

SPEECH BY THE PRIME MINISTER,
THE HON. E. G. WHITLAM, Q.C., M.P.,
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PRICES, INCOMES AND INFLATION

IT IS TEMPTING TO BELIEVE THAT A SUCCESSFUL PRICES AND INCOMES POLICY CAN BE A MAGIC REMEDY, NOT ONLY FOR INFLATION, BUT FOR ALL THE ILLS OF SOCIETY. IF ONLY GOVERNMENTS COULD CONTROL PRICES AND WAGES - SO THE ARGUMENT GOES - WE WOULD BE WELL ON THE WAY TO A MORE JUST AND PROSPEROUS NATION. THE DILIGENCE WITH WHICH PRICES AND INCOMES POLICIES ARE PURSUED IN MANY WESTERN COUNTRIES IS TESTIMONY TO THE POWER OF THIS IDEA. THAT THESE POLICIES HAVE SO OFTEN FAILED - OR AT BEST MET WITH LIMITED SUCCESS - HAS NOT DETERRED OTHER COUNTRIES FROM ATTEMPTING THEM.

AUSTRALIA IS NO EXCEPTION. MY OWN GOVERNMENT, AS YOU KNOW, IS COMMITTED TO A RANGE OF ANTI-INFLATIONARY POLICIES INCLUDING THE ESTABLISHMENT OF A PRICES JUSTIFICATION TRIBUNAL, BY WHICH WE INTEND TO BRING THE MOST FORMIDABLE OFFICIAL AND PUBLIC PRESSURE TO BEAR IN AN EFFORT TO KEEP PRICES DOWN. NEXT THURSDAY WE SHALL BE MEETING THE STATE GOVERNMENTS IN CANBERRA TO DISCUSS THE PROBLEM OF INFLATION AND POSSIBLE SOLUTIONS TO IT.

FOR LET THERE BE NO DOUBT OF HOW SERIOUSLY MY GOVERNMENT REGARDS THIS PROBLEM OR THE STRENGTH OF OUR DETERMINATION TO TACKLE IT. INFLATION IS INCREASINGLY RECOGNISED AS THE MOST FORMIDABLE AND INTRACTABLE PROBLEM OF ECONOMIC MANAGEMENT. MANY GOVERNMENTS AROUND THE WORLD NOW BELIEVE THIS TO BE SO. THE PACE OF INFLATION HAS QUICKENED IN THE 1970S IN MOST COUNTRIES, AUSTRALIA INCLUDED.

IT IS ALREADY BECOMING CLEAR THAT THE THREAT OF INFLATION WILL BE THE MOST SERIOUS ECONOMIC PROBLEM FACING THE GOVERNMENT. THE LABOUR MARKET HAS MOVED RAPIDLY IN RECENT MONTHS TOWARDS FULL EMPLOYMENT LEVELS AND THE TREND SEEMS CERTAIN TO CONTINUE. WE WELCOME THIS; WE ENCOURAGED IT. BUT IN SUCH CIRCUMSTANCES THERE IS THE MAXIMUM OPPORTUNITY FOR PRODUCERS TO RAISE PRICES, THE LEAST INCENTIVE TO RESIST INCREASING COSTS, AND THE LEAST OPPORTUNITY FOR EFFECTIVE CONSUMER RESISTANCE.

PROBABLY THERE IS NO SINGLE SOLUTION - PRACTICABLE OR IMPRACTICAL, JUST OR UNJUST - TO THE PROBLEM OF INFLATION. THERE ARE, HOWEVER, SOME CLEAR CONCLUSIONS TO BE DRAWN FROM AUSTRALIAN AND OVERSEAS EXPERIENCE ABOUT THE REQUIREMENTS OF AN EFFECTIVE ANTI-INFLATIONARY POLICY. A PRE-CONDITION FOR SUCH A POLICY IS EFFICIENT MANAGEMENT OF OVERALL DEMAND BY SOUND BUDGETARY AND CREDIT POLICIES. NO POLICY, OR COMBINATION OF POLICIES, DESIGNED TO AFFECT PRICES OR INCOMES DIRECTLY CAN BE SUCCESSFUL IF EXCESSIVE PRESSURES ON RESOURCES ARE ALLOWED TO DEVELOP.

SECONDLY, THE OVERALL ECONOMIC ENVIRONMENT MUST BE RIGHT. THE EXCHANGE RATE MUST BE APPROPRIATE. POLICIES ON RESTRICTIVE PRACTICES, TARIFFS AND CONSUMER PROTECTION MUST ENCOURAGE COMPETITION AND LIMIT OPPORTUNITIES FOR PUSHING UP PRICES. GOVERNMENTS AND THEIR AUTHORITIES MUST FOLLOW RESPONSIBLE POLICIES ON PRICING AND EMPLOYMENT CONDITIONS. THIS IS THE CONTEXT INTO WHICH PRICES AND INCOMES POLICIES HAVE TO BE FITTED. THE GOVERNMENT BELIEVES THAT THERE IS A PLACE FOR SUCH POLICIES, BUT IT DOES NOT BELIEVE THEY ARE A CURE-ALL FOR INFLATION.

THERE ARE, OF COURSE, FAVOURABLE FACTORS IN THE PRESENT SITUATION. THE RISING STRENGTH OF THE LABOUR MARKET SHOULD ENABLE POLICIES DESIGNED TO RESTRAIN PRICES TO BE UNDERTAKEN WITHOUT FEAR OF CREATING GENERAL UNEMPLOYMENT. THE STRENGTH OF THE CURRENT BALANCE OF PAYMENTS AND THE HIGH LEVEL OF INTERNATIONAL RESERVES (DESPITE THE WITHDRAWAL OF SOME FUNDS AFTER THE RECENT CURRENCY REALIGNMENTS) ALSO MEAN THAT WE CAN CONTEMPLATE AN INCREASED INFLOW OF IMPORTED GOODS WITHOUT ANXIETY ON THE INTERNATIONAL ACCOUNT.

WE HAVE ALSO TAKEN HELPFUL ACTION ON THE EXCHANGE RATE. AN EXCHANGE RATE WHICH UNDERVALUES THE DOMESTIC CURRENCY INCREASES THE COST OF IMPORTED GOODS, INCLUDING MATERIALS FOR INDUSTRY, PREVENTS EFFECTIVE COMPETITION BY IMPORTS, REDUCES RESISTANCE BY PRODUCERS TO RISING COSTS, AND HELPS MAKE THE CONSUMER HELPLESS IN THE FACE OF ORGANISED PRICE INCREASES. OUR REVALUATION OF THE DOLLAR LAST DECEMBER WAS A VALUABLE ANTI-INFLATIONARY MEASURE.

FURTHERMORE, MY GOVERNMENT HAS UNDERTAKEN A RANGE OF SPECIAL ANTI-INFLATIONARY POLICIES. I DON'T WANT MY REMARKS TO SOUND TOO MUCH LIKE A RECITAL OF GOVERNMENT POLICY - THE PROPER PLACE FOR THAT WOULD BE IN VICTORIA RATHER THAN TERRIGAL - BUT I SHALL MENTION BRIEFLY SOME OF THE THINGS WE ARE DOING. I HAVE REFERRED TO OUR PRICES TRIBUNAL. WE HAVE ALSO ESTABLISHED A JOINT PARLIAMENTARY STANDING COMMITTEE TO REVIEW PRICES IN KEY SECTORS. WE WILL STRENGTHEN THE LAWS AGAINST RESTRICTIVE TRADE PRACTICES. WE WILL USE OUR POWERS THROUGH TARIFFS, SUBSIDIES AND CONTRACTS TO PREVENT UNJUSTIFIED PRICE RISES WHEREVER WE CAN. THE AUSTRALIAN GOVERNMENT IS THE NATION'S BIGGEST SINGLE CUSTOMER AND MOST IMPORTANT SINGLE CONSUMER. AS SUCH IT CAN EXERCISE A CONSIDERABLE INFLUENCE ON PRICE MOVEMENTS. BY HELPING THE CONSUMER TO A BETTER AND INFORMED AWARENESS OF THE PRICE AND QUALITY OF AVAILABLE GOODS, WE CAN DO MUCH TO DISCOURAGE EXORHITANT OR IRRESPONSIBLE PRICE RISES.

IN THE LAST RESORT, HOWEVER, THERE IS A LIMIT TO WHAT ANY GOVERNMENT CAN DO TO CONTROL THE LEVELS OF PRICES OR WAGES. IT IS TRUE GOVERNMENTS CAN RESORT TO A STATUTORY FREEZE IMPOSED BY EXECUTIVE ORDER. SOME COUNTRIES HAVE ATTEMPTED THESE CONTROLS; NO COUNTRY HAS REGARDED THEM AS ANYTHING BUT A TEMPORARY MEASURE. IN DEMOCRATIC SOCIETY THERE IS A LIMIT TO THE WAY THESE POWERS CAN BE USED. THERE IS A LIMIT TO THEIR EFFECTIVENESS, THERE IS A LIMIT TO THEIR POLITICAL ACCEPTABILITY IN A FREE SOCIETY, THERE IS A LIMIT TO THEIR ENFORCEABILITY, THERE IS A LIMIT TO THE ADMINISTRATIVE MACHINERY NEEDED TO SUPERVISE THEM.

IN OTHER WORDS, IN ANYTHING SHORT OF A TOTALITARIAN SOCIETY, GOVERNMENTS ARE RESTRAINED IN THEIR ABILITY TO ADJUST WAGES AND PRICES AS THEY PLEASE. OUR PROPER CONCERN, THEREFORE, IS NOT WITH WHAT GOVERNMENTS CANNOT DO, BUT WITH WHAT THEY CAN AND SHOULD DO. THE QUALITY OF LIFE - WHAT USED TO BE CALLED THE STANDARD OF LIVING - DEPENDS ON A WHOLE RANGE OF CONDITIONS AND SERVICES WHICH GOVERNMENTS CAN DETERMINE AND PROVIDE, WHICH GOVERNMENTS ALONE CAN DETERMINE AND PROVIDE. A MANUFACTURER CAN INCREASE THE PRICE OF HIS GOODS; HE CANNOT PROVIDE A HOUSING SCHEME. A DOCTOR CAN RAISE HIS FEES - AT LEAST HE MAY THINK HE CAN - BUT HE CANNOT PROVIDE A HEALTH SERVICE. A BUSINESS FIRM CAN INCREASE ITS CHARGES: IT CANNOT PROVIDE MORE SCHOOLS, BETTER ROADS OR IMPROVED COMMUNITY SERVICES. THESE THINGS ARE THE PROVINCE OF GOVERNMENTS.

I SIMPLY MAKE THE POINT THAT THE SEARCH FOR A PRICES AND INCOMES POLICY - HOWEVER DESIRABLE IT MAY BE - MUST NOT BECOME A SUBSTITUTE FOR ACTION IN AREAS WHERE GOVERNMENTS HAVE A REAL AND UNCHALLENGED POWER TO IMPROVE THE STANDARDS OF OUR LIVES. NOR MUST THE FEAR OF INFLATION BLIND US TO THE FACT THAT THERE ARE WORSE ECONOMIC EVILS. I DO NOT ACCEPT THAT THE DELIBERATE CREATION OF UNEMPLOYMENT CAN EVER BE AN ACCEPTABLE REMEDY TO INFLATIONARY PRESSURES. THIS VIEW IS STILL HELD BY SOME OF OUR OPPONENTS. IN THE PAST, BUDGETS HAVE BEEN FRAMED AND ECONOMIC POLICIES IMPLEMENTED IN BLIND SUBSERVIENCE TO THIS CRUEL AND DISCREDITED THEORY. EVEN IF THE THEORY WERE TRUE, MY GOVERNMENT WOULD UNHESITATINGLY REJECT SUCH AN APPROACH. THE CURE WOULD BE WORSE THAN THE DISEASE.

THE REAL VICTIMS OF INFLATION ARE THOSE ON SMALL INCOMES - MORE ESPECIALLY THOSE ON FIXED INCOMES. FOR THE MAN WHO MUST SPEND NEARLY ALL OF HIS INCOME IN ORDER TO LIVE, INCREASES OF A NEW CENTS IN THE BASIC COMMODITIES ARE KEENLY FELT. THEY MAY INDEED BE CRUCIAL TO HIS HEALTH, HIS WELL-BEING, HIS COMFORT. HOW THEN CAN A HUMANE GOVERNMENT BEST ASSIST HIM? THE TRUTH IS THAT EVEN IF INFLATION IS CONTROLLED, THE MAN ON SUCH AN INCOME IS STILL AT A CRIPPLING DISADVANTAGE. GOVERNMENTS CAN THEREFORE HELP HIM BY ATTACKING THE SOCIAL INJUSTICES THAT DISCRIMINATE AGAINST HIM AND RENOVATING THE INEFFICIENT PUBLIC SERVICES HE IS FORCED TO USE.

LET US TAKE THE TYPICAL AUSTRALIAN - TYPICAL AS PORTRAYED BY THE STATISTICIANS. YOU WILL NOTICE TONIGHT THAT I HAVE REFRAINED FROM USING TOO MANY STATISTICS. I SUSPECT THAT IN THE PAST 24 HOURS YOU HAVE HAD A SURFEIT OF THEM. IT IS IMPORTANT TO REMEMBER WHAT WALTER BAGEHOT SAID OF STATISTICS: "THE ECONOMIST USES STATISTICS MUCH AS THE DRUNKARD USES LAMP-POSTS - FOR SUPPORT RATHER THAN ILLUMINATION." NEVERTHELESS, WE MAY CONSIDER AN AUSTRALIAN EARNING \$104 A WEEK AS AN EMPLOYEE (THOUGH THE AVERAGE WAGE MUST NOT BE REGARDED AS THE TYPICAL WAGE), BRINGING UP 2.4 CHILDREN AND LIVING IN A SUBURB OR TOWN OF 10,000 PEOPLE. THE FIRST AIM OF A MODERN GOVERNMENT MUST BE TO ENSURE THAT HIS EMPLOYMENT IS SECURE.

BY ABOLISHING THE INEFFICIENCY AND UNFAIRNESS OF THE PRESENT HEALTH SCHEME WE CAN REDUCE THE COST OF CONTRIBUTIONS OF THE AVERAGE MAN. WE CAN REMOVE THE FEARS AND DOUBTS OF THOSE WHO STILL HESITATE BEFORE MAKING AN EXTRA VISIT TO THE DOCTOR. BY ATTACKING INEQUALITY IN EDUCATION - FROM PRE-SCHOOLS THROUGH TO UNIVERSITIES - WE CAN ENSURE THAT THOSE ON LOW INCOMES WILL NOT BE DISADVANTAGED MORE THAN OTHERS THROUGH THE EROSION OF THAT PART OF THEIR INCOME THEY SPEND ON EDUCATION FOR THEIR CHILDREN. PENSIONERS - THOSE ON FIXED INCOMES, THE PRIMARY VICTIMS OF INFLATION - MUST BE ASSURED THAT IN ILLNESS THEY WILL GET ALL POSSIBLE CARE, AND THAT THE ABOLITION OF THE MEANS TEST AND THE INTRODUCTION OF NATIONAL SUPERANNUATION WILL HELP REMOVE THE HARDSHIPS OF RETIREMENT, WHEN THE EFFECTS OF INFLATION ARE MOST UNSPARING.

NONE OF THESE MEASURES CAN BE REGARDED AS A CURE FOR INFLATION. THEY ARE NOT A SUBSTITUTE FOR A SUCCESSFUL PRICES AND INCOMES POLICY, ANY MORE THAN A PRICES AND INCOMES POLICY CAN BE A SUBSTITUTE FOR SOCIAL REFORM. MY GOVERNMENT BELIEVES THAT RESTRAINTS ON PRICES, AND THE ORDERLY DETERMINATION OF PERSONAL INCOMES, ARE MERELY ONE INGREDIENT IN THE RECIPE FOR A MORE JUST AND PROSPEROUS NATION.

I HAVE NO DOUBT, FROM THE ATTENDANCE AT THIS SEMINAR, AND SEEING SO MANY DISTINGUISHED SPEAKERS, THAT YOU HAVE MADE A VALUABLE STUDY OF A DIFFICULT AND PERHAPS INTRACTABLE PROBLEM. I CONGRATULATE THE INDUSTRIAL RELATIONS SOCIETY OF NEW SOUTH WALES ON ITS MOST SUCCESSFUL MEETING. IT IS A TRUISM TO SAY THAT THERE ARE NO EASY SOLUTIONS TO MODERN INFLATION OR THE FEASIBILITY OF PRICE-INCOME POLICIES. MY CONCERN IS TO REMIND YOU THAT WHILE WE MAY NOT KNOW THE ACCEPTABLE SOLUTIONS, AT LEAST WE KNOW THOSE WHICH ARE NOT ACCEPTABLE. NO SOLUTION IS ACCEPTABLE IF ITS BURDENS ARE NOT SHARED FAIRLY BY THE WHOLE COMMUNITY. NO SOLUTION IS ACCEPTABLE IF IT DISCRIMINATES AGAINST THE WEAKEST AND MOST DEFENCELESS SECTIONS OF SOCIETY. NO SOLUTION IS ACCEPTABLE IF IT TOLERATES HIGH LEVELS OF UNEMPLOYMENT. NO SOLUTION IS ACCEPTABLE IF IT IGNORES THE NEED FOR FUNDAMENTAL REFORMS. IT IS WITHIN THOSE LIMITS, AND UPON THOSE CONDITIONS, THAT INFLATION MUST BE FOUGHT. MY GOVERNMENT BELIEVES THAT WITH YOUR CO-OPERATION, THE CO-OPERATION OF ALL SIDES OF INDUSTRY, THE BATTLE CAN BE WON.
