



PRIME MINISTER

FOR PRESS:

MR. WHITLAM'S ECONOMIC FANTASIES

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

The latest excursion by the Leader of the Labor Party into economic fantasy and downright inaccuracy illustrate his complete ignorance of financial principles and facts.

His claim that he would double national production in ten years is as ill-considered as his recent declaration that he would re-value the Australian dollar now, completely ignoring the damage that would do to our great rural, manufacturing and mining industries.

It is obvious that Mr. Whitlam is seeking office by making promises which he cannot keep, especially against the background of his Party's declared economic policies and intentions. The frustrations of being so long in opposition have led the Labor Party to present irresponsible, grab-all proposals that would certainly damage the economy beyond repair.

Mr. Whitlam says that a Labor Government would aim for growth of six to seven percent per year. This is an astonishingly ambitious target for him, with his policies. In fact his own election promises would clearly prevent him achieving his policies. What is worse, they would actually depress growth.

Take their 35 hour week and extended annual leave proposals. These must reduce output per man - that is productivity, on which growth depends so heavily.

Then there is immigration. In the past this has done much for national growth. It has enabled employers to find labour for many development projects and to recruit particular skills which would otherwise be unavailable. Labor would reduce immigration and what is more, it would cease Government recruiting. This would mean there would be no selection on the basis of skill. Here again the national economy would suffer.

A growth of six or seven percent has not been achieved in the past in Australia over more than a very short period and Mr. Whitlam has not indicated what steps Labor would take to step up growth other than introduce indicative planning. But comprehensive indicative planning would require a significant diversion of manpower from other urgent tasks. Indicative planning involves target setting and targets which turn out to be unrealistic - and many must be - are worse than useless. When efforts and resources are devoted to trying to make the facts of economic life fit the plans the result is likely to be reduced rather than enhanced growth.

Mr. Whitlam falsely says that Australia's growth rate in the 1960's was less than 3 percent. The facts are that Australia's growth rate in the 1960's was about 5½ percent a year.

He also ignored the fact that inflation has eased. The consumer price index has been rising at 7 percent, but so far this year it has declined to around 5 percent.

Both these rates of increase in prices are below what was experienced in the immediate postwar years and unemployment has been well below the peak of 1961.

Mr. Whitlam also falsely represented the September quarter figures on growth. He said the increase was only .3 percent. While this was the increase estimated in G.N.P. at constant prices, the figure was sharply affected by a set-back in the farm sector caused by drought. This is temporary. The significant figure was that non-farm G.N.P. at constant prices grew in the September quarter at an annual rate of 4 percent.

It is the Government Parties' objective to obtain the maximum growth rate our economy can sustain and we have proved that we can be successful.

We know our policies and programmes can and will achieve maximum growth. We also know that Labor could not do this, on the evidence of Mr. Whitlam's own economic fallibility.

Mr. Whitlam was reported as saying that based on calculations by the Melbourne University's Institute of Applied Economic and Social Research, the growth rate would need to reach 6 percent to eliminate unemployment next year.

What he has failed to realise is that growth of this order from now on is, in fact, implicit in the Government's expectations that G.N.P. at constant prices will increase in 1972/73 as a whole by 5 percent.

But such growth is predicated on the fact that sound economic policies are followed. If Mr. Whitlam's policies are followed, the very basis of our growth would, as I have said, be completely destroyed.

The Australian economy is buoyant, unemployment is at a low level, inflation has eased and the growth rate is increasing.

Personal taxation has been reduced significantly and the tax scales have been restructured. That is the true state of affairs today. Here are the facts in brief.

Inflation

The consumer price index has dropped from an annual rate of 7 percent to 5 percent.

Employment

There were 82,400 persons out of a work force of 5½ million registered for employment last month. This is 1.46 percent of the work force - a figure accepted as close to full employment and one of the best in the world. In other words, around 98.5 percent of the work force is gainfully employed. Prospects for school-leavers are excellent.

Consumer Demand

Retail spending is up 12 percent compared with 8 percent last year.

Building

Dwelling approvals are rising very strongly and seasonally adjusted, are at a record level. The total value of all building approved in September was the second highest figure ever recorded.

Growth

A growth rate of better than 5 percent in real terms - not 3 percent as Mr. Whitlam claims - has in fact been achieved in recent years.

We are approaching that level again after the recent temporary setback to the economy.

CANBERRA,

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