



PRIME MINISTER

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ADDRESS TO THE NATION

Good evening. Now that the wage case is over, I would like to speak to you for a few moments about where we stand as a nation, and about where we are going in 1977.

We all know there have been significant problems for the economy. This concerns you. It certainly concerns your Government. We all know that if wages go up, prices go up. We know the destructive effect that inflation has on the economy. That is why we argued so strongly for wage restraint before the Arbitration Commission. We have not done this as some cartoonists, some columnists, might like to suggest because we believe that life is not meant to be easy. We have done it because it is important for the well being of Australia, for the well being of every person. It is important for providing the jobs that Australians want.

We all know that when the Government took office fifteen months ago, the economy was in bad shape. Inflation was much too high, unemployment was much too high, and Government spending was quite out of control. We took up the fight against inflation immediately because defeating inflation is important to the well being of all Australians. We have tackled this job with all the resources available to Government. We have cut Government spending significantly, because Government spending is a major cause of inflation.

In simple terms, a Government is somewhat like a family. It has to live within its means. We all know in our own families that if we spend too much for too long we will discover eventually that we are too much in debt to the bank. We also know that debts can take a long while to pay off. We know that while we are paying off debts we are going to have to give up other things that we would normally want. So it is with a nation. Australia has spent too much for too long. The Government of the day went to the printing presses so it could go on spending more and more. The inevitable result had to be more and more inflation.

The other major cause of Australia's inflation has been too rapid wage increases. For example, in the two years to October 1975, hourly wage rates paid in manufacturing industry went up by 53% while at the same time production from manufacturing industry actually fell. The result can only be inflation.

People had a lot more money to spend, but we were actually producing less. Prices therefore had to go up.

The twin causes of Australia's inflation have been too great Government spending, and too rapid wage increases. The Government has acted, quite drastically, to reduce its own spending. If we are to overcome inflation, wage restraint is also essential.

I know there are some people who claim that when the Government points to the need for wage restraint, then we are attacking wage and salary earners. That is not so. I believe there are more and more people around Australia who are coming to understand that wage restraint is in their own best interests; in the interest of every Australian; in the interests of their mates who do not have jobs; and that it is in the interest of restoring growth to the Australian economy, and establishing the circumstances where everyone can again look forward to rising living standards.

The Government has not said only that there ought to be wage restraint. The Government has quite deliberately set out to establish the circumstances in which it is reasonable to ask for wage restraint. The new policy of family allowances has done great deal to help many low income families. Tens of thousands of families are benefiting as a result. In addition, tax indexation is helping all families. From last July, taxes were reduced by \$1,000 million as a result of tax indexation. That is a very large sum, and maybe it is hard to comprehend. It means that for a person on average earnings, with a wife and two children, taxes by next July will be \$9 a week less than they would have been without tax indexation. That is nearly \$500 a year. It is more than a quarter of the tax that would otherwise have been paid without our reforms. Tax indexation is the first system in our history that automatically protects you, that automatically protects every tax payer against tax increases merely because of inflation. Under these circumstances, I believe it is quite reasonable to ask for a great deal of wage restraint.

In all the areas under direct Government control we have acted with firmness. We have greatly reduced Government spending. That is essential in the fight against inflation. We have an appropriate and proper monetary policy. Our external policy is in the right balance. All of these actions are essential if we are to overcome inflation, if we are to create the jobs that we all want.

We have had significant success in the fight against inflation. In the twelve months to last December on the best figures we have, inflation was running at a little over 10 percent. A year earlier the figure was 16 percent. No matter what anyone might say, those two figures indicate a very real improvement in the course of one year. But that can be eroded if there is no continued wage restraint, and wages policy is one area that is not under the direct control of Government. In Australia's circumstances it is very largely the Arbitration Commission that determines the

level of wages paid. The Arbitration Commission is not just a body therefore to settle industrial disputes. It is also a body whose decisions have a great impact on the whole economy. They affect you, they affect me - every one of us. Last week the Arbitration Commission awarded a \$5.70 a week wage increase. Now that does mean that we are starting 1977 with a greater degree of wage restraint than we had last year and that in itself is good. But the \$5.70 increase is still far higher than the Government believes is in the interests of Australia's economic well being, in the interests of the well being of each person. It does mean that there will be delay in reduction in the level of inflation, and that there will be delay in reductions in unemployment. It does mean that it will retard the process of recovery that is now under way, and therefore there is no reason for complacency in that particular decision. The Government will continue to argue in future for wage cases for the greatest possible degree of wage restraint. But the Commission has made its decision, and now it is up to everyone to accept it, and to work within it. Those union leaders who are threatening to go outside the decision and who are threatening to break the guidelines, are threatening every person in Australia. The Arbitration Commission's decision must be supported. It will be supported. I believe we all know in our hearts that the kind of wage increases we have had in recent times only lead to higher and higher prices.

That is why we had to devalue last November. We had to stop the export of Australian jobs. Australian manufacturers were not able to sell their goods because they were too expensive. More and more imports were coming into the country. As a result 100,000 Australians lost their jobs in manufacturing industry. That had to stop. Hundreds of millions of dollars were flowing out of the country and that had to stop. That is why we devalued. Devaluation stopped funds flowing out of Australia. Devaluation has given Australian industry a chance to compete again and that is essential if there are to be the jobs that Australia needs. But the chance of work for tens of thousands of Australians will be lost if there is not wage restraint.

Unemployment is still too high. I know you are concerned about that as I am, and as the Government is. We have, as you know, introduced a number of special programmes to help the unemployed and especially to help the young unemployed. We will improve on those programmes as we can. But the only way really to overcome unemployment is to overcome inflation and we are determined to do that. Inflation creates unemployment. It hurts the poor. It makes it harder to buy a home. It destroys the value of savings and incomes. We are determined to overcome inflation and restore to Australia the jobs and opportunities that Australia wants.

We can establish the policies. We can set the guidelines, but restoring Australia to economic health is not just a job for the Government alone. It is also a job for you, for every group in the Australian community; for business, for unions. Everyone

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has a role in economic recovery. Everyone has a role in restoring Australia to economic health.

Now I can understand it if you think that your own personal decisions are so small that they cannot really have any impact on an economy that sometimes appears so large and sometimes remote. But the Australian economy is made up of the sum total of decisions, of yours and of tens of thousands of other families like yours, all around Australia. These are the decisions that make up the Australian economy. It is these decisions that have a large part to play in determining whether we have a health economy. So restoring Australia to economic health is a job for everyone. It is a job for you - and it is certainly a job for me. It is a job for every person and for every group in the Australian community. If we can understand this, and if we can work together, I have not the slightest doubt that we will succeed.