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PRIME MINISTER

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ELECTORATE TALK

A few days ago, in a speech to the Parliament and to the nation, I drew attention to the increasingly troubled and uncertain world scene; to the tensions and threats to international security that exist; and to the prolonged recession in Europe and North America which has reduced world trade and world growth to a virtual standstill.

We in Australia cannot ignore those developments. We live in a world that is increasingly interdependent, and we are inevitably affected by political and economic circumstances overseas. But, while there is no denying that we cannot turn our backs on developments elsewhere in the world, while there is no denying that they have a significant impact on us, our interdependence with the rest of the world does not make us totally captive to those developments. Interdependence does not imply a complete loss of our independence. Rather it means that there are challenges to be faced; it means that the policies of Governments, and the attitudes and expectations of people must be shaped to face realistically the circumstances of the time.

For most of the post-war period, our increasing links with the world economy and world financial markets have been positively beneficial. Along with the rest of the world, Australia benefited greatly from the significant growth of world trade and investment that occurred in the period following the war until the early 1970's. Indeed because of our small domestic market, and our relatively small domestic supply of capital for investment, our ability to tap overseas markets is especially important to the growth of our real incomes. We look to others to provide markets for our products, and to enable our industries to achieve the scale of operations that enable them to be internationally competitive; we look to others to provide the specialised imports we need for industrial and resource development; and our real living standards have been raised by the willingness of others to invest in Australia's industries and resource projects in co-operation with Australian capital and Australian management.

The first of the dramatic oil price increases in 1973 marked the end of an era of rapid world growth, although the deterioration in economic stability and the associated acceleration in

world inflation were clearly apparent before those price rises occurred, and can be attributed in large part to excessive growth of Government spending and inappropriate deficit financing policies pursued by many countries. In Australia, the big spending big deficit policies of the Labor Government exacerbated problems that were already evident.

When the present Government took office in 1975 we put into place policies designed to restore confidence, growth and prosperity to Australia against the background of an already weak world economic scene. We made the fight against inflation the cornerstone of our policies; and through restraint of Government spending, winding-back the budget deficit, and control of the money supply; through the provision of incentives to industry to invest, to undertake research and development and seek our new and expanded export markets; we succeeded in restoring confidence to the private sector, and we gave it the room it needed to once again become the mainspring of growth and development. Moreover, through our decisive action in introducing import parity pricing for oil, and associated policies for old and new oil, we succeeded in revitalising the petroleum exploration and development industry, providing Australia with renewed activity and renewed security of supply.

That our policies were right, that the right policies and attitudes can enable us to succeed against world trends, is convincingly demonstrated by Australia's economic performance in recent years. For we have had economic growth at twice the average of other major industrialised countries in recent years, the highest rate of increase in business investment for three decades last financial year, and substantial growth in employment and in after tax real incomes over several years, while most of the major industrialised countries in Europe and North America have been struggling to maintain any growth at all.

Indeed, following further substantial oil price increases in 1978-79, their growth rates declined even more as they entered the 1980's, their unemployment rates are high and rising, and because of high budget deficits and the associated need for stringent monetary policies in some countries, interest rates have risen to some of the highest levels the world has seen. At the same time, depressed demand and high unemployment has led their inflation rates to fall. Through trade and international capital flows we have now begun to feel the effects of these most recent developments, at a time when wage demands in Australia have been growing.

The current situation makes it all the more essential that the broad thrust of our economic policies be maintained. With a weakened balance of payments and strong inflationary pressures, there can be no thought of allowing the money supply to expand to accommodate inflationary wage demands, and no thought of abandoning our careful and non-disruptive management of the

the exchange rate. With wage pressures and industrial disruption already affecting employment prospects, our initiatives to improve industrial relations and bring about a restructuring of unions are all the more essential; and with the need to seek lower taxation and a more balanced tax structure, while making provision for the essential needs of defence, the elderly and the disadvantaged, there can be no thought of abandoning our policies of restraining government spending.

The objectives of the vast majority of Australians for themselves and for their children are plain. We seek rising living standards, and an increasingly compassionate and secure society, but one in which individuals are free to develop their talents and express their individuality in their own way. In difficult times such as those we experience at present we must accept that there are tighter limits on the rate at which our aspirations can be fulfilled.

Above all we cannot, as a nation, afford to destroy the conditions which foster economic growth, for it is economic growth which makes it possible for us to satisfy our broader goal of developing further a strong, civilised and humane society.