertisement represented the views of very many of the Victorian teachers.

**Mr. Barnard.**—You should have been at the conference in Melbourne.

**Sir ROBERT MENZIES.**—I know all about that. I know that the honorable member is a teacher. I understand his point of view. But I am speaking here

to-night as a man who has done more for education than any other Prime Minister the history of this country. The Victorian Teachers Union advertisement quoted what I said in 1945—a time when a Labour government gave tax reimbursements to the States amounting in total to £34,800,000. That same government continued in office for some years but made no provision in its budgets to subsidize or to underwrite State loan raisings, which were, incidentally, among other things for school buildings. Not a penny!

**Mr. Reynolds.**—There was no need to underwrite them.

**Sir ROBERT MENZIES.**—You are talking about fairly small matters. The tax reimbursement to the States was £34,800,000 but the fact is—and you cannot squeak your way out of it—that at that time and until we came into office not one shilling was found out of the Commonwealth Budget to supplement loan raisings for the States' programmes, including their programmes of works for education. Also, 1945 was a period in which the Commonwealth Government made no special grants to the States for universities or teaching hospitals.

What is the position to-day. I want to say this as one who is supposed to have forsworn what he said in 1945: The tax reimbursement to the States, as even honorable members opposite must know, materially enables the States to pay their running education costs because it includes a calculation for growing population. The tax reimbursement has increased from £34,800,000 in 1945 to £318,400,000. That is something worth thinking about—an increase from £34,000,000 to £318,000,000 under our Government. The tax reimbursement is now called financial assistance grant, but it is the same thing. The effect of this generous treatment of the States in revenue and loans—it was generous; it went beyond any formula that had ever been devised in the time of the Labour Government—has been that whereas the States spent on education in 1950-51, just after we came to power, an amount of £46,000,000, in 1960-61 they spent £184,000,000, and I would think that this year they will spend something more than

£200,000,000. That represents an enormous increase.

Sir, it is a very strange performance for a teachers' spokesman to assume that Commonwealth payments to the States contain no education aid. All along we have exceeded the Chifley formula by supplementary grants. In 1959 when my colleagues the Deputy Prime Minister (Mr. McEwen) and the Treasurer were at the Australian Loan Council and the Premiers' Conference we agreed to a greatly liberalized formula, and an important factor in all this was population and, therefore, school needs. Over the past thirteen years we have provided something that was never provided before in the time of the Labour government. We have provided a grand total of £801,000,000 for State loan works over and above actual loan raisings. In 1945 such assistance was unknown. I repeat: Over a period of thirteen years we have provided £801,000,000. I say without any fear whatever that but for those actions on our part State expenditure on schools and school equipment would have been immeasurably less than it was. Yet I am to be told that we have done nothing. I can understand some people who are not fully aware of these matters falling into the error of repeating that falsehood, but I can neither understand nor forgive people who know about them who will repeat it.

Our performance in relation to universities is well known. I will not rehearse it. When I originally spoke about this matter in the House and announced that the Government would adopt the Murray committee's report our action was hailed by the then Leader of the Opposition as munificent—those were his very words—and indeed, so it was, and it was proper. The setting up of the Murray committee, the adoption of its report, the application of that report to the Australian Universities Commission, the introduction of a system of triennial grants, the inclusion of teaching hospitals—a very great development—the establishment of the tertiary education committee, which is now sitting and which I hope will report before long and which includes in its scope all tertiary forms of training, including technological training—all these things we have done, but according to the advertisement we have done nothing. I must have misunderstood English when I was taught it at school.

The Premiers had an extraordinary conference in February, 1963. On that occasion the Premier of New South Wales, Mr. Heffron, a man whose interest in education and service to its cause I tremendously admire—he has done a great deal for education—submitted a proposition once more that a special grant, not part of the general grant to the States, should be earmarked for education and that a special inquiry should be held. The Acting Premier of Victoria, at that conference, said that what Victoria wanted was general assistance to the State budget so that—I quote his words—"we can retain the right to control education within our own budget". Mr. Pizzey, of Queensland, a greatly respected member of the Queensland Government, agreed. He said, "We do not favour a special grant". Sir Thomas Playford agreed. My old friend does not always agree. But he agreed on this occasion. The Premier of Western Australia repeated that whatever provision there was should be a part of the general grant. That was the state of mind of the clear majority of the Premiers.

I have been speaking about the meeting in February, 1963. Then there was a normal meeting in June of this year, when my two colleagues were present and I was out of the country—perhaps fortunately, but I do not know. My colleagues made an arrangement with the States for substantial increases in the provision to the States. Mark you, Mr. Speaker, this was done after the education discussion in February, 1963, with the Premiers. They had said then, when this matter was very much in their minds, "We want a little more on our general grants so that we can cope with the problem of State education". Later substantial increases were made.

The financial assistance grants to the States were increased by £14,000,000. I will just give the actual increase. Considering that these grants had risen before, this was a big sum. The grants to the two claimant States went up by £200,000. That is nothing much. The additional assistance grants, which were special, went

up by £2,500,000. There was other assistance of a revenue nature which went up by £1,700,000. The States works a housing allocation went up by £17,000,000 and other assistance of a capital nature went up by £6,300,000. These two later items add up to £23,300,000 in one year, and if the first group I gave is added the total relevant improvement in the position of the States in one year was £41,700,000. I have not included any federal aid roads grants or anything of that kind. Some of this £41,700,000 would include provision for schools and equipment, because the education votes of the States have become so large.

The only other thing I want to say is by way of confirming what I have just said. Under present arrangements—all made since my 1945 speech and since the 1949 election—the States have been able to quadruple their expenditure on education. The proportion of their capital expenditure devoted to educational purposes, such as school buildings, rose from 6 per cent. in 1949 to 20 per cent. in 1961-62. It is probably a little more now. There was a reference in the advertisements to teachers. In 1951, in government schools, there were 36,000 full-time teachers and there were sixteen teachers' colleges. In 1961, after this so-called miserable default of mine in relation to education, there were not 36,000 full-time teachers by 63,700. There were 19,000 teachers in training and instead of sixteen teachers' colleges there were 28. This, I venture to say, could be better. Everything could be better. But there is no case for a condemnation of our approach. On the contrary, there is conclusive proof that we have responded actively to the claims of education—claims which I profess to understand as well as any other man in this place.

I conclude by saying that this advertised propaganda is badly informed, is inaccurate and, what is worse, is grossly unfair.