

"THIS DAY TONIGHT"

INTERVIEW GIVEN BY THE PRIME MINISTER, THE RT HON.
WILLIAM McMAHON, CH, MP ON ABC NATIONAL TELEVISION

14 FEBRUARY 1972

Interviewer : Richard Carleton

Q. Mr McMahon, the Premiers' Conference today one cannot help but feel is something of a charade. It has all happened before. The Premiers come to Canberra on Sunday night, breathing fire and brimstone. They come and meet you in the cordiality of the Cabinet Room and it's all over. The Commonwealth makes a concession. There is no long-term solution that has come out of any of these Premiers' Conferences. Is there one in the future?

PM: I don't think there is. And certainly there couldn't be one under present circumstances when wages are rising so rapidly and the States are unable to tax to the extent necessary to recoup the moneys. In other words....

Q. Would the....

PM: Look, please don't interrupt when I am trying to give an answer to what is a tremendously important national problem. This is important. In cases like this, it is not a charade. In fact, I have done my best to ensure that they are listened to with attention, we take notice of what they have said and we adapt our policies as far as we practically can and as far as we think it is wise to meet their wishes.

Q. But you called it a pilgrimage yourself, this evening.

PM: I did call it a pilgrimage but that does not necessarily mean to say it is a charade. There is a totally different meaning of the two words. What I do believe is that they played a contribution, a marked contribution towards an understanding of the problem and towards the solution of it. Far from being a charade, it was a valuable exercise and one that will be of benefit for the nation.

Q. They will be back in June and apparently the same thing will be played out again. They will be back in February next year. There is no solution to the States'

long-term problems of finance.

PM: There is no solution to this if present conditions continue.. But what I have done in order that we can get the most detailed and careful analysis of this, I have asked the Australian National University to establish a small school of the top-thinking economist we have got in the country and I hope two of the most important and capable civil servants we have had -- Sir John Crawford and the former Secretary to the Treasury, Sir Richard Randall. A school will be established so that we will know the facts associated with Commonwealth/State relations and see if they can come up with a better answer.

*Commonwealth/State
relations*

Q. Mr McMahon, forgive me, but the problem has been with Australia virtually since the last war when the States gave up their income taxing powers. Now in 1972, you are proposing an investigation which will produce a possible solution in years to come. In the next three or four years.....

PM: I don't think so at all, with great respect to you. These men know the dangers and the difficulties and they have been specifically charged with the objective of getting an answer as soon as they can, and as and when they are able to give us solutions or recommendations, they will do it.

Q. You are not seeing this in twelve months' time, or anything, though?

PM: I don't know how long it will take, but so long as we get an answer - and I must impress this upon you - that while wages go up the way they are, between 11 and 13 per cent per annum, or average earnings go up at that rate, it is not going to be an easy solution, and the solution has not been found in any other country of the world.

Q. Well, I will come to wages in just one moment, but can I raise a point that you made in your opening address to the Premiers today where you spoke of "excessively gloomy views being put about" and this giving rise to lack of confidence in the community. Would you name for me the people you claim are putting about "excessively gloomy views"?

PM: No, of course I won't but it is commonly practised and why should I enter into an argument with a particular individual. In fact I don't like speaking about individuals. There is too much discussion about them already. I believe in policies. I believe in saying "Here is a problem. This is the way we are going to solve it" but I do have to stress that people don't quite understand, for example, the problem of unemployment; because I pointed out if you look at it in what is called -- and now I am using academic language -- "seasonally adjusted figures for unemployment", you will find that the figures are not far different from the long-term average, and our figures are better than any other country in the world. These are points that have to be made.

Seasonally adjusted

Q. The talk of seasonal arguments and the like has gone on for some time.....

PM: But what you have got to do about them, you've got to understand them. And I would like even, to try and give you, if I could, an explanation of why the seasonal figures are the ones that you look at. But go on, you ask me further questions now.

Q. Well, Sir, I won't go into the seasonal points because I don't want to bring up the matters you brought up in the House yourself last year.....not looking at the seasonal figures but rather at the absolute figures.

PM: Well I said that one was the one that was emotive in quality and that created the greatest public interest and could be used for political purposes. But if you want to look at it for economic and national purposes, the figures that you should look at are the seasonally adjusted figures.

Q. Well, now just to go back to the excessively gloomy views, one of the problems that you have said you are facing yourself is that these views are being put about. So I don't understand why you won't name the persons who are responsible for it.

PM: Because it is not my practice to be naming persons. I believe in fighting the issues, as I said before, and every time you get a Prime Minister naming people, irritating them, then it has a counter-reaction and the ones that suffer are people like myself, and you get into a kind of a brawl that does nobody any good. We are here to solve national problems and that is what we will do.

Q. Let's come now to the wages/prices spiral of which you spoke a moment ago. The argument of the ACTU through Mr Hawke is that the Unions cannot be expected to hold back on their wage demands whilst the Federal Government makes no constructive policy towards price control.

*wages
Prices*

PM: The problem here is to understand causes and effects, and Mr Hawke knows the answer just as well as I do. And the cause of our problems today is that average earnings are rising so substantially -- between 11 and 13 per cent. Now the simple fact is that if wages rise, earnings rise greater than productivity increases which are about 2½ per cent, you must get built into that a cost inflationary factor of the difference between the two. It is inevitable that it will happen. So if Mr Hawke cares to get on the platform or on television and talk about the realities of life, he will be driven to the conclusion that the primary cause is wages and this is one that we have to find the answer to, if possible, through the Arbitration system.

Q. Implicit in Mr Hawke's argument seems to be
.....

PM: I did ask you a few minutes ago if you would
let me finish...

Q. Sorry, I thought you had finished.

PM: No, I hadn't quite finished. But what I
wanted to end, therefore, is this question of prices.
Naturally enough, we are giving a great deal of
consideration to this problem of prices, but it is not
a problem that you want to go creating the impression
"Well we are having conferences about it to see what we
can do" because if you did, then I think you would find
quite a number of people in the community would be
bumping up their prices in anticipation of what is likely
to happen in the days to come. But nonetheless we don't.....
within the Cabinet, of course we discuss the whole of the
national economy and every single aspect of it and we will
continue to do so.

Q. Sir, the Government's last Budget, the Budget
you supervised as Prime Minister was styled as an *Budget*
"anti-inflationary" Budget.

PM: Who styled it that?

Q. Well, it has been styled that way not only
by the commentators, of course, but by your own Ministers,
and by your own Treasurer.

PM: Well let me correct you, please, because
Mr Snedden is my Treasurer, and I, too, have said it
was a Budget that was designed for several purposes,
not one. The first one was that we should ensure growth
and that we should keep unemployment down. They are
two objectives. The second of them is enormously
important to me personally, and I have wanted to keep
unemployment to a low rate ever since I have been in
the Government, over 21 years. And the third, the major

problem we face today, a long-term problem, is how do we handle the problem of wage increases and, consequently, of inflation. So when you say it was singularly or solely an anti-inflationary policy, that isn't accurate. There were three objectives in our policy.

Q. Well insofar as inflation has continued since the Budget for the seven months since the Budget, plus the concessions you made today to boost employment, do you then acknowledge that the strategy, the third point of the strategy of the Budget - to control inflation - has failed?

PM: No, I don't because again I think you must try and understand the difference between the powers that we can exercise and what we try to do. Now there are two different types of inflation - one is what you call demand inflation and that is the old classical form of inflation -- too much demand chasing too few goods. There is a second kind that is quite new to us, and that is the rapid increase in wages that has been occurring in recent months....

Inflation

Q. Which you are hoping to control?

PM : Which we hope to slow down and finally control. But we in the Commonwealth have very little powers because other than in our Territories, the ACT and the Northern Territory, we have no power whatsoever to control wages other than through the Arbitration system.

Q. If the problem is really serious, Sir, why don't you seek those powers?

PM: Go to a referendum?

Q. Yes.

PM: Yes, we could probably do that but that is a process that would take about nine months at least to become effective.

Q. It is seven months since the last Budget and in that time you haven't been able to control inflation.

PM: No, but we did feel....frankly, when I went away, up to Queensland at the end of December, I was fairly certain we had got it where we had seen the glimmerings of

a prospect of bringing it under control because the Arbitration Commission in what is called the Carpenters' Case had acted with sweet reason and had shown that wage increases were beyond the capacity of the community to sustain or to pay. To my horror, we then found that the Electricity Commission of Victoria went and gave a 9 per cent increase beyond our capacity to control. And then the Municipal Officers got an increase. And then the claim was made by the Electricity Commission for an extra week's leave. Now all these things have happened since December, at a time, as I have said, and subsequent to the time when I felt that at long last we had got this problem under control.

Q. Well if that glimmer, Sir, just to conclude with on this point, if that glimmer of hope that you have is dimmed for the rest of this year, could you now give a pointer that you might ~~seek~~ ^{wages} powers for the Commonwealth to control wage increase?

PM: Well what we are trying to do first of all is to look at the problem of containment, or isolation - I used the word today - of isolating these three cases to Victoria. If we can do that, and we will try to the maximum of our capacity, then we can see another glimmer of light in the difficulties in front of us. But now I must confess I will be looking at this question of greater Constitutional powers for the Commonwealth. ^{Constitution}
In my view, the one area where, if we are to exercise overall economic management, the one area where ^{we} should try and get greater powers is to see what we can do in terms of this control of the wage structure. But we couldn't do it directly and we would never want to do it directly. We would want to do it through the Arbitration Commission.

Q. Mr McMahon, thank you for speaking on "This Day Tonight".
