



PRIME MINISTER

13 November 1974

NATIONAL BROADCAST

In Parliament last night I outlined a number of measures which the Government is taking to deal with some of our current economic difficulties.

The two greatest of these are, of course, rapid inflation and rising unemployment. In a modern economy like Australia, in a mixed economy like Australia, these are now twin problems; they are interlocked. This is a situation we find throughout the world - in all similar economies, in all comparable countries. It's the first time in modern history where peoples and governments have been faced with these two problems at the same time.

We have had unemployment before, we have had inflation before, but the combination of the two poses problems not before encountered, to a degree not before encountered, in modern times, anywhere in the world.

This does not mean that the problems are insoluble. It doesn't mean that the situation is out of control. It doesn't mean that we just submit passively to whatever fate or events beyond our control may decide. We don't have to, and as far as your Government is concerned, we are not going to.

But what it does mean is that democratic governments have to be extraordinarily alert and flexible in their response to rapidly changing circumstances. This is what we are doing; and because circumstances are liable to such rapid change, policies must be especially flexible.

It is a cliché now to say that there is no simple or easy cure for this world-wide problem. All the more important, therefore, that governments be unremitting in their efforts to seek solutions for these problems; unremitting, earnest and compassionate in their efforts to protect those who suffer worst and first from the immediate consequences of these problems. I offer the measures I announced last night as evidence of your Government's determination and sincerity in doing just that.

Briefly, the proposals I announced have four broad aims:

First, we want to maintain consumer demand through a substantial reduction in personal income tax.

Secondly, we want to attack inflation by reducing the pressure for wage increases through a substantial improvement in after-tax take-home pay next year and specifically to break the wage-price spiral by giving business a breathing space in wage demands based on price increases in this December quarter.

Thirdly, we want to enhance profitability - by a reduction in company tax, by requesting the Prices Justification Tribunal to give particular consideration to the adequacy of return on capital and by urgently investigating the implications of rapid inflation for the taxation of companies; and

Fourthly, we want to support particular industries where special problems are emerging - housing, cars, textiles, beef.

And those four objectives are summed up in one overriding objective, and that is to create the conditions for co-operation with all sections of the community and between all sections of the community. Without co-operation, without responsibility, without restraint, we cannot solve our problems.

No Government can do it alone. We are all in this together, not just as Australians but as members of a world community all experiencing times of profound difficulty, together, and at the same time.

Yet how fortunate we still remain amongst all the members of the world community. Our immediate problems are certainly not worse than those of our partners and friends and, of course, are immeasurably less than those facing most members of the international community.

Of the measures I announced last night, the one of most immediate interest to most Australians is, naturally enough, the cut in personal tax. And this is a substantial cut. For the family man on \$100 a week it's just as if he got a 8 per cent wage increase. For the family man on \$150 a week it's just as if he got a 5-3/4 per cent wage increase. I want everybody really to understand what we are trying to do. By these tax cuts, we are guaranteeing you an immediate improvement in your standard of living - a protection against the immediate rises in prices. But this protection will disappear if wage demands push costs and prices through the ceiling. We have provided the chance for you to get ahead of prices. Don't throw away the opportunity. We must break the vicious circle of wages chasing prices, and prices chasing wages.

I don't conceal that the next few months will be quite difficult. The figures won't be good. The measures we have taken - any economic measures - take time to take their effect. But behind the headlines, behind the raw figures, lies the great unchanging truth of the basic strength of the Australian economy and - I deeply believe - the basic strength of the Australian community. These are national assets which can't be diminished by temporary fluctuations in the statistics and the indices.

The measures I outlined last night, combined with the continuing effect of the measures taken in the Budget, give every ground for confidence that we shall turn the corner before the middle of next year.

I am not saying, of course, that all our problems will be solved, but the important thing is to realise that we are not powerless to control the course of events. No Australian - no section of the Australian community - should fear that he or she will be left unprotected by the Government, left to despair, left without hope.

These and other measures will work if they are given a chance to work - and that does require co-operation, particularly from the most powerful sections of the Australian community, employers and employees. For both those groups - whose interests are mutual - the measures I announced give good grounds for co-operation - with each other and with the elected Australian Government.

These measures are your Government's response to our present difficulties. But if they are to work, those who immediately benefit from them must also respond. We are, for the first time, offering tax cuts in return for restraint. If that is to work, it calls for genuine co-operation, genuine restraint.

We can meet and beat these problems - together - certainly better than any other people in the world. Last night, I am confident, we made a good start.
