



PRIME MINISTER

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ELECTORATE TALK

Interest rates are important to all Australians. The level of interest rates can have an immediate and direct impact on our quality of life.

They particularly affect young men and women wanting to buy homes, and to families and others wanting to borrow money to make improvements to their homes. They are also of special concern to small businesses and farmers, who rely on borrowed money to keep operating and to expand.

They affect the capacity for large companies to raise money to expand their plants and factories and thus produce more jobs. In other words, the level of interest rates in a community has direct impact on lifestyles and on employment levels.

For these reasons, a key part in this Government's economic policy has been to reduce interest rates substantially and in every area. We have started that process.

The reduction in market prices for Government Bonds since the beginning of September amounts to the first consistent downward movement in more than four years. We have also seen this downward movement spread to other rates for some building societies and credit unions. Major industrial companies have been able to raise money at lower interest rates.

I am confident - with my Government's policies continuing - that falls in important interest rates could add up to a total of 2 per cent within 12 months.

The reduction in interest rates will also be reflected in building societies lending rates and bank overdraft rates, which of course affect thousands of Australians. This will offer new hope and give new confidence to young Australians seeking to buy or build their first home. It will offer new incentives for families and to add to or improve their own homes.

What would happen to interest rates under the announced policies of Labor?

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Their policies would clearly mean higher interest rates. They want to add greatly to government spending and to increase the Government deficit to finance their expensive schemes. That can only mean one thing - higher inflation and increased Government borrowing, which in turn will force interest rates up.

So, inevitably, under Mr. Whitlam, interest rates will again become a burden. Australians will pay directly for a return to higher and higher interest rates. The cost of owning a home will go up, and job opportunities will be lost.

It is for that reason, because of that price, that Mr. Whitlam does not discuss the question. He knows the consequences of his large spending plans on interest rates. He knows the price we will all pay.

In this election there is a clear choice. It has rarely been clearer. Labor stand for big spending which will lead to increased inflationary expectations and to increased inflation. This in turn will push interest rates way up.

The Government will continue with prudent economic policies. We utterly reject the big spending approach. That is why under my Government inflation will keep falling and interest rates will follow. It is only by this course that investment and economic recovery will continue and more jobs will open up.

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