

Ben Chifley: the true believer¹

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Chifley was a 'true believer' in the Labor Party and in the role that government could play in stabilising the economy and keeping unemployment low. He was an active treasurer, initially working well with Prime Minister Curtin and then serving as both Prime Minister and Treasurer himself. He managed the war economy competently and achieved a smooth transition to a peacetime economy, although he allowed inflationary pressures to build up in the post-war years. Among his economic reforms were increased welfare payments, uniform income taxation and developing central banking powers (through direct controls rather than market mechanisms) for the Commonwealth Bank.



Source: National Library of Australia.³

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- 1 Arthur Fadden served almost a year as treasurer before Chifley, but as Chifley was Treasurer for most of the 1940s and Fadden for most of the 1950s, the essay on Chifley is being presented first in this series.
 - 2 The author formerly worked in the Domestic Economy Division, the Australian Treasury. This article has benefited from comments provided by Selwyn Cornish, Robin McLachlan, Sam Malloy and Richard Grant. Thanks are also extended to the staff of the Chifley Home in Bathurst. The views in this article are those of the author and not necessarily those of the Australian Treasury.

Introduction

The Right Honorable Joseph Benedict Chifley was a 'true believer' in the Labor cause.⁴ While an idealist, remembered for coining the term 'light on the hill' to capture Labor's aspirations for a better world, he was pragmatic enough to have also coined the expression 'hip pocket nerve' to denote what motivates many voters.⁵ He had both a 'deep-rooted passion to improve the lives of his fellow Australians' and 'a practical appreciation of the political compromises and ruses that were sometimes necessary for success'.⁶

One time colleague and later opponent, and fellow Treasurer, Joe Lyons described him 'as one of the finest fellows I have ever met', while Lyons' wife Enid remembered Chifley's 'rugged good looks, immense personal dignity and his friendly but always slightly reserved bearing'.⁷ Other colleagues recalled how Chifley 'was gracious with everyone, lived simply, and continually went out of his way to help people. He was wholly devoid of arrogance and never indulged in wounding political repartee'.⁸ At the time it was noted that Chifley 'regards himself as a pretty average bloke'.⁹

He was respected as well as liked, being recalled as 'a prodigious worker'¹⁰; 'an administrator of rare quality'¹¹ and 'one of the soundest members of the new House'.¹² Never a great orator, his voice became increasingly raspy over the years as addressing many outdoor public meetings in poor weather took its toll.

3 'Portrait of Prime Minister Ben Chifley, 18 May 1948', by William Henry Bale, Bib ID: 4586730.

4 The expression 'true believer' was popularised by Bob Ellis' eponymous television series about the Curtin-Chifley era. In discussion with the author, Ellis conceded the term was not used in Labor circles at the time.

5 Day (2007, p 94).

6 Day (2001, p 530).

7 Enid Lyons (1972, p 97).

8 Beazley (2000, p 16). Similarly Calwell (1972, p 60) remembered him as 'a warm friendly man'. While Treasurer Chifley's lunch consisted of a cup of tea and a pie and between sessions he lived simply at his modest Bathurst home; Holt (1969, p 52). Senior public servant Breen (1974, p 226) said 'he was the embodiment of the spirit of the average Australian.' Makin (1961, p 122) recalls Chifley 'always brought men closer to one another'. Nugget Coombs (1981, p 90) appreciated Chifley's 'gentleness, his simple faith in mankind and his warm gift for friendship'. One biographer refers to the challenge that 'it is almost impossible to find anybody with a bad word to say' about him; Thompson (1964, p 55).

9 *Australian Women's Weekly*, 28 July 1945.

10 A public servant cited by Day (2001, p 389). Evatt said 'I do not suppose there has been a man in public life who has worked harder'; *Hansard*, 20 June 1951, p 68. There is an example of an 83-hour working week in *Sunday Telegraph*, 8 April 1945.

11 Bennett (1973, p 13).

12 A comment by the Liberal intellectual Frederic Eggleston; Osmond (1985, p 202).

Chifley was 'endowed with a clear, hard, practical mind with an unusual capacity for simplifying the intricacies of finance and economics and taking swift and firm political decisions with a keen insight into their practical effects'.¹³ He was assisted by his 'remarkable ability and memory for figures'.¹⁴ A contemporary recalled 'Mr Chifley had the most powerful mind in the politics of his day and he was able to learn more quickly than most parliamentarians ...'.¹⁵ While known as a reader of crime novels for relaxation, he was also a keen attendee at meetings of the Commonwealth Literary Fund where he surprised those present with his knowledge of Australian writers.¹⁶

Chifley was 'deeply interested in economic matters'.¹⁷ Indeed his wife recalled that it was a frequent topic of conversation when they were courting.¹⁸ A contemporary journalist said 'Chifley's interests were economic and financial. They were almost exclusively economic and financial'.¹⁹ Menzies recalled Chifley 'mastered the techniques of public finance'.²⁰ Nugget Coombs, who worked closely with him, refers to Chifley's 'considerable mental aptitude for financial and economic matters'.²¹ More recent writers also refer to Chifley's 'quite remarkable grasp of finance'.²²

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- 13 Hasluck (1952, p 262). Crisp (1960, p 147) refers to his 'remarkably keen, if largely self-tutored, intellect'.
 - 14 Day (2001, p 530). Bennett (1973, p 13) claims 'his memory was so good that he never had to use a telephone directory'.
 - 15 Eggleston (1953, p 82). Hawke (1985, p 2) had a similar view.
 - 16 Waterson (1993).
 - 17 Day (2001, p 235). Eggleston regarded Chifley as one of the few 'able to command their respect and to appreciate what the economist could do for them ...'. Edwards (2005, p 81) believes, however, that Curtin was more widely read in economics than was Chifley.
 - 18 Crisp (1960, p 8). In Ellis and McLachlan's (2005, p 21) play about Chifley, he says of his wife 'what I liked about her ... was how you could talk to her about economics ...'.
 - 19 Holt (1969, p 51). Ryan (2004, pp 84-85) refers to Chifley's extensive reading, especially of Keynes. At the time of his death he still kept in his study a copy of Shann and Copland's (1931) compendium of key economic documents related to the Depression.
 - 20 Undated typescript, *Menzies Papers*, National Library of Australia, MS 4936, box 354. On the ABC TV programme 'Mr Prime Minister' (broadcast 25 May 1966), Menzies recalled that Chifley 'had the most acute mind — he got on top of Treasury and economic problems in the most remarkable way'. See also Beale (1977, p 32).
 - 21 *Melbourne Herald*, 11 August 1976. 'Chifley had a grasp of finance and the respect of his Treasury officers as no other prime minister had before or since'; Haylen (1969, p 43).
 - 22 Golding (1996, p 126). Senior public servant Breen (1974, p 228) characterised him as 'a thinker well above the average in finance'.

Some regard Ben Chifley as Australia's greatest Treasurer.²³ Chifley once said that he would be remembered as Treasurer and not as Prime Minister.²⁴

Chifley's life before politics

Chifley was born in Bathurst on 22 September 1885, the son of a blacksmith. He was largely raised on his grandfather's farm at Limekilns 18 kilometres away, where he lived from the age of five to fourteen.²⁵ He received only rudimentary schooling two to three days a week.²⁶ There are two ways this period in his life may have influenced Chifley as a Treasurer. Firstly it instilled in him a love of reading²⁷ and, secondly, observing the effect on his grandfather and their neighbours of the bank collapses of the 1890s meant banking reform was always a priority for Chifley.²⁸

Returning to Bathurst, he had some full-time schooling and then started work in a retail store but soon moved to the railway workshop and over a decade quickly rose to driving locomotives (although he was demoted for a time due to his role in a 1917 strike). He attended evening classes four times a week for fifteen years and read voraciously, as well as playing rugby²⁹ and cricket. He taught at the Railway Institute on Sunday mornings.

A Catholic, he married Elizabeth McKenzie, the daughter of another driver, and a Presbyterian, in 1914, thereby placing himself outside the mainstream of his church.³⁰

23 McMullin (2000, p 254). Professor Keith Hancock cites his role in funding Australia's World War II effort, making the adjustment to bigger government and managing the post-war period; *The Age*, 9 May 2005. Waterson (1993), p 4, shares this view. Golding (1996, p 126) remarks 'there are many who would argue that Chifley was in fact one of Australia's very great treasurers'. A senior Treasury official asked at the end of World War II whether Chifley was the best treasurer said 'well we had Theodore, I'd vote Chifley next and in some ways I'd say he was even better'; cited in Crisp (1960, p 165). His press secretary, Don Rodgers, thought even contemporary business leaders would have shared his view that Chifley was the greatest treasurer; NLA oral history.

24 Beazley (2000, p 16).

25 As Chifley put it, 'I went for a holiday and I came back nine years later'; Crisp (1960, p 3).

26 Many years later Chifley was to say to his nephew that 'I'd rather have had Mr Menzies' education than a million pounds'; Crisp (1960, p 6).

27 School friends recalled Chifley 'sitting in the school playground, waiting his turn to bat, with his head stuck in a book'; Thompson (1964, p 58).

28 Over half a century later, Chifley recalled 'I can remember the depression of the 'nineties, and the farmers near where I lived who were desolated and grief-stricken at the closing of the banks'; *Hansard*, 11 November 1947, p 1927.

29 Well enough to represent NSW Country and be in contention for the Australian team.

30 This extended beyond the grave: Ben and Elizabeth Chifley are buried in different sections of the Bathurst Cemetery; Wright (1988).

They shared the Bathurst cottage provided by her parents for the rest of their lives. Elizabeth miscarried in 1915 and was thereafter in poor health. They had no children.

Chifley worked his way up in the trade union movement and the Labor Party. In 1922 and 1924 he unsuccessfully contested ALP preselection for the NSW parliament.

His early years in parliament

Chifley was elected for the then Bathurst-centred seat of Macquarie, at his second attempt, in 1928, and sat next to fellow newcomer and future Prime Minister John Curtin, to whom he became very close. In one of his first parliamentary speeches Chifley (like Curtin) opposed Bruce's plan for an Economic Research Bureau as duplicating work done by other organisations and questioned whether economists with 'academic ideas gathered in the rarified atmosphere of some university' offered better advice than 'someone with a wider and more practical experience'.³¹ Chifley served on the busy Joint Committee of Public Accounts and in the course of its inquiries seemed to have formed a more favourable view of economists.³²

In March 1931 he became minister for defence in Scullin's government and assisted Theodore on some economic matters, such as being delegated responsibility for implementing some spending cuts required under the Premiers' Plan.³³ Some accounts suggest Chifley had some misgivings about Theodore's approach, but others say he was a 'strong supporter of the Theodore plan'.³⁴ On a personal level he got on well with Theodore. They had long conversations walking the gardens of Parliament House and they fished together.

The Scullin Government fell, however, within a year of Chifley's appointment when Lyons defected and rebels backing NSW premier Jack Lang turned on it too. In the ensuing election, Chifley lost his seat and was out of parliament for nearly a decade.

31 *Hansard*, 19 March 1929, p 1470.

32 Crisp (1960, p 52). One of its reports recommending establishing a body like the Commonwealth Grants Commission.

33 Day (2001, p 258), Bennett (1973, p 8). Crisp and Bridge (2004, p 417) call him 'minister assisting the treasurer' but he does not seem to have been officially recognised as such.

34 Waterson (1993), Robinson (1986, pp 129-30). Day (2001, p 254) says Chifley was concerned about how London bondholders would view Theodore's policies. Chifley strongly supported Theodore's Fiduciary Notes Bill; *Hansard*, 25 March 1931, pp 602-6. By the time he was treasurer himself, Chifley regarded Theodore's policies as right; Reid (1980, p 40).

The wilderness years

Joseph Lyons had offered Chifley the Treasurership if he also left Labor but Chifley declined.³⁵ His biographer says 'he rebuffed it immediately' but according to Lyons' wife, Chifley 'had been briefly tempted to go with Joe'.³⁶

While out of parliament Chifley fought the Lang forces, being elected as NSW president of the federal version of the Labor Party in 1934. He was elected to Abercrombie Shire Council in 1933 and stayed on it until 1947 (even while Prime Minister and Treasurer), serving as shire president for a few years. Chifley's involvement with many community organisations in Bathurst was not enough for him to win back Macquarie when he contested it again in 1934. In 1935 he stood unsuccessfully against Lang in the state seat of Auburn. By one account he made a trip to Indonesia.³⁷

Chifley continued his study of finance and economics and continued to meet with Theodore.³⁸

Royal Commission on Banking

In 1935 Lyons and Casey appointed Chifley to the Royal Commission on the Monetary and Banking Systems. 'Both his knowledge of finance and the analytical habit of his mind fitted him admirably for such a task'.³⁹ Over nine months the Commission took evidence in every capital. A biographer comments that Chifley 'added to his knowledge of economics and finance by his searching interrogations of the leading economists who came before the commission, as well as by the many months of discussion, both formal and informal, with his fellow commission members ...'.⁴⁰

35 Lyons was now leading the United Australia Party. Given the UAP candidate won Macquarie at the 1931 election and held it until Chifley won it back in 1940, taking up Lyons' offer would almost certainly have allowed Chifley to stay in parliament throughout the 1930s. He may well have succeeded an ailing Lyons as prime minister in the 1930s; Ellis and McLachlan (2005, p 41).

36 Crisp (1960, p 65), E Lyons (1972, p 97).

37 Ryan (2004, p 87).

38 Crisp (1960, p 86).

39 E Lyons (1972, pp 97-80). Anstey had lobbied for the position but Curtin pushed Chifley and it is likely that Chifley's case was helped by the good opinions held of him by Lyons and Scullin; Crisp (1960, p 167); Day (2001, p 321); Sutherlin (1980, p 39). Much later Casey uncharitably recalled 'I bought him off the street, not for the reason that he had any prior knowledge of banking, because I think at that stage the right honourable gentleman did not know a bank from a public convenience'; *Hansard*, 20 April 1950, p 1707.

40 Day (2001, p 322).

Chifley questioned the Commonwealth Bank about their reluctance to compete with the private banks⁴¹, in part due to a perceived incompatibility with the Bank's role as a central bank,⁴² and their lack of control over the exchange rate.⁴³ He asked the private banks about funds they placed with the Bank and referred to the compulsory deposits banks were required to place with the central banks in New Zealand, America and Africa.⁴⁴ He referred to evidence from Professor Gregory to the Canadian banking inquiry about the need for such required reserves to supplement open market operations and similar suggestions by the Macmillan Committee.⁴⁵ He also asked about controls on interest rates and about open market operations.⁴⁶ Chifley asked whether the Treasurer rather than the treasury secretary should be on the board given confidentiality would inhibit the secretary reporting back to the Treasurer.⁴⁷ Chifley was concerned that bank mergers were reducing competition and that this was further impeded by gentlemen's agreements between the banks.⁴⁸ He repeatedly questioned the banks about their ability to check booms or recessions or to affect the demand for imports.⁴⁹ He was also concerned about the lack of finance, particularly longer-term finance, for small business.⁵⁰

The Commission's economist recalled Chifley was 'vitaly important in the drafting process' and the 'Commission's major impact was the education of Ben Chifley'.⁵¹

The Commission concluded that 'no action by the monetary and banking system of Australia could have avoided some depression, although the system together with the governments, and, indeed, the community as a whole, must share some responsibility for the extent of the depression ... the proper policy for the Commonwealth Bank, as the depression developed, was one of expansion ...'.⁵² They recommended some, relatively mild, strengthening of the central banking powers of the Commonwealth Bank, such as requiring trading banks to place a deposit representing a set proportion of their liabilities with the Bank. But in his dissenting comments, Chifley argued the

41 Royal Commission, *Transcript of Evidence*, pp 13, 53-54 and 68-69. He also put this question to the private banks, p 464.

42 Royal Commission, *Transcript of Evidence*, pp 17, 54.

43 Royal Commission, *Transcript of Evidence*, p 28.

44 Royal Commission, *Transcript of Evidence*, pp 161, 313, 351 and 482-3. He also questioned economists about this, Melville (1993).

45 Royal Commission, *Transcript of Evidence*, pp 67, 276 and 481-2.

46 Royal Commission, *Transcript of Evidence*, pp 1174, 1175 and 1279.

47 Royal Commission, *Transcript of Evidence*, pp 57, 1395.

48 Royal Commission, *Transcript of Evidence*, pp 183-4, 208, 222-3, 257, 315 and 363. At times these exchanges became testy with one banker accusing Chifley of attempting to 'put words in my mouth'; p 97.

49 Royal Commission, *Transcript of Evidence*, pp 101, 134, 257.

50 Royal Commission, *Transcript of Evidence*, pp 50, 258, 400 and 1112.

51 Sir John Phillips, interviewed by Sutherland (1980, pp 48 and 278).

52 Royal Commission Monetary and Banking Systems (1936, pp 209-10).

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report did not go far enough and that desirable economic outcomes were incompatible with privately-owned, profit-oriented banks.⁵³ It may be that Chifley felt obliged to put forward nationalisation as Labor policy, even if his personal preference was for central bank control over private banks.⁵⁴ The Commission also thought the Government should explore establishing a market for treasury bills and should introduce decimal currency.

Other work

The Menzies Government appointed Chifley to the Capital Issues Advisory Board soon after the outbreak of the war.⁵⁵ He was also briefly Director of Labour at the Department of Munitions, before resigning and winning back the seat of Macquarie at the 1940 election. Chifley was immediately restored to the frontbench and in 1941 served on the Board of Inquiry into Hire Purchase and Cash Order Systems.

Curtin's Treasurer

Chifley was unexpectedly appointed Treasurer⁵⁶ in October 1941 when the two independents holding the balance of power withdrew their support from the conservative coalition led by Fadden and backed John Curtin's Labor Party. He ranked behind only Curtin and deputy leader Forde in cabinet precedence.

As well as his advisers within Treasury, during his first fortnight in the portfolio Chifley solicited briefings from leading economists such as 'Nugget' Coombs, Copland, Giblin and Melville. While Chifley was generally popular with colleagues, he felt the usual pressures of the job: 'As Treasurer I have to do a lot of hard things. Nobody likes being unpopular. Treasurers are notoriously unpopular. They are loved by nobody,

53 Royal Commission Monetary and Banking Systems (1936, pp 262-8). Chifley commented 'in times of unhealthy boom conditions the trading banks are unable individually to check these conditions, and collectively they have never attempted to do so ... during a depression or feared slump, the banks, in their own interest, and to protect their depositors, on whose confidence the banks' prestige and solvency depend, adopt a policy of contraction which intensifies the evil.' Butlin (1937, p 50) opines that 'Mr Chifley made out, even in his three pages, a better case for nationalisation than the Majority did for private ownership'. Sir Leslie Melville (1993, p 444), however, recalled that Chifley's minority report 'did not leave much impression'.

54 Sir John Phillips, interviewed by Sutherland (1980, p 123).

55 Butlin (1955, pp 202-3).

56 With Scullin too ill, Chifley was the best qualified for the job in terms of experience (and was recommended by Scullin) but Forde aspired to it and as deputy leader was expected to be given it; Crisp (1960, pp 140-142), Whittington (1972, pp 110-1), McMullin (1991, pp 212).

not even their own colleagues. The hand of every man is against them. Nobody wants to give them anything, but everybody wants to get something from them'.⁵⁷

As well as Treasurer, from December 1942 to February 1945 Chifley was Minister for Post-war Reconstruction, a new department headed by Coombs and including a number of progressives.⁵⁸

Budgets and taxation

Fadden had just presented a budget when Chifley became Treasurer and in the time available Chifley could make only relatively minor changes to it, increasing pensions and raising pay for the armed forces. He removed the provisions for compulsory loans and raised company taxes and shifted the impact of higher income tax from middle to high income earners.

Soon after Chifley assumed the Treasurer's job, the Japanese attack on Pearl Harbor in December 1941 and the bombing of Darwin in February 1942 brought the war much closer to Australia and greatly increased public support for a 'total war economy'. War expenditure almost doubled between 1940-41 and 1941-42 and the 1942-43 budget expanded it further, necessitating further increases in personal income, company and sales taxes.

Curtin established a Production Executive, a cabinet committee similar to Menzies' Economic Cabinet, to which he appointed Chifley.⁵⁹

The Government very quickly adopted responsibility for income taxation. In February 1942 an advisory committee⁶⁰ was established to examine whether the federal government should take over as the sole imposer of income tax. Following its report in March, the Government moved to take over the powers in May. The High Court rejected a challenge by four states in July 1942. The income tax system was also placed on a 'pay-as-you-earn' basis.

In his 1943 Budget speech Chifley said 'a well-balanced system of taxation is the most efficient and equitable method of meeting the cost of the war. It makes a direct reduction of the volume of civilian spending'.⁶¹ He foreshadowed that taxes would

57 Ben Chifley, quoted by Crisp (1960, p 153).

58 'Long-haired men and short-skirted women', as Chifley joked; Crisp (1960, p 187).

59 The Production Executive is described in Hasluck (1952, pp 430-3).

60 It included Scullin, Professor Mills (with whom Chifley had served on the Banking Commission) and UAP MP Eric Spooner (who after later losing his seat stood unsuccessfully against Chifley in Macquarie in 1946).

61 *Hansard*, 29 September 1943, p 157. Chifley was drawing on advice from Australia's leading economists on the 'F&E committee'; Maddock and Penny (1983, p 32).

need to be maintained: 'after the war, to save ourselves from inflated costs and prices, and to distribute equitably the additional wealth which full employment brings, we must expect fairly heavy tax rates ... higher than before the war.'⁶² By 1944, however, he was warning 'taxation is so high that it is impracticable to obtain any further contribution from this source'.⁶³

Banking and monetary policy

Curtin was keen to avoid the problems faced by Scullin and so supported Chifley in taking control of the Commonwealth Bank.⁶⁴ By early 1942, much of the recommendations of the 1937 report of the Royal Commission on Banking had been implemented under wartime National Security Regulations, such as supplementing the Bank's ability to conduct market operations by the private banks being obliged to lodge funds in special accounts with the Commonwealth Bank and comply with its policy on advances. The Commonwealth Bank was also empowered to set maximum interest rates on bank deposits and advances.

A mortgage bank was established in 1942 as a department within the Commonwealth Bank, implementing another recommendation of the Royal Commission. While its operations were restricted at the time, Chifley saw it as 'a powerful instrument in post-war reconstruction'.⁶⁵ An Industrial Finance Department was established later for long-term lending.

In March 1945 Chifley introduced legislation to continue the wartime controls on the private banks, consolidate the Commonwealth Bank's role as a central bank and replace the Bank's board with a single governor and an advisory board of officials. The *Banking Act 1945* and the *Commonwealth Bank Act 1945* have been described as 'substantially the work of JB Chifley'.⁶⁶ As Chifley explained, the legislation was 'based on the conviction that the Government must accept responsibility for the economic condition of the nation ... the Government has decided to assume the powers which are necessary over banking policy to assist it in maintaining national economic health and prosperity'.⁶⁷

62 Chifley (1943, p 2).

63 *Hansard*, 7 September 1944, p 574.

64 Curtin had curbed some of his radical views by the time he was prime minister. Reminded of a speech he gave years before advocating nationalisation, Curtin replies 'yes, I remember that speech and I also remember that that year I lost my seat'; Beazley (undated, p 17).

65 *Hansard*, 25 September 1942, p 973.

66 Polden (1977, p 2). Sir John Phillips is less sure; '... although Chifley was a very strong force behind the legislation, much of it would have happened anyway'; Sutherland (1980, pp 278-9).

67 *Hansard*, 9 March 1945, p 547.

This required the Commonwealth Bank to act as a central bank and 'to control the issue of bank credit by all the banks in such a manner as to avoid expansion of credit in times of boom and contraction of credit in times of depression'.⁶⁸

The Act introduced the three goals of the Bank which are still in place as the goals of the Reserve Bank today and remain inscribed in gold letters on the Bank's headquarters:

- The stability of the currency of Australia.
- The maintenance of full employment.
- The economic prosperity and welfare of the people.

Welfare

Despite the pressure of war, Chifley increased old age and invalid pensions and introduced widows' pensions, additional maternity allowances, funeral benefits, unemployment and sickness benefits. He foreshadowed further measures once the war was over.⁶⁹ This was sometimes portrayed as a trade-off for extending income tax onto lower income earners.⁷⁰ This was implemented through a National Welfare Fund into which was paid the lower of £30 million or one-quarter of personal income tax collections. This had the additional advantage of being an economic stabiliser.⁷¹ Chifley rejected viewing welfare as a form of insurance, believing it was more equitable for it to be paid out of progressive taxation.⁷²

Rise of Keynesianism and the 1945 White Paper

The Government was concerned that 'employment and aggregate incomes are constantly increasing whilst the goods and services available for civilian spending are

68 *Hansard*, 9 March 1948, p 548.

69 *Hansard*, 11 February 1943, pp 548-550. In Chifley (1945, pp 1-2) he compared social security to a trapeze artist's safety net, providing 'a national minimum of cash income which is available to all in their emergencies and below which none must be allowed to fall'.

70 Butlin and Schedvin (1977, p 337) called it 'the sugar coating on the pill'. See also De Maria (1991).

71 Chifley (1943, p 10) and (1945, p 12).

72 Chifley (1945).

continually becoming less' and 'it may force a strong and continuous rise in prices'.⁷³ Taxation increases were used to soak up much of this spending power.

In addition price controls were introduced 'to prevent profiteering and minimise the rise in prices' and rationing by coupons (initially of clothing, tea and sugar, later extended to meat, butter and drapery) were imposed under wartime powers. Subsidies were paid to stabilise the prices of tea, potatoes and milk. Measures were also taken for the control of rents and land sales. Under the National Economic Plan announced in February 1942 real wages were to be frozen. Rents were also frozen from end-1941 to mid-1945.

In resorting to rationing and price controls Chifley rejected advice from his most Keynesian advisors that macroeconomic measures alone could prevent inflation.⁷⁴ As the end of World War II came into view Chifley was pondering the risk that with deferred spending unleashed 'and a short supply of goods, inflation can very easily be caused'.⁷⁵ He viewed this as grounds for retention of controls, especially as the inflationary boom could be followed by a slump, as occurred after World War I.⁷⁶

Chifley's first biographer may have been gilding the lily calling him a 'Keynesian-of-the-first-hour'.⁷⁷ Treasury itself became more Keynesian as economists joined the department. The most talented of these could rise quickly as a large proportion of the staff were World War I veterans reaching retirement.⁷⁸

Curtin was inspired by the UK Government's May 1944 *White Paper on Employment Policy* and on his return from there in July initiated production of an Australian equivalent.⁷⁹ Coombs was in charge of drafting it and Chifley was the only minister to be given an early draft. Apparently initially very supportive of Coomb's draft, Chifley was later influenced by Treasury to be more restrained. Cabinet referred a revised draft to a subcommittee of Chifley, Dedman, Holloway and Calwell. There had been a tension throughout the drafting about whether the paper was an 'economic' or

73 *Hansard*, 11 February 1943, p 553. Whitwell (1994, p 216) says '... at the end of World War II it was widely assumed in Australia that there would soon be a slump after an intense but short-lived boom'.

74 Cornish (1993, p 48).

75 *Hansard*, 13 October 1943, p 484.

76 Stephens (1976). As John Stone recalled 'everyone feared that the war-time boom would be succeeded, perhaps after a few years "false prosperity" during the readjustment period, by the kind of post-war slump by which, throughout all history, wars had been succeeded'; cited by Whitwell (1986, p 83). Waters (1970, p 51) demonstrates how widespread was the concern about a post-war slump.

77 Crisp (1960, p 169).

78 Crisp (1960, p 322).

79 Nugget Coombs had been thinking along similar lines as far back as 1938 and expounded his thoughts publicly in Coombs (1944).

'political' document, and by the end it was a far more cautious political document than it had started out.⁸⁰

Australia's representatives were strong advocates at international fora of other countries also adopting the full employment objective and Keynesian policies.⁸¹ Indeed, it has been suggested that 'Keynes found the Australians more Keynesian than he was himself'.⁸²

Chifley and Curtin

'Curtin was very loyal to Chifley and Chifley was very loyal to Curtin. Curtin told Chifley that if he would not become Treasurer ... Curtin himself would not become Prime Minister'.⁸³ It was said that Curtin discussed all important decisions with him.⁸⁴

Hasluck comments '... when one turns to economic policy ... it would seem that Chifley was a more significant wartime figure than the Prime Minister'.⁸⁵ Curtin's first biographer suggested 'Curtin accepted unhesitatingly Chifley's views on financial issues'.⁸⁶ A latter biographer challenges this, arguing that Curtin was 'the ultimate

80 Cornish (1981) describes the drafting process in detail. Sections containing statistical projections in early drafts were first relegated to an appendix then dropped altogether. Butlin and Schedvin (1977, p 679) describe the final result as 'an amalgam of ministerial statement and specialist report which served neither purpose adequately'.

81 Chifley (1943, pp 4-7); Cornish (1981, p 10); Grant (1996, chapter two); Maddock and Penny (1983, pp 43-44).

82 Edwards (2005, p 153), drawing on Markwell's (1985, p 59) interpretation of letters reproduced in Keynes (1980, pp 383-5).

83 Calwell (1972, p 60). It has been asked 'whether Curtin, frail and sensitive, could have attained his greatness without the robust, tough and experienced' Chifley supporting him'; Ryan (2004, p 84). Senior public servant Breen (1974, p 227) said that Curtin 'drew strength from the rock-like Chifley'. Ross (1977, p 224) claimed 'Chifley was his guide and philosopher and confessor'.

84 Day (2007, p 94), Bennett (1973, p 12). Chifley's private secretary recalled '... Curtin never made a decision of any importance that he didn't consult Chifley about ... normally it was Mr Chifley's view that prevailed'; Murray Tyrell, cited in Thompson (1964, p 73). McMullin (1991, p 234) states that Chifley 'took responsibility for the economy ... allowing Curtin to concentrate on defence and war strategy'. Curtin found in Chifley 'with his complete self-mastery, steady consistency of temperament and dogged loyalty, the sort of emotional sheet-anchor he required and he could rely on absolutely ... Curtin chose him to be the confidant, the companion, the shock absorber of a highly strung prime minister of a nation at war for its life'; Crisp (1960, pp 143-4).

85 Hasluck (1995, p 119).

86 Ross (1977, p 387).

source of authority in economic affairs' even if he delegated details of finance to Chifley.⁸⁷

As Curtin's health deteriorated, with Forde overseas, Chifley became acting Prime Minister in April 1945.

Prime Minister and Treasurer

After Curtin's death in July 1945, Chifley reluctantly became the new Prime Minister; he would have preferred to have stayed a powerful Treasurer.⁸⁸ Chifley remained Treasurer while Prime Minister, a workload no future leader shouldered for more than a few days.⁸⁹ Chifley groomed John Dedman as a future Treasurer, but lost office before this transition could be made.⁹⁰

Chifley was 'highly thought of in the Treasury in the years he presided over that conservative department'.⁹¹ He worked well with Treasury secretaries ('Misery Mac') McFarlane and Watt and also dealt with more junior officers. In 1950 he referred to having assembled 'a group of outstandingly able officers'.⁹²

87 Edwards (2005, pp 124-132). One contemporary journalist wrote: 'Mr Curtin, however, holds more than a watching brief whenever Labor comes to discuss finance. He is himself a crisp financial thinker', although the writer also says of Chifley 'on finance, none more authoritative'; *Sydney Morning Herald*, 29 October 1941, p 10. Beazley (1972, p 5) opines that 'it was Curtin, however, who accurately defined in practice the acceptable limits of a radical financial policy'.

88 A dying Curtin entrusted to Scullin persuading Chifley to stand despite Mrs Chifley's objections: Reid (1980, p 38), Crisp (1960, pp 221-2); Langmore (1992, p 519). Treasury Secretary Watt recalled Chifley telling him that he felt, despite medical advice that he should not take on extra responsibilities, a duty to the party to take the leadership given misgivings about alternative leaders; cited in Thompson (1964, p 72) and Breen (1974). Chifley's nephew John (1992, p 24) said his uncle did not want the publicity and limelight of being prime minister; he 'worked to be the planner – the treasurer'. Journalist Alan Reid (1980, p 38) has similar recollections. Daly (1977, p 32) recalled Chifley termed standing for leader 'joining the suicide squad'.

89 Among his Labor predecessors as prime minister, Watson and Fisher had simultaneously been Treasurer, Curtin had simultaneously been Defence minister during World War II, Hughes had been Attorney-General and Scullin Minister for External Affairs and Industry (and for a while Treasurer). On the other side of politics, Barton, Deakin, Reid and Bruce had simultaneously been External Affairs Minister and Prime Minister and Menzies and Fadden (and for a while Lyons) both Prime Minister and Treasurer. With Scullin in poor health, there was no obvious candidate for Treasurer. Nonetheless, C. Hughes (1976, p 145) argued that it was a serious mistake for Chifley to take on both positions.

90 Makin (1961, p 130). Similarly, Nelson Lemmon was reportedly Chifley's preferred successor as leader but he was also defeated at the 1949 election.

91 Holt (1969, p 52).

92 Crisp (1960, p 257).

While Chifley's frugality may have commended him to Treasury, it sometimes frustrated his ministers. Evatt is claimed to have said exasperatedly 'It's almost impossible to get money out of Ben. You'd think it was his own'.⁹³

Chifley supported a mixed economy. As he put it, 'nationalisation of hamburger stands or ice-cream shops or permanent wave establishments is not our business'.⁹⁴

Macroeconomic policy and the expansion of Keynesianism

Chifley continued to seek economic advice as Prime Minister. He chaired the Investment and Employment Committee from its establishment in late 1946 to its last meeting in November 1949. It brought together leading economic advisers from a number of economic departments and agencies. While it provided useful analysis it was not influential.⁹⁵ Chifley planned to include an Economic Policy Division in the Prime Minister's Department.⁹⁶ His industrial relations legislation provided for an economic bureau to assist the arbitration commissioners.⁹⁷

Chifley faced internal party opposition to Australia joining the World Bank and the IMF but patiently and adroitly gained approval from cabinet, federal executive and caucus.⁹⁸

With the war finally over, Chifley was concerned in his 1945 Budget that the 'existence of excess spending power will be a dominant feature of the whole transition period'.⁹⁹ In the 1946 Budget, while pleased 'the first stage of the post-war transition has been completed successfully', Chifley warned 'the danger of inflation is still present ... [reflecting] the increased demand which has arisen from higher employment'.¹⁰⁰ He warned 'I do not know of a greater menace than inflation and I know who suffers the most ... and those are the people that I represent in Parliament'.¹⁰¹

Chifley was successful in maintaining low unemployment, even during the period of demobilising the large defence forces. He established the Commonwealth Employment

93 Reported in Holt (1969, p 52).

94 Speech in September 1948, reprinted in Chifley (1952, p 35).

95 Cornish (1993, pp 56-57).

96 Lee (1995, p 127).

97 Eggleston (1953, p 160).

98 Weller (2007, pp 80-82) describes the process.

99 Chifley recalled the 29 per cent increase in consumer prices in the two years following World War I; *Hansard* 9 March 1945, p 548.

100 *Hansard*, 14 November 1946, pp 241-242. Chifley had made similar warnings to the ALP NSW conference in June; reprinted in Chifley (1952, p 20). This was a widely held fear. Back in 1940 Menzies warned 'unless we learned from past experience this war will be succeeded by boom just like the last one'; Cornish (1981, p 12).

101 Speech in June 1948, reprinted in Chifley (1952, p 30).

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Service to help the unemployed find work. By 1948 he said 'for the first time in my life, the country has almost achieved full employment'.¹⁰² He also succeeded in stabilising prices in the immediate post-war period. But to do this he retained some wartime rationing, which became increasingly unpopular. Also highly controversial was Chifley's deployment of troops to mine coal during a strike by miners.

In September 1949 Australia followed the rest of the sterling area by depreciating the Australian pound by 30 per cent against the US dollar.¹⁰³ With fiscal policy also still expansionary, this added inflationary pressures to the economy.¹⁰⁴ By this time inflation was up to 9 per cent, a 'serious concern', and was likely to rise further as the inflationary pressures that had been suppressed by controls manifested.¹⁰⁵ Chifley rejected advice to tighten policy, due to the impending election and possibly some concern about the risk of recession.¹⁰⁶

Chifley cut taxes in his post-war budgets, but also repaid debt. He explained, however, that 'war costs do not end when fighting ceases. Some of these items, such as debt charges and war pensions, will continue for many years'.¹⁰⁷ Yet by 1949 Chifley was able to say that 'the majority of taxpayers now pay considerably less than half the tax which would have been payable at war-time rates'.¹⁰⁸

Nation-building

The air of 'tremendous optimism' was manifest in nation-building projects such as the Snowy Mountains scheme.¹⁰⁹ Menzies later generously described the Snowy Mountains Scheme as a 'living memorial to the courage, enterprise and drive of Mr

102 Speech in June 1947, reprinted in Chifley (1952, p 24); and *Hansard*, 29 September 1948, p 968.

103 Chifley emphasised that Britain (and other countries with currencies linked to the pound) was Australia's most important export market; *Hansard*, 20 September 1949, p 339.

104 Trevor Swan (1949) warned of inflation and also the danger that it could be reversed in the early 1950s setting off a recession, calling for more restrictive policies immediately but the preparation of expansionary policies.

105 *Hansard*, 8 September 1948, p 234. Chifley took some comfort, however, from the comparison that 'price increases have been less in Australia than in any other country'; *Hansard*, 1949, p 499.

106 Chifley in 1949 was still worried that 'following upon the very great boom conditions that have obtained throughout the world since the end of the war, some measure of recession could be expected'; *Hansard*, 31 May 1949, p 296. The United States had entered a recession in 1949, which was feared to be the start of such a pattern recurring; Whitwell (1986, p 86).

107 *Hansard*, 14 November 1946, p 244.

108 *Hansard*, 7 September 1949, p 27, repeated in his 1949 election policy speech; reprinted in Chifley (1952, p 78).

109 Beazley (undated, p 16). Chifley had an interest in water supply schemes and as the local member had been involved in the establishment of the Fish River Water Supply Scheme during the War.

Chifley'.¹¹⁰ Chifley founded the Australian National University¹¹¹ in 1946, introduced direct grants to other universities, and a university scholarship scheme. The Chifley Government initiated the post-war immigration programme and established a large scale Australian car industry in 1948 by encouraging General Motors in the production of the Holden.

Referenda

Chifley attempted to increase federal powers through referenda, but with limited success. In August 1944 a referendum proposing to grant 14 additional federal powers (including over employment and for the curbing of monopolies) for five years after the end of the war was rejected.¹¹² Three separate questions were put concurrently with the 1946 election, proposing federal power over social services, marketing of primary produce and conditions of employment. Despite Labor being comfortably returned at the election, and a national majority for all three questions, only the first proposition was approved.¹¹³ In May 1948 a referendum to give the federal government power over prices and rents was rejected overwhelmingly.

110 Cited by Starr (2001, p 185).

111 Literally laying the foundation stones for two buildings there.

112 The additional powers were already held by the national governments of Canada, New Zealand and the United Kingdom; McMullin (1991, p 232).

113 Queensland, South Australia and Tasmania voted against the second and third propositions so they failed to meet the approval by a majority of states criterion.

Bank nationalisation

On 16 August 1947 Chifley announced his plan to nationalise the banks.¹¹⁴ The direct trigger was the High Court ruling three days earlier that Section 48 of the *Banking Act*, which allowed the government to direct local governments to conduct their banking with the Commonwealth Bank, was invalid.¹¹⁵ Chifley believed the banks would next challenge the special accounts provisions and so remove the ability to use monetary policy to guide the economy.¹¹⁶

Chifley informally approached the banks and said he would not resist the Court's decision if the banks assured him that they would not go on to challenge the special accounts provisions but the banks would give no such assurance.¹¹⁷

A bill was brought before the House in October 1947. Chifley argued that 'since private banks are conducted primarily for profit and therefore follow policies which in important respects run counter to the public interest, their business should be transferred to public ownership'.¹¹⁸ The legislation did not take effect, however, as the High Court, and on appeal the Privy Council¹¹⁹, ruled that nationalisation was unconstitutional.

Welfare

Chifley introduced the *National Welfare Act 1945* to place the Welfare Fund (see above) on a permanent basis and finance it from payroll tax and a specified component of personal income tax. Recalling the difficulties he had seen poor families face when a child was born or a father fell sick, Chifley explained 'we aim to compel those who can

114 Whereas the 1945 banking bills were considered by cabinet clause-by-clause over five days, cabinet and then caucus both agreed unanimously to bank nationalisation without notice at single meetings a day apart: Weller (1975, p 427); Weller (2007, p 89); Crisp (1962, pp 323-8). Cabinet ministers overseas at the time was incredulous when told of the decision; Coombs (1981, p 116) and Daly (1977, p 58).

115 One contemporary journalist reports rumours that Chifley's 'heart condition was having its effect on his temper and his moods' making him 'indifferent to public opinion'; E Holt (1969, p 58).

116 Haylen (1969, pp 43-51); Melville (1993, p 450); *Hansard* 15 October 1947, pp 802-803; speech in September 1947, reprinted in Chifley (1952, p 95). Stephens (1976, p 268) argues that had Chifley being ideologically committed to nationalisation, he would have moved immediately after the 1946 election win. When the 1945 legislation was brought before caucus there was a move to have the banks nationalised instead but Chifley did not support it and the motion was defeated. Calwell and Dedman, however, suggested Chifley may have been deferring to Curtin; cited in Stephens (1974, p 85).

117 Coombs (1981, pp 115-116).

118 *Hansard*, 15 October 1947, p 798.

119 The hearing there was a marathon; Attorney-General 'Doc' Evatt's opening address lasted for 14 days and two judges died during the hearing.

well afford to do so to surrender some of their income to those who do the hard and tedious work ...'.¹²⁰ He also introduced the Pharmaceutical Benefits Scheme.

Opposition leader

Labor lost the 1949 elections, with petrol rationing¹²¹, bank nationalisation and inflation among the main reasons. Labor retained control of the Senate and Chifley served as opposition leader.¹²² He was given the freedom of the City of Bathurst.¹²³

Chifley attempted to make rising inflation the subject of the 1951 double dissolution election but it became dominated by communism, an issue that divided the Labor Party and their trade union supporters. Menzies won majorities in both houses.

Chifley was still opposition leader on 13 June 1951, when Menzies halted the ball commemorating fifty years of federal parliament to announce the passing of his great rival, who had suffered a heart attack in his modest room at the Hotel Kurrajong.

120 *Hansard*, 29 September 1948, p 970.

121 Chifley maintained rationing in part to support the UK which was short of dollars to buy fuel; Crisp (1960, pp 309-314.). Chifley was very supportive of the English, notwithstanding his Irish ancestry.

122 By this time his health was suffering. He told a senior public servant, 'I know how hard it is to do a good job when you feel unwell'; Breen (1974, p 240).

123 According to his nephew John Chifley (1992, p 2), 'of all the honours he received this was the one which moved him most'.

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