



## PRIME MINISTER

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### ECONOMIC DEBATE

A week ago, the Treasurer announced a number of major measures designed to take Australia a further substantial step towards prosperity and to help in securing that prosperity for all Australians.

The strategy expressed through these measures has been stated by the Coalition Parties on many occasions: - in Opposition, during the election campaign, and in Government.

Our constantly reiterated strategy has been: to bring Government spending under control, to free resources to the private sector and to individuals, to pursue a responsible monetary policy with clearly announced goals, and to generate a climate of national responsibility in which wage and salary restraint will be possible and in which both business and unions will act with a principal regard for the national interest.

The debate over the last week shows that the Labor Party has no coherent alternative to offer.

The debate has shown that only the Opposition is still unable to face the realities of responsible Government.

When the Liberal and Country Parties were overwhelmingly endorsed by the Australian people last December, we faced a set of economic circumstances which should never have occurred in Australia.

They were circumstances in which the opportunities of hundreds of thousands of Australians had been curtailed and in which the weakest sections of the community had suffered most of all.

The fundamental reason why we faced those problems, why so many Australians were damaged was the approach to policy making of the previous Government.

For three years the former Government took - and encouraged - the attitude that the old restraints on Government spending - the limitations on the resources available -- no longer applied.

Difficult choices no longer had to be made between alternatives which were all desirable in some degree - the attitude was that if something was desirable, it was fair enough to print money to pay for it.

The final report of the Social Welfare Commission noted this very attitude.

"There was an expectation that expert commissions could put forward proposals for expenditure which would be automatically adopted."

Exactly the same attitude of mind was exhibited by the Leader of the Opposition in this debate on Tuesday.

Again he demonstrated a total incapacity to understand the basic fact that responsible Governments must set priorities, must make choices.

Now he regards all the expenditures of the previous administration as essential - this is evidence not of real concern but of characteristic unwillingness to face reality.

The Leader of the Opposition went so far as to describe our package as an attack on the living standards of Australians - this from the man whose Government achieved the first real decline in Australia's gross domestic product for decades.

To the previous administration, individual spending was not essential - Government spending was.

It never seemed to occur to the members of that disastrous administration that other Australians did have priorities - that individuals also had needs and that they were entitled to some certainty in the proportion of their earnings they could retain to meet these needs.

The Shadow Treasurer showed precisely the same frame of mind.

I need refer only briefly to one part of his speech which demonstrates this.

In discussing a package of measures which might have been acceptable to the Labor Party, he stated:  
"caution with the money supply, personal tax indexation, and increased child endowment might well be part of that package, but so too would be the continuation and expansion of the effective expenditure programmes begun by the Labor Government."

In other words - he now accepts the historic reforms of the Government's package, but refuses to accept the expenditure restraint which made them possible. In fact, he wishes simultaneously to expand Labor's programmes.

The Labor Party is apparently prepared to contemplate a deficit of \$6,000, or even \$7,000 million, required to finance an expansion of Labor's programmes plus the introduction of full personal income tax indexation.

This is the programme the Shadow Treasurer imaginatively describes as spending our way "gently but firmly" out of stagflation.

The Opposition has failed to understand one cardinal fact.

When there is high inflation and high interest rates, the Government cannot spend the nation out of unemployment.

A strategy based on greater Government spending is relevant to conditions of high unemployment, low inflation, and low interest rates.

These are the circumstances for which the Keynesian pump priming approach was devised - and in which it can succeed.

They are not the circumstances which face us now.

To apply this approach to a situation of high inflation and high interest rates, is a recipe for disaster.

Labor tried that and it failed.

Their spokesmen are still advocating that approach.

They have learnt nothing.

To make possible the introduction of full personal tax indexation and lay the ground for a responsible budget, very major reductions on forward estimates have been necessary.

Ministers have outlined detailed savings in excess of \$1500 million in their own statements.

Additional budget savings will arise from the Administrative Review Committee, from the ongoing attack on extravagance and duplication and from other more detailed savings from Departments.

Medibank savings on the expenditure side will further relieve the budget.

In all, savings of \$2,600 million have been achieved as a result of a new ranking of Government priorities in expenditure.

This exercise has been one of the most wide-ranging and comprehensive of its kind performed by any Government.

Imposing restraints on Government spending has inevitably meant that many desirable programmes can only move ahead at a slower pace than we might have hoped.

Unfortunately, there has been no alternative.

In making choices we have been concerned to protect areas - such as welfare payments - where people are affected as individuals or areas especially important to opportunity such as education.

Our Medibank reforms show our concern that the poorest people in our community should have access to high quality medical care.

The Medibank Scheme requires no payment at all from those on lowest incomes. It places the burden of medical costs on the shoulders of those who can best afford to meet them.

The Government has acted to restrain Government spending because only in this way can resources be freed to individuals and to companies.

The package of measures brought down by the Government will give certainty to people in several ways.

The expenditure restraints mean that for the first time in several years, both individuals and business can have confidence that public sector spending is at last under control.

Full personal tax indexation at last provides an assurance to all wage, salary and income earners that there will be no increase in the tax burden without deliberate and public decision.

The family allowances scheme shows the Government's determination to work in the interest of all Australians.

It shows above all, our concern for the disadvantaged in the Australian community.

These are solid foundations for confidence.

A guarantee that wages will be protected from unlegislated increases in taxation has been, of course, a major concern of the trade union movement.

The trade union movement has taken a consistent view that the certainty provided by tax indexation would be a major factor in wage restraint.

The protection afforded by the family allowances to wage earners near the minimum income with large families, has also been a long-standing concern of the trade union movement.

A responsible control over Government spending can only be one element in a national effort to restore prosperity.

There is a growing awareness that in recent years excessive increases in wages and salaries have imposed too great a cost on many businesses.

The result has been the elimination of many jobs and continuing price inflation.

Wage restraint is necessary so that the private sector can become profitable once more, in the interests of job opportunities and price stability.

Otherwise there will continue to be high unemployment, there will continue to be price inflation.

Bringing inflation under control is not just a job for the Government.

Restoring full employment is a responsibility which falls as much on the trade unions and businesses, as it does on the Government.

The package of measures announced by the Government last week, provides an unparalleled basis for national cooperation.

The great majority of Australians are sick and tired of inflation and unemployment.

People want the merry-go-round to stop.

The approach of the previous Government - reiterated in this House this week - has not worked. It has instead been a principal cause of the problems we now face.

The Government's strategy is working. The present measures will help to sustain and support the economic recovery which is now occurring.

With goodwill on all sides they will provide a solid basis for national cooperation.

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