PRESS STATEMENT - MALCOLM FRASER:

SOME MORE ON CREDIT RESTRICTIONS

May 28th, 1961

Another matter occurred which is of greater national significance and which has aroused some uneasiness throughout Australia.

At the end of last week we awoke to find headlines in the national press that credit restrictions were going to remain in force until June, 1962. The strong implication was that there had been an official announcement that these restrictions would remain at their present level all this time. It was said that this was evident from Australia's application before the International Monetary Fund. I have read the document which Australia placed before the Fund, and it could never be implied from it that credit restrictions are going to remain in force at the present level for all this time.

It is quite correct that credit restrictions consistent with stability and a proper level of progress will be maintained, but that is quite different from saying that the restrictions will be maintained at the present level and severity.

Indeed, three days after this report it was in substance contradicted by the Governor of the Commonwealth Bank who announced the release of about £17M. from Special Deposits to the Trading Banks, a release designed to cover a seasonal demand for credit.

Furthermore, because of the reduction in the level of house building the Commonwealth has made further credit available in certain spheres in this regard and, in addition, it has decided that the interim measure regarding non-deductibility for notes and debentures introduced last November will not be renewed after the end of this financial year. These matters all support the fact that the credit restrictions and control will be maintained consistent with stability and progress, and that does not mean credit restrictions of the severity of a few weeks ago will be maintained for a further fourteen months. What has happened in regard to those measures that I have indicated represents a complete denial of the substance of the report as it appeared in the national press. Let me quote from Australia's application before the International Monetary Fund:

"""""""""""""" the monetary authorities intend to keep a firm control over the liquidity position of the Banks, with a view to limiting during the year ending June, 1962, the amount of outstanding Bank advances to a total that would be consistent with the maintenance of financial stability.""""
This says that there are going to be credit restrictions, but it does not say that they are going to remain at the present level.

The application goes on to say that "Under present conditions this should preclude more than a moderate increase in advances over the year." So far from saying that restrictions will remain at the present level for the full period, the application actually suggests that there will be a moderate increase in Bank advances.

The report appearing in the form that it did was mischievous.

In case you may have forgotten what the International Monetary Fund is, it is an organization established on an international level to assist countries maintain stability and to assist countries who may experience shortages of overseas funds. Most of the free countries of the world belong to the International Monetary Fund. Australia joined under the signature of the previous Labour Prime Minister, Mr. Chifley, in 1947. The purpose of the Fund is to do what it can to assist international trade, to see that artificial barriers to trade are not erected and to help individual countries with currency problems where it is in the Fund's power to do so.

It is worth noting that the Fund only assists those countries that it thinks are carrying out sound financial policies. It would certainly not assist Australia or make funds available if it felt that Australia was pursuing unwise policies. The fact that the Fund has been prepared to assist Australia in the terms that it has indicates the level of confidence that the overseas world has in this country.