

INTEREST RATE CUTS

Statement by the Acting Prime Minister, Rt Hon. J.D. Anthony, M.P.

A reduction in interest rates would be one of the best things that could happen for the economy and for people in the community

The Government wants to see a reduction in interest rates, but is aware of the economic reality that this will only be possible when the inflation rate is brought down.

That is why the Government is dedicated to the fight against inflation.

A further rise in interest rates - which are already very high - would further aggravate our economic problems and affect confidence.

Young people buying homes, primary producers, people trying to run all kinds of businesses both large and small, would all be hurt by higher interest rates.

The Government's objective is to get interest rates down.

Lower interest rates would have a very beneficial effect on the economy.

But if the Government starts borrowing large sums of money, interest rates will be pushed up and everyone will suffer.

If we were to do what many people are asking for and cut taxes now while the budget deficit is still far too high, we would only be asking for trouble.

While a large budget deficit exists, tax cuts could be paid for in only two ways: by printing extra money, which is highly inflationary, or by the Government's borrowing money in competition with everyone else, thus lifting interest rates.

Tax changes need to be looked at in the overall context of taxation reform, and that is what the Government is doing.

We know that taxation is too big a burden on many people, and we want to reduce that burden - and we will - as soon as it is sensible to do so.

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