

FOR PRESS

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Since the elections in December, the Government has concentrated on getting its economic programme under way. The first priority of the Government should by now be well understood. It is to bring inflation under control. Until this is done, there will be no real return to confidence in the economy and no soundly based expansion of job opportunities. Fortunately, there is increasing appreciation of the absolute importance of tackling inflation - and tackling it as rapidly as possible.

Our first task is to transfer back to individuals and private enterprise, resources which have foolishly been diverted to the Government. We have begun to do this. Inevitably there has been enormous waste and inefficiency involved in the very rapid increases which have taken place in Government spending. We have made a large number of economies in administrative expenses and spending programmes, starting with the spending of Ministers and other Members of Parliament.

Economies worth \$360 million have so far been announced. These will be effected in the remaining months of this financial year. These same economies in terms of annual rates, are equivalent to savings well in excess of \$1 billion.

A stop has been put on the growth of the federal bureaucracy. On 23rd December, we announced our intention to hold staff ceilings at the level they had reached at the end of November. As a result of a further searching reappraisal of priorities and programmes, we have reduced these ceilings still further. By the end of June there will be 17,480 fewer people employed in the federal bureaucracy than under the ceilings set by the previous Government for Departments and authorities.

We will be continuing to examine the Government's spending commitments. Sir Henry Bland is heading a committee to review administrative expenditure, with a view to achieving maximum efficiency and eliminating waste and duplication within and between Departments.

Alongside these measures we have begun to implement a number of policies to directly boost investment and job opportunities. These include the 40% Investment Allowance, the suspension of quarterly tax instalments, various measures to assist rural industry, renewed encouragement to development of mineral wealth, greater efforts to promote Australian trade, and a major set of monetary measures to take up excess liquidity and encourage investment. These measures will all contribute to the revival of job opportunities and real economic growth.

Later this year, we will begin to implement our policy of personal income tax indexation which will ease the pressure on individuals of the constantly increasing tax burden inflation brings.

Steps have also been taken to establish a responsible Cabinet Government which can give effect to coordinated policies. Much greater care is being taken by Ministers to administer their Departments - to ensure that the administrative means without which policies cannot succeed, are well thought out and operate effectively.

Many of these decisions have been hard ones, but they are decisions which serve the over-riding goals of Australians. We have taken the decisions we believed to be in Australia's interests. The Australian people elected us to do a job. We will do that job. And we will do what is necessary to make a success of that job.

Let me emphasise that restraint on the part of Government does not mean doing less than we can in the present. It means maximising our present gains without jeopardising our potential for the future. It means balancing the present against the future.

A fundamental cannon of good Government is that we must operate within the limits of our resources. In the longer term, the best safeguard against the history of the last three years repeating itself, is for us all to be aware of an appropriate role for Government.

It is very easy to stimulate the kind of pressures we have seen in Australia by exaggerating what Government can, or ought, to do. Too many politicians, not only in Australia but also in the other Western democracies, have promised too many things that they just cannot deliver.

This is the greatest single threat to the continuation of democracy.

The success or failure of democracy will depend on the ability of both politicians and people to relate their expectations to the resources available. Democracy will fail if democratic Government cannot persuade people that they must not demand of Government more than resources make possible. This is the great test of democratic leadership, the great challenge to the people of the Western democracies - are we to be seduced by the irrational promises of Socialism which cannot, by their very nature be realised?

The last election result holds our great hope for the future. Our qualities as a Government and a people will be tested by our ability to take the hard decisions that responsibility demands.

We must exercise restraint. Restraint on the part of the Government means that Government should not intervene unnecessarily in areas of life where people can do things for themselves, if they really want to. The apparent advantages of Government assistance to one group must be weighed against the fact that help for one group is given at a cost to others.

The more the Government undertakes the role of deciding the distribution of resources, the less freedom do people have to decide which activities they will fund, because more and more of the money they earn is allocated for them by Government. People become more and more dependent on Government and in the end, this increasing dependence on Government builds frustration and political anger. If we rely too much on Government, the demands for assistance in the end press upon and overwhelm the limits of resources. When this happens, everyone - but particularly the weaker groups - suffer.

Over the long term, Australia's real wealth has increased by about 5.3% per annum. This is the limit on real improvement in all areas of where improvement is possible. We cannot cheat on this. We cannot exceed these constraints without rapidly imposing other costs on people. A massive attempt to evade these limits - such as we have seen in the last three years - ends up by creating totally unacceptable social dislocation. It does this by reducing the national wealth and our capacity to help the needy and disadvantaged.

There is another group, much more visible, who have also paid for the excess Government expenditure of the last three years, the unemployed. One major reason why Australia is suffering from the level of unemployment we now have, is that resources which private enterprise needs to expand plant and equipment, and create job opportunities. You may recall that the Mathews Committee Report last year went so far as to say that the very existence of the private sector was threatened by this situation.

People and Governments must recognise that there are limits on what Government can perform. Performance must be matched to resources. This involves hard decisions. The fact is that we have no choice if prosperity is to be restored.

Two of the most difficult decisions concerned the future of the Prices Justification Tribunal and Wage Indexation. In both these cases, we re-examined previously held views in the light of new evidence. Thus, over the P.J.T. we agreed to consult with interested groups. This move was generally hailed as being a wise one based on a willingness to re-examine the merits of the case.

In the case of Wage Indexation however, the very people who had described our attitude on the P.J.T. as one of proper flexibility now called our reconsideration of a passing on of the full 6.4% C.P.I. into wage increases, a "breach of trust". Two inconsistent responses to similar actions. What's good for the goose is apparently not good for the gander.

The Government believes that an increase of 6.4% would be in the interests of no-one. It would undermine the confidence of both consumers and industry in Australia's future. Some industries have no capacity to pass on higher costs. In these industries, unemployment would grow. In other industries, the pricing situation is more flexible and costs can be passed on. But these higher prices will then be reflected in the C.P.I. index. The Index will then be used for the next wage adjustment, and so on.

What advantage is there to anyone in this vicious spiral of higher prices, higher money wages, higher costs, and yet more price increases? I am certain that most Australians now recognise that this is the process which has been undermining Australian prosperity.

Mr Hawke has said that we need a consumer-led recovery. Consumers have had higher wages and tax cuts. Because of their uncertainties they have not spent but saved, saved to hedge against inflation. The factors that prevent consumers spending, are the factors that prevent business investing - uncertainty about the future, about the course of inflation.

Those who say we need a consumer-led recovery in this fashion are applying the logic of Theodore, the logic that Keynes wrote into his theory. But these ideas are now forty years out of date. The preconditions for these ideas to apply are high unemployment, a stable currency and low interest rates. The only precondition that exists at the moment is high unemployment.

Because of the policies now being implemented by the Government, the Arbitration Commission today has the greatest opportunity in its history to decisively affect the course of inflation and unemployment. Its decision is of the greatest importance. It cannot avoid responsibility by claiming that it is only concerned with the wages dispute, with the particular case before it. The decision of the Commission today will affect everyone.

Because of the policies the Government has initiated, the Commission now has the greatest opportunity to break the inflationary spiral. I am certain that the Australian people want that spiral broken.

The Government has an unequivocal commitment to get unemployment down, to provide job opportunities for Australian workers. During the Labor years, the union movement said little about the highest unemployment since the Depression. They failed to protect the interests of their members - particularly their weaker members.

While a few strategically placed militant unions were able to benefit from increased wages, the consequences of this were higher and higher unemployment and inflation. Some unionists benefitted by taking away their workmates' jobs.

Now they propose to destroy even more jobs in the pursuit of illusory paper wages, perpetuating the wage-price spiral which only benefits the few at the expense of the many.

I look to the A.C.T.U. and its President to represent the interests of all their members and not the interests of the A.L.P. One man cannot speak effectively for both the Labor Party and trade unionists - especially a man who hopes to come into Federal Parliament. This ambition must make it impossible for Mr Hawke to do both jobs with commitment and dedication. When a choice had to be made in the past, he placed the A.L.P. above the Union movement and especially above the unemployed.

Now Mr Hawke again has an opportunity to show that he can be a great Australian and place the interests of the unionists and unemployed first. I hope that he takes it.

The Government's commitment to increasing employment opportunities is unyielding.

The Government expects, and I am sure the Australian people expect, the cooperation of all sections of the Australian community in restoring prosperity and job opportunities.

There have been suggestions from some quarters that trade unions may boycott the Tripartite Conference with the Government on the economic situation because of the stand of the Government on the wage case, and because of our intention to legislate for secret ballots.

I do not expect that this will happen. I have too much confidence in the basic common sense and dedication to the national interest of the majority of trade union leaders.

Business also cannot escape from its obligations to the whole community. The law requires that businesses have an obligation to their shareholders. Morality requires that businesses also have an obligation to their employees and to people generally.

This obligation should weigh particularly on big businesses, including multinational corporations. International companies have a major obligation to the people of the countries in which they operate. Business must be concerned for the working environment of their employees, for the consumer, for the quality of their product, for the environment.

Some businesses evidence that concern, in the same way that some trade union leaders are conscious of their wider responsibilities. Some businesses unfortunately do not.

Both business leaders and trade union leaders must look to their responsibilities. The Government, employers, and the trade unions all have a responsibility to those who are unemployed, to the weaker sections of the community - to all who will continue to suffer until inflation has been brought down.

I expect that employers and trade unions will continue to both work with the Government because they recognise that this is a time when over-riding common interests must take precedence over narrow special interests.

The decisions taken and the procedures adopted are important in placing Australia back on the path of economic recovery and prosperity. In our initial attempts to rein -in the budget deficit, limit the growth of the public sector, and give the community an increased confidence in the future, we are confident of success.

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