



## PRIME MINISTER

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### ELECTORATE TALK

As a result of its achievement in beating inflation, the Government last week took another step towards restoring economic activity and raising employment.

On Friday, the interest rate for Australian Savings Bonds was cut by a half per cent to 9.25 per cent.

During September and October there was a reduction in yields in Commonwealth Bonds ranging up to more than a half per cent. It has now affected long and short term bonds and Savings Bonds.

All these cuts add up to the first consistent downward movement in the whole structure of Government interest rates for more than four years.

I now look forward to the day when overdraft rates and building society rates start to come down.

The reduction in official interest rates is of course no great surprise to the finance community.

Businessmen have seen inflation brought down from a peak of 17 per cent in the years of the ALP government to 9 per cent now. They are looking forward to a further reduction in inflation to around 6 per cent or 8 per cent during the coming twelve months.

Knowing this, the business community has been expecting interest rates to begin their corresponding downward movement. The cuts which have taken place so far are in line with these expectations.

Some company debenture rates have in fact moved downwards in advance of the declines in Government Bond rates.

Businessmen can look forward with confidence to continuing steady, gradual and sustainable reductions in official interest rates, followed in due course by a general movement downward in rates charged by banks, building societies and finance companies. I do not believe that can be far off.

Two years ago, the Australian people rejected the inflationary extravagance and waste of the Whitlam administration and accepted the Liberal programme of restraint in Government expenditure, tax reform, and social justice for the disadvantaged.

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The Government fought hard to keep its pledge of responsible economic management. The Budget deficit was brought down by 40 per cent, despite tax cuts on an unprecedented scale.

The growth in the money supply which was more than 20 per cent a year under Labor's inflation is now under 10 per cent per annum.

These policies led to the breakthrough on the inflation front in September when the quarterly rate of inflation was brought down to 2 per cent. This was the lowest quarterly increase in five years with the exception of the September quarter 1975 which was artificially low due to the Medibank adjustment.

It is this which has made the further cut in interest rates possible. It means that 1978 promises to be the best year for many years.

The Government's Budget last August contained a strategy which was designed to keep a firm control on inflationary forces during the closing months of 1977 in order to lay the grounds for the stimulating effect of the tax cuts from which everyone will benefit when the new scales come into force in February.

As the Treasurer said in August, and I quote: "The Budget will add a stimulus to activity through the large increase in disposable income flowing from tax reductions..."

It is a matter of regret that the various Federal Labor Party economic spokesmen have set out to attack the Government's achievements in fighting inflation, lowering taxation, and reducing interest rates.

Mr. Hayden, Mr. Hurford, and the Party's Deputy Leader, Mr. Uren. have all attacked this reduction in interest rates over the weekend.

Mr. Uren led the condemnation of the reduction in interest rates. He was supported by Mr. Hayden who called for expansionary measures, and by Mr. Hurford who also attacked the Government's responsible monetary policies.

Their attitude is in sharp contrast with that of the State Premiers, both Labor and Liberal.

Last week, the New South Wales Premier, Mr. Wran, telexed the Government calling for a further reduction in interest rates. That telegram came at a time when the continuous close review which the Government maintains over the monetary situation was pointing to the need for a further downward movement in rates.

The Government was glad to be able to respond so promptly. The Government appreciates Mr. Wran's statement that this is welcome news for the building and construction industry, and an action which will obviously benefit the national economy.

The Deputy Premier of South Australia, Mr. Corcoran, has also said the announcement is welcome.

The West Australian Premier, Sir Charles Court, and the Victorian Premier, Mr. Hamer, have also welcomed the news as vindicating arguments put by all Premiers for a significant reduction in interest rates.

This responsible attitude is in marked contrast to the wild statements from the Federal Labor Party's spokesmen, Mr. Uren, Mr. Hurford and Mr. Hayden. Once again, the ALP has demonstrated its incompetence and irresponsibility in economic matters.

The ALP is a party of high deficits, high taxes, high interest rates and high inflation.

We should be grateful to Mr. Hayden, Mr. Hurford and Mr. Uren for once more reminding us of this. The plain fact which the Labor Party cannot accept is that the Government's policies are working.

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