



PRIME MINISTER

MEETING OF CHAMBERS OF COMMERCE, MANUFACTURERS, MINES

AND THE EMPLOYERS' FEDERATION

PERTH, W.A.

Speech by the Prime Minister, the Rt. Hon. William
McMahon, C.H., M.P.

5 MAY, 1972.

Mr. Britten, Mr. Brodie-Hall, Mr. Hammond, Mr. Pullan
Ladies and Gentlemen,

You will notice I kept those introductions very strictly in alphabetical order because, in mentioning the distinguished Presidents of the four very important groups which are sponsoring this occasion, I would not want to attempt to differentiate between them in the status, or importance that we in the Government attach to them. They are all important organisations and provide a good and effective representation of the business spectrum here in Western Australia. I want to assure you, as the members of these important business groups - that your views occupy an important priority in our decision-making. I am also delighted to note that, to use a common expression, "the place is packed out". If attendance is any guide - then I can say we are a very good bet indeed in Western Australia when the election comes around. Thank you for coming.

During our generation of national government in Canberra with our coalition partners, we in the Liberal Party have always seen our role as having a central theme and a commitment to the concept of individual rights, and support for free enterprise. I want to emphasise these last five words. We have always believed in the value and the real benefits of consultation with business groups in considering economic policy measures. I will go further and assure you that there is going to be no change in this attitude in this very strong commitment of ours to private enterprise; or to our continuing efforts to create and maintain the right type of climate in which private enterprise can continue to make its magnificent contribution to the growth and development of this country: An effort which has resulted in our gross national product multiplying by a factor in money terms of eight since we came to power in 1949, from about 4,000 million dollars then to well over 30,000 million dollars in the early seventies.

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All the other indicators tell the same story of the fantastic growth of this nation. Whether you look at public investment, private investment figures or the record of exports and international trade which place us up near the top of the list of the world's trading nations. No matter which way you look at it you must come to the same inescapable conclusion that our generation of government has been one in which the energies and initiative and dynamism of private enterprise have been encouraged and released to make possible the exciting story of Australia's postwar development.

I think our period in Government to date can fairly be called the "growth generation" - Australia's great leap forward. Western Australia has played a significant role in this development, thanks to managers and entrepreneurs like yourselves: And thanks to men like David Brand and Charles Court, and all those others at the state level who have done so much. I pay my Government's tribute to them all.

You have had the minerals boom and the great boost to prosperity that went with it. You had your own local "population explosion" and the great growth that came with it here in Perth, a really attractive city. It is true that there has been a temporary pause in the great growth of the mining industry here, caused mainly as a consequence of the world currency crisis and the slowing down of the Japanese economy in its very rapid rate of growth, but the biggest part of the big projects are going on. I refer to the Japanese economy. I am confident that these characteristics of the Japanese people - strong, vigorous and efficient - will be reflected before long in a resurgence of the Japanese economic growth and a resumption of the high level demand and of the kind of orders we previously enjoyed from them. In the meantime, growth and development here in Australia are going on.

Only this week you opened the new alumina plant here at Pinjara. This plant will lift Australia into number two position in the world as a producer of alumina. That is something you in the "west" and all Australians can be proud of. We have been and are still facing something of an economic challenge today. That is true. But I wonder sometimes whether many Australians stop for a moment to remember the stark economic challenges that faced us when Robert Gordon Menzies led us so brilliantly into Government

In the late forties and early fifties the problems were really menacing. We had a virulent form of inflation. The Labor Government had just about given up in despair of doing anything about it and was in its dying days. When we assumed the responsibilities of Government, we diagnosed the situation quickly as one of under-production, too much money chasing too few goods, shortage of manpower, and a coal and power famine. In those days of the "battle for production" as it was called, we had a three pronged approach, against communist influence in the unions, against inflation, and towards development.

In three to four years, we had transformed the situation: We literally produced our way to prosperity. Many Australians would hardly remember that time.

After all, half the population today is under 30 years of age: And of course, our economy is far stronger, more complex, and more diversified than in those days. We no longer face recurrent balance of payments problems: And thanks for that are due in no small measure to the great contribution of the mining industry, and we all know of the West Australian contribution to this success story. But as our economy and other western economies here become more complex, the problems they can pose for economic managers have become the more difficult. This is true of ourselves as well as other nations. We have found that new problems are not necessarily amenable to the more traditional responses. And so we here had to be prepared to be more flexible than we have ever been. We have had to be ready to correct trends as they emerge and if necessary, to frankly acknowledge where our predictions have not been borne out. It is true too that we have been through a period of some pessimism, but I think we passed through the trough over the Christmas and New Year period. In the last couple of months there has been a resurgence of business and community confidence.

I think you will find that is fairly readily acknowledged in Canberra and the rest of Australia too. It reflects of course, the realisation that our basic long term prospects for growth and rising standards of living are good. But it also reflects some favourable short term developments which I want to mention to you today.

To illustrate my point let us have a look at the various sectors of the economy. I first mention what we have done in monetary policy. Financial conditions are very easy, with funds readily available to the private sector. The reductions in interest rates we induced have now spread fairly generally throughout the financial system, and rates are well below those prevailing in the early part of this financial year. The banks are very liquid, and their new lending commitments are rising very strongly. The normal winter rundown in liquidity will not put a strain on financial markets this year. To sum up on the monetary side, financial and credit conditions are very conducive to increased activity in the economy. We believe we have helped significantly to create the right climate in this way, for a return of business confidence. Late last year, we removed restrictions on bank lending. We followed this up later with a large release from the statutory reserve deposits and lower interests rates.

That was only one part of our flexible response at the Premiers' Conference in February - and I believe it was the most successful I have attended in all my time in politics. We stimulated the economy further through the provision of extra funds for the states, we approved a big lift in unemployment benefits, and we stepped up the scheme of job creating grants for rural areas which we had begun in February. But the major decision directed to overcoming the lack of business confidence at that time was the restoration of the investment allowance. We did this in response to very strong representations that it would be the single most important action by the Government in boosting business confidence. I think this was a clear indication of my views and those of the Government, in relation to our strong commitment to private enterprise to which I referred earlier.

We also decided to continue for a second five year period the industrial research grants scheme, and we have reviewed the conditions which apply to it, and we expect that the total amount of grants will show a significant increase in this second stage of the scheme which begins in July,

We have taken other decisions which will help in stimulating activity. In December for example, I announced an emergency grant of twenty million dollars over eighteen months to be used for primary and secondary school class room construction in the states. About 6.7 million dollars of that amount will be used before June 30. Then there are our recent decisions, which are known as "the mini-Budget". These decisions on taxation and pensions will stimulate activity directly to the extent of 180 million dollars, and in indirect terms we expect the total stimulus will be of the order of 350 million dollars. Public spending on goods and services is one of the strong areas of demand at the moment. Between the first halves of 1970/71 and this financial year, the increase in this area was 15%. Continued strong growth can be expected here because of the extra money we gave to the states in February for their works and housing programme and the continual pressure for many quarters for increased commonwealth spending generally.

There are other reasons for optimism I want to mention to you: Particularly the recovery in the rural economy. Our best judgement is that farm output is going to go up by about 4% this financial year. Farm prices, particularly for wool, have improved considerably and the result is that farm incomes should rise by as much as 11% this year. This is encouraging, and we believe it should help to stimulate business conditions. The private housing sector is very strong. Motor vehicle industry spokesmen are confident about improved export prospects and a lift in domestic demand. Some of them have already stepped up recruiting of labour. The steel industry has also gained substantial export orders.

So you can see that we have been prepared to take action to stimulate the economy and boost business confidence without delay when we believed action was required. Actual unemployment have fallen sharply from the peak of 130 thousand at the end of January to less than 98 thousand at present. Under the scheme rural employment grants, 12,600 jobs were created up till the end of March. We expect the employment position will continue to improve, but as I said to the press when I arrived here yesterday, we stand ready to take further action at any time we believe it is necessary to provide extra stimulation.

I think you will agree, even from this necessarily brief outline of our actions in recent months that we have adopted a very responsive and flexible stance. We have been on the job continuously in keeping our finger on the economic pulse and we have at no stage hesitated in deciding what should be done. To us, the way ahead is one of steadily returning confidence in the short term, and the resumption in the long term of the very strong growth and development which this country has enjoyed for so long under Liberal and Country Party governments.

We have been working hard on a number of fronts to overcome the serious problem which have been that of inflation. This is no doubt that wage costs are clearly the prime element in the inflationary process when you have average weekly earnings rising as they did by more than eleven per cent last year and productivity rising by only 2½ or 3 per cent then it is inevitable that you are going to get a strong inflationary pressure. In the March quarters the rate of increase moderated as was indicated by the rate of increase in the consumer price index.

Amongst the steps we have taken are the amendments to the arbitration act introduced to Parliament in Canberra only a few days ago. These amendments are designed to curb the militant use of union power to extort unreasonable wage increases and to ensure that the community's interest is preserved in wage settlements. We have also made certain that there has been continued commonwealth intervention in important wage cases to impress on wage tribunals the economic consequences of their decisions. We have also acted to stress the desirability of wage moderation in wage increases wherever this has been practicable. And lastly, we are moving to promote a more competitive environment in the business community itself. We are doing this by our actions in deciding to strengthen the restrictive trade practices legislation.

We are also moving to review the overall level of tariff protection. I think we can say with some justification that our efforts in trying to restrain wage cost inflation are beginning to bear fruit. This was shown in the recent Commonwealth Public Service pay decision and it was also shown in the decision of the arbitration commission announced this morning. The commission's decision on the national wage case was for an increase of two dollars in the total wage and an increase of four dollars 70 cents in the minimum wage for adult males. National wage case decisions always provide debate, but all round, I think this is a well balanced decision. On the one hand it provides a sizeable lift in the wages of those in the work force who have been left furthest behind in the race for ever higher and higher wages - those on the minimum wage and, I might add, it conforms with the submissions the Commonwealth made to the commission on their situation. On the other hand, by exercising moderation in adding further to rapidly increasing wages in general, the commission has given the economy a real chance to make some headway against inflation. That is in the interest of every wage earner and of the people generally.

Ladies and Gentlemen, it has been a pleasure to be here today and to outline to you how we in Canberra see economic conditions moving at the moment. I can assure you that we are determined to improve employment and contain inflation, and I hope that my remarks today have shown you that we are winning the battle to achieve these objectives.

Thank you.
