

F77/163



PRIME MINISTER

FOR PRESS

31 JULY 1977

ELECTORATE TALK

This week, Australians heard more good news about progress in our fight against inflation. The June quarter Consumer Price Index increase of 2.4% was the lowest June quarter increase for five years. The figure put Australia's inflation rate over the last financial year - as measured by the CPI - at 10.2%. This figure, of course, excludes the Medibank levy cost as health insurance has always been a family cost.

Our achievement in the inflation fight is considerable. It is certainly a far cry from the 16% and 17% levels of only 18 months ago.

I want to make one point clear. Inflation is not coming down because of magic wands of luck. It is coming down because of sound and well-based economic policies and responsible economic management. The gains were won because of our absolute determination to win - despite strong and persistent pressure to return to the disastrous ploy of more Government spending to aid one group or another.

The Federal Government will not take our gains so far for granted. We will not rest on laurels. Our determination to reduce Australia's inflation rate below that of our overseas trading partners is as strong as ever. We will continue with policies that will keep grinding down inflation.

It is worth making the particular point that our success so far in this fight has been due in large part to our last budget. It is absolutely clear that my Government's first budget was the right budget. The strategy was right. Government expenditures were largely held within budget estimates for the first time in some years. The deficit was substantially reduced. The growth in the money supply was held on target. Investment increased and most importantly, the economy began to grow again. It is too easy to forget that only two years ago the Australian economy actually shrank.

In just over a couple of weeks, the Treasurer will present the Government's second budget. The Government is aware that it comes in a critical point of our planned economic recovery. We are aware of the responsibility we carry.

/In the

In the last week, Cabinet has completed what I believe has probably been the most exhaustive examination of Government expenditure ever undertaken in framing a Federal budget in Australia. We have put the microscope over every area of Government expenditure. We have left no dollar of taxpayers funds unturned. I am pleased with the results. I believe the Cabinet is on the way to framing a realistic budget that will keep Australia continuing on the path to full economic recovery. It will keep our anti-inflation attack on course.

Let no one be under any misapprehension that we are fighting inflation simply to boast about trends and figures. We are fighting a real disease - a disease that destroys the very fabric of family life and builds divisions in the community that take years to heal. Inflation is not about facts and figures - it is about families.

While the Government can do a great deal in this fight, there is one area where our influence is indirect - wages. It is clear that our inflation fight is being hampered by over-priced labour costs.

One set of figures graphically illustrates the point. Based on ruling exchange rates at the time, average weekly earnings in Australia in 1971 were 17% lower than in the United States. Now, they are 13% higher in Australia than in the United States.

A recent survey has shown that two-thirds of companies wholly or partially absorbed the last two wage rises without increasing prices, but that half of these companies did so by reducing their number of employees. One man's wage increase is - without doubt - another man's job.
