

Menzies: treasurer in transition to war

John Hawkins¹

Sir Robert Menzies was Australia's longest-serving prime minister, and for almost a year at the start of World War II was also its treasurer. He was therefore responsible for the transition to a war economy, although he delegated much of the responsibility to assistant minister Percy Spender.



Source: National Library of Australia.

1 The author formerly worked in the Domestic Economy Division, the Australian Treasury. The views in this article are those of the author and not necessarily those of the Australian Treasury.

Introduction

Sir Robert Gordon Menzies, PC CH held the position of treasurer for almost a year during his first term as prime minister in 1939-1940. A number of writers emphasise, however, that the Menzies of the 1930s was a much less developed and adept politician than the master of the 1950s and 1960s.²

Menzies had 'a wide interest in men and affairs'.³ Most, however, believe this did not extend to economics.⁴ 'Nugget' Coombs was asked about Menzies' concern for the economy and replied that 'most of the time he would rather that somebody else worried about it'.⁵ Menzies himself said 'I am no economist'.⁶

Menzies' life before politics

Menzies was born on 20 December 1894 in Jeparit, Victoria. He was fond of saying he 'was not born into the purple'; his parents were storekeepers. His father was later a Victorian MLA. Winning scholarships took the young Menzies to Wesley College and the University of Melbourne, where he graduated in law with impressive results (although only a pass in political economy).⁷

Admitted to the bar in 1918, Menzies specialised in constitutional law and achieved acclaim, becoming the youngest Kings Counsel in Australia.⁸ In 1920 he married Pattie Leckie, whose father was also a politician.

2 For example, Brett (1992, p 4) distinguishes between the 'aloof, ambitious politician of the 1930s, too clever by half ... and the wiser, humbler, more mature Menzies of the second prime ministership'. Miller (1995, p 55) and Reid (1980, p 42) have a similar view. Even Menzies himself conceded 'I had yet to acquire the common touch, to learn that human beings are delightfully illogical ...'; Menzies (1967, p 57).

3 Buchanan (1940, p 1).

4 For example, Melville (1993). Ellis (1961, p 9) and Miller (1995, p 57). A minority take a different view: Hasluck claims 'it was not in spite of, but because of, his Prime Ministership, that stability of the economy was achieved'; Hasluck (1995, p 136).

5 Hazlehurst (1979, p 368).

6 Introduction to undated typescript of short book on current affairs, *Menzies Papers*, National Library of Australia, MS 4936, box 354.

7 Hazlehurst (1979, p 20).

8 Dawes (Chapter 5). In some of his early cases he represented trade unions and there were rumours that some Labor Party figures contemplated asking him to stand as a Labor candidate.

The Victorian parliament

Menzies joined the Nationalist Party and won a by-election for the Victorian Legislative Council in 1928, transferring to the lower house seat of Nanawading in 1929. Menzies was appointed attorney-general and minister for railways as well as deputy premier after the 1932 election.

At this stage, he was a strong supporter of conservative economic policies, emphasising the need for manufacturers to 'reduce costs', a euphemism for 'cut wages'. Indeed Menzies was advocating a more conservative and contractionary policy than was adopted in the Premiers' Plan. He did not believe that Australian bondholders should have to bear any sacrifice. As for reducing interest payments to British holders of Australian bonds, Menzies thought 'it would be better for Australia that every citizen within her boundaries should die of starvation'⁹

Going federal

Menzies transferred to the federal parliament, taking the blue ribbon seat of Kooyong at the 1934 election. Lyons appointed him attorney-general and minister for industry. By December 1935 he was also deputy leader of the United Australia Party (UAP).

Menzies was impatient for the leadership and even contemplated leaving parliament as Lyons stayed in the post.¹⁰ (However, the ardent Anglophile took some solace in his first trip to England in 1935 for George V's jubilee, when the country boy from Jeparit dined at the Palace. He returned to London in 1936 and 1938.)

While Casey was at the Imperial Conference in 1937, Menzies was acting treasurer. He did not entirely enjoy it, remarking 'I think I will be thoroughly relieved when Dick gets back from England. To be a Treasurer immediately before an election is to be the most unpopular man in Cabinet. When I am not being menaced I am being wooed with soft words and bombarded with persuasive letters, most of which come from WM Hughes'.¹¹ There were rumours that Menzies may have been appointed treasurer after the 1937 election but he remained as attorney-general.¹²

9 *The Age*, 4 May 1931.

10 He said he had been offered an attractive posting, but was talked out of resigning by Page, ironically given events soon to occur; Page (1963, p 265).

11 Menzies to Keith Officer, 21 June 1937, cited in Martin (1993, p 213).

12 *Argus*, 27 November 1937.

Treasurer and prime minister

When Lyons died in April 1939, Menzies only narrowly defeated the septuagenarian Hughes for the party leadership. He then had to face an excoriating attack by Page in the House, aimed at preventing him becoming prime minister.

Menzies decided to serve as treasurer himself, appointing Spender as his assistant minister.¹³ His September 1939 budget was delivered within days of the outbreak of World War II. Menzies described it as 'a budget for preparation and not a budget for conflict'.¹⁴ He repeatedly warned in his speech that it was 'prepared in a time of peace, it is being delivered in a time of war ... it must be regarded as having an extremely tentative character'.¹⁵ With wool and wheat prices falling, it was an austere effort, raising income and sales taxes to cover increased spending and falling customs revenues. While noting recent deflationary forces, Menzies uncertainly suggested 'for all I know, in the course of the next few years we may have to encounter inflationary forces'.¹⁶ Soon after the outbreak of war, the Government took steps to introduce price controls in collaboration with the states.

Menzies established an Economic Cabinet, which he chaired, in December 1939 but it appears to have fizzled out around May 1940.¹⁷

Spender was assistant treasurer or acting treasurer during the period when Menzies held the substantive title, but felt he was 'in full charge of Treasury throughout'.¹⁸ It was Spender who presented the revised budget in November 1939 (discussed in the following essay in this series). In March 1940 Menzies formally handed over the treasurer's job to Spender.

13 His motive may have been to leave the position available as an inducement for the Country Party to rejoin a coalition; [Melbourne] *Herald* 25 April 1934; *Sydney Morning Herald* 26 April 1934. Menzies was asked by the left-wing journalist John Fisher, son of the former prime minister and treasurer, 'will you consult the powerful interests who control you before you choose your cabinet?', and replied 'naturally but please keep my wife's name out of this discussion'.; Dawes (Chapter 6, p 8).

14 *Hansard*, 12 September 1939, p 401.

15 *Hansard*, 8 September 1939, p 319.

16 *Hansard*, 8 September 1939, p 325.

17 The Economic Cabinet's terms of reference and a description of its history is given in Hasluck (1952, pp 424-435). He argues it was not a success as it was hard to isolate purely economic matters from other cabinet business.

18 Spender (1972, p 46). Supporting this view that Menzies was not that active as treasurer is that in an autobiography Menzies (1967) allocates fifty pages to the period 1939-1941 without once mentioning his work as treasurer.

The wilderness years

Having failed to bring the Labor Party into a national government, Menzies responded to division within the UAP-Country Party coalition and criticism of his performance by resigning as prime minister. Fadden then served forty days as prime minister before a change of allegiance of two independents put Labor under John Curtin into office.

Menzies eventually regained the leadership of the UAP, but by then it was only one of a number of conservative parties. Menzies succeeded in uniting most of them in a new Liberal Party, but his new party was defeated at the 1946 election.

Prime minister again

The Liberals polled well in 1949 and Menzies returned as the head of a coalition government. This time he did not want the treasurer's job for himself and Arthur Fadden and Harold Holt both served long terms in the post.

In 1942 Menzies had reflected that 'in the economic history of the last fifteen years nothing will be more notable than the rise in influence and authority of the professional economist.'¹⁹ Before his defeat, Chifley was planning to include an Economic Policy Division in the Prime Minister's Department and Menzies acted on this idea, transferring the economists from the Department of Post-War Reconstruction.²⁰ He came to adopt the Keynesian consensus. (The economic policies of Menzies' post-war governments will be covered in the forthcoming essays in this series on Fadden and Holt.)

Retirement

Menzies retired on Australia Day 1966 at the age of 71, arguably the only Australian prime minister since Barton (the first) to depart at a time of his choosing. He took to the role of elder statesman and delighted in his appointment as Lord Warden of the Cinque Ports and the associated regalia. He wrote two volumes of reminiscences in 1967 and 1970 before a severe stroke limited his abilities. He passed away on 15 May 1978.

19 Menzies (1942, p 6). He contrasted it with what he saw as the role of the statesman; to ask 'what will the people accept after proper instruction and reasonable pressure?'; Menzies (1942, p 7).

20 Lee (1995, p 127); Bunting (1998, p 77); Weller (2007).

Menzies: treasurer in transition to war

References

- Brett, J 1992, *Robert Menzies' Forgotten People*, Macmillan, Sydney.
- Buchanan, A 1940, 'The prime ministers of Australia', National Library, MS 3034.
- Bunting, J 1988, *R G Menzies; A Portrait*, Allen & Unwin, Sydney.
- Dawes, A, undated, 'RG Menzies of Australia: an interim report', National Library of Australia, *Menzies papers*, MS4936, series 10, box 354.
- Ellis, 1961, 'The mind of RG Menzies', *Bulletin*, 22 March, pp 7-9.
- Hasluck, P 1952, *The Government and the People: 1939-1941*, Australian War Memorial, Canberra.
- Hasluck, P 1995, *The Light that Time has Made*, edited by N Hasluck, National Library of Australia.
- Hazlehurst, C 1979, *Menzies Observed*, George Allen & Unwin, Sydney.
- Lee, D 1995, 'Cabinet', in Prasser, S, Nethercote, J and Warhurst, J (eds) *The Menzies Era*, Hale & Iremonger, Sydney, pp 123-36.
- Martin, A 1993, 1999 *Robert Menzies: A Life: Volume I: 1894-1943, Volume II: 1944-1978*, Melbourne University Press.
- Melville, L 1993, 'Sir Leslie Melville: an interview' [by Selwyn Cornish], *Economic Record*.
- Menzies, R 1942, 'The Australian economy during war', Joseph Fisher Lecture in Commerce, University of Adelaide, Hassell Press, Adelaide.
- Menzies, R 1967, *Afternoon Light*, Penguin.
- Miller, J 1995, 'Thinking about Menzies', in Prasser, S, Nethercote, J and Warhurst, J (eds) *The Menzies Era*, Hale & Iremonger, Sydney, pp 55-59.
- Page, E 1963, *Truant Surgeon*, Angus & Robertson, Sydney.
- Reid, A 1980, 'Prime ministers I have known', *Bulletin*, 5 February, pp 38-46.
- Spender, P 1972, *Politics and a Man*, Collins, Sydney.
- Weller, P 2007, *Cabinet Government in Australia 1901-2006*, UNSW Press.