



PRIME MINISTER

FOR PRESS

MARCH 28, 1976

TEXT OF ADDRESS BY THE PRIME MINISTER AT THE VICTORIAN
STATE COUNCIL

The Liberal Party's victory in the Federal election last December and now in Victoria should make us all very conscious of the enormous responsibility which falls on us. It is not a responsibility to be taken lightly. We not only have an obligation to provide Australia and Victoria with good government but the Federal and State Liberal Parties have been entrusted by the people with the vital task of bringing inflation under control and once more providing the conditions in which there are jobs for all who want to work. That is our pre-eminent responsibility at the present time.

The basic strategy of the Federal Government in this task is to transfer resources from the Federal Government back to individuals and private enterprise, where these resources will ease the pressure for higher wages and create more jobs. Excessive Government spending under Labor led to ever higher taxes on both individuals and private enterprise. Alongside other policies these taxes pushed people to ask for higher wages. These taxes drained away from both large and small businesses the money needed to create jobs.

The first step towards prosperity is for Government to take a responsible attitude to its own spending. On that basis people can once more have the confidence to spend and Australia can start moving forward to real economic growth again.

I have said that this is going to be a tough budget. In the past, when other Governments have said they were going to have a tough budget, what they have meant is more taxes - more money for the government, and less money for people. Our budget is not going to be that kind of budget. For a change, it is going to be a tough budget for the Government. The Government will for the first time in three years show responsibility in its own spending.

We are absolutely determined to have a budget which will give people the confidence to spend and business the confidence to invest - a budget which will put money back in the hands of people. Economic recovery - jobs and prosperity - will only be complete if consumers and producers have confidence. Only a budget that requires the Government to take a tough line with its own spending, that takes hard decisions about the limits on Government resources will enable the measures to be introduced which will give people this confidence.

Only a budget which forces the Government to take a tough line on its own spending will give the private sector room to expand. That is the way to get investment, jobs and an increase in Australia's real wealth.

The Government's budgetary decisions will be based on the realistic view that Government should not keep taking money from individuals and private enterprise in order to promise the things that the Labor Party extravagantly and irresponsibly offered. The Government's restraint of its own expenditure will give business room to expand and make jobs available for all those who want to work. The Government's restraint will provide the opportunities for individuals and business that have been denied to them by Labor's policies of high taxes and lavish uncontrolled spending.

From the point of view of the people this will be a good budget, that will put the heart back into business and consumer confidence. The Government will do its part. Every other section of the Australian community must do its part. People must be willing to invest in productive enterprises. Businesses must be willing to take development decisions. Consumers must overcome their unfounded reservations about the future when a family buys a washing machine or new car it is providing jobs. When a family postpones expenditure it would normally make and when every family in Australia does the same thing, unemployment must result.

Our job is to give people confidence in the future so that through their renewed spending new jobs can be created once more. In this way we will increase Australia's real wealth and prosperity.

The room for growth that our Government's restraint will allow, extends beyond budgetary matters. We are going to stop Government bureaucracy stifling individual initiative and business enterprise by over-regulation - regulation that is in no-one's interests except the regulators. We are having an inquiry into trade practices regulations and we will remove unreasonable and unnecessary restrictions. There must and will be, protection for the consumer but the rules must actually protect the consumer. Restricting, regulations, are not for this Government, ends in themselves. Those regulations that are not in the public interest will be removed. For example, companies have gone into liquidation because the laws, as they now stand, have prevented them merging with another viable enterprise. Productive capacity and jobs have been lost through unwise regulations

Restrictions which are contrary to the national interest, which serve neither consumer or producer, will be discarded. Industry needs to be allowed to breathe to expand, to grow. Under Labor, regulation was getting out of hand. No wonder there was no investment and major unemployment. Only if real economic growth can be got under way can the position of the disadvantaged and weaker sections of the community be improved. This must be realised and explained to the general community if people are going to fully understand what the Liberal Party stands for, and what it can achieve.

Since its overwhelming rejection by the Australian people the Labor Party and its apologists have attempted to build up the myth that Labor was a reforming social democratic Government, full of concern for the disadvantaged and those in real need. People should be aware that the real record of the Whitlam Government is far from this. The truth of this is that the Labor Party has done great damage to the disadvantaged and weaker sections of the community by its policies over the last three years.

It was far less concerned for the disadvantaged that it was for its dream of centralising all political power in Canberra.

Labor's record as it affected the poor was examined in the report of the Inquiry into Poverty. The Report of the Inquiry into Poverty stated quite plainly that inflation contributed to poverty in Australia. "No country with a continuing inflation rate of over 10% has been able to prevent this causing grave hardship to important groups of poor people". The Report emphasised the danger of governments: "falling into the inflationary trap of attempting to carry out so many social reforms or other public expenditures at once that they accelerate an inflationary spiral that does more damage to poor people than the assistance provided by the reforms". This has happened in Australia in the last three years. As a result of the inflation caused by Labor's policies, the position of the weaker sections of the community has got worse. That is why the report on poverty concluded that: "one element essential in any programme to reduce poverty in Australia is that the rate of inflation be brought under control"

I have stated before that the Liberal-National Country Party Government has an absolute determination to bring inflation in Australia down. This is not only because inflation is essential to get Australia moving forward again, but it is also because it is absolutely essential as part of our determination to assist the disadvantaged and those in real need, in ways which really do improve their position, and not by cosmetic programmes which leave the real problem untouched.

Nor is inflation the only way in which the Labor Party has harmed the weaker sections of the community. The worst unemployment since the depression - caused mainly by labor's irresponsible policies - has harmed most of all the waker, the migrant and the poor - last on, first off sections of the community. The school leavers looking for work who still can't get jobs have Labor to thank for the lack of job opportunities. The revival of job opportunities is one of the principal objectives of our programme to get Australia moving to prosperity.

There is yet a further way in which Labor's policies failed to help the disadvantaged. Labor's approach to social welfare - as in so many other areas - was to throw money around and hope that the disadvantaged would be able to pick some of it up. The result has been - and here I quote from the Report on Poverty again - that: "very large sums are being spent by Governments on the pretext that they are helping poor people when in fact the great bulk of the money goes to the middle class and poor people get little." We have made it plain that our approach in welfare is going to be quite different. We will be taking steps to ensure that money spent on welfare is directed much more accurately to those who are in need of assistance. In conditions of limited resources much can be done to improve opportunities for the disadvantaged provided that resources are not spread too thinly across many who are not in need of assistance.

We are a Government committed to providing conditions in which all Australians can live lives of dignity and self-respect. We are equally a Government deeply opposed to programmes which increase the dependence of everyone on what politicians and civil servants choose to provide and which reduce the independent capacity of people to decide how their own incomes will be spent. Our approach in social welfare will be to concentrate support on the disadvantaged, to adopt general policies which will add greatly to the security of the weaker sections of the community, and to minimise the role of Government in reallocating funds to those sections of the community which are well able to provide for themselves. This will free vital resources to individuals and private enterprise. This government aims to make an imaginative and major step towards improving social security in Australia. We will show that this can only be done effectively as part of an overall programme designed to encourage creativity, enterprise, and achievement.

Last year, Australia actually produced less than the year before. We are literally poorer as a people as a result of Labor's misgovernment. If some well organised sections of the community actually succeed in making themselves better off by higher wages this must be at the expense of other sections of the community. These higher wages and salaries are paid out of money that should be used to create jobs for those out of work. They are paid through inflation out of the earnings of those on fixed incomes and out of the hard earned savings of pensions and all retired people. What kind of people are we if we cannot work together as a community to get on top of our problems? I believe that the great majority of the Australian people realise that unless we get off the inflationary spiral of higher wages and salaries, followed inexorably by higher prices, we are throwing away our future. Australia will never be the great country we want it to be unless we act firmly, and work together as a people instead of scrambling for what's left after Labor's ravages.

As evidence of our concern in this matter, we took the tough decision of deciding to oppose the full 6.4% increase in the last wage hearing. When we considered all the facts, we believed that we had no alternative. It was, and remains, the view of the Government that tax indexation (and its accompanying tax reforms) is a far more effective way of protecting people's earnings than higher money wages which are soon eroded by price increases and higher taxes. Tax indexation was a major plank in our policy at the Federal election. We not only stand by our pledge to introduce tax indexation. We will be looking to take the largest possible step towards its introduction this year. Tax indexation will ensure that people will keep more of what they earn and will not add to inflation.

Of course, we will have inflation, and more inflation, if wages and salaries increase at 15% or 20% a year. Increases of this magnitude are economic madness which benefit nobody and do great damage to many Australians.

In bringing Australia back to economic sanity the Arbitration Commission has a crucial role to play. The Government has no direct power over wages and salaries. It only has a power to establish a body which can conciliate and arbitrate industrial disputes. The Arbitration Commission - established under this power - clearly has a responsibility to consider in the course of resolving a dispute the economic consequences and social justice of its decision. The Government considers that we in turn, have an obligation to put arguments on the economic consequences of decisions to the Commission. The Commission would not seek to deny this. It is clearly the duty of the Commission - as an independent body - to listen to the Governments arguments, those of trade unions and employers.

In weighing the arguments, the Commission has a tremendous responsibility at the present time to consider the economic impact of its decisions.

Australia is struggling to break free from the grip of the worst inflationary period in our history and every responsible institution must give weight to this.

The responsibility of the Commission is the heavier precisely because the Government has no direct power in the wage and salary area.

Because we state our views strongly, the Government should not be seen as attempting to place pressure on the Commission.

The Government, unlike some other people, has no means of placing pressure on the Commission and would not seek to do so. We respect the Commission's independence.

But we will not shrink from stating in the strongest possible terms, our view of the measures necessary to revive the economy. And I emphasise our view that no responsible part of the community can avoid its obligation in the fight against inflation. Both the trade union leadership and large companies have a responsibility to help bring inflation under control.

We must start to move Australia positively, by active reform in the direction our philosophy indicates. The test we must apply to our policies is whether they contribute to a greater freedom and dignity for the individual.

All our institutions - Government, business, trade unions - exist to serve people, not to dominate or dictate to them.

Giving effect to our philosophy is not going to be easy. We have to get out of the frame of mind that socially responsible reform means more and more Government spending, more and more regulation and bureaucracy. That is not social responsibility. It can be social irresponsibility of the worst kind. That was Labor's fundamental mistake. We must avoid it at all costs.

It erodes people's capacity to make their own choices. It necessitates higher and higher taxes, it erodes incentives, it makes people more and more dependent on what politicians and civil servants choose to provide. It feeds bureaucracy, stifles initiative and weakens people's capacity to allocate scarce resources rationally. In the end, it destroys prosperity itself as we have seen in other countries.

Many people still do not realise the great change in approach required. You should rightly insist that we politicians show the strength of will not to make promises which will erode further people control over their own resources.

The fact is that Australia cannot afford all the promises politicians tend to make. We should all realise the irrationality of a system in which Governments propose new programmes of spending to help people who do not have enough because they are already overtaxed.

This is the crazy merry-go-round on which our freedoms and our prosperity will be lost unless we break free of it. Government must reform unnecessary bureaucracy and eliminate waste. We have

established a major review of Government administration at the Federal level as a start in this direction. We must start a system under which if Governments want higher taxes they must legislate for them.

All around the world people in the democracies are concerned about loss of purpose, loss of direction.

I believe that one major source of this concern is because people have thought Government is just a question of promising to spend more of other people's money. That is the easiest part of being a politician. It can also be the most irresponsible.

We have forgotten the value of reform in the direction of greater freedom, greater independence combined with a deep concern for those who are truly disadvantaged. That is the path along which our philosophy directs it.

In Australia today, people are better educated, better informed than ever before. It is a nonsense to say that such a people should give all political power over to Canberra and more and more control of their lives to Government and other bureaucracies.

Our philosophy is now more relevant than ever. People should be able to participate more effectively in Government, not less. People should have more control over how they will spend their earnings, not less.

Our policy on federalism will be the single, most positive step in this direction since Federation. I believe we are on the verge of a great new age of Liberalism. The great challenge before the Liberal Party is not only to restore prosperity to Australia. It is to show that the great philosophy of which our Party is the voice in Australia provides a way to a new sense of purpose for a democratic country. It is to help build in Australia, a society which can be an example to the world.
