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PRIME MINISTER

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ELECTORATE TALK

What the Federal Government put before Premiers this week is the result of deliberate judgement of the Government as to what is necessary for continuous and sustained economic recovery in Australia.

Inflation was 8.2 percent for the twelve months to March. It is now on a downward trend. It will stay on that trend. Management of the Australian economy still requires the most rigorous expenditure control by the states as well as the Commonwealth. This control is a prerequisite to a responsible economic management -- and essential if we are to return to full economic health.

The states know we will continue to maintain the utmost restraint on all components of our spending this coming financial year. Every state has the potential and capacity to make a contribution to recovery in Australia by following this lead.

States can help us lower inflation and inflationary expectations by contributing to cutting the size of Government and the Budget deficit.

It is time to re-emphasise the strong gains we have made in the economy and not to risk going back to the mad "helter-skelter" years of Labor.

My Government is going to make certain that expenditure is controlled and the creeping growth in Government is halted. We are going to do this so that private industry again has room to move forward and so that interest rates will keep coming down.

I was surprised that the Premiers failed to focus in any way on the importance of low interest rates to Australia's economic recovery. A continuing reduction in interest rates would be the best possible news for every small business in Australia, for every farmer, for every homeowner.

We have a clear policy of creating conditions where interest rates will fall. We will not take advice or pursue policies which reverse that trend. That downward trend has started because of our policies and it will continue.

If we had taken the advice to spend money given to us over the last two and a half years by the Premiers I have not the slightest doubt that inflation in this country would be raging again as it did in the Whitlam years.

It is not only Australia's experience which draws us to that conclusion. It is the experience of country after country which has been seduced into an easy path and which has thought it can get out of its problems by re-inflating at the wrong time. That kind of approach is no way to economic recovery, to re-investment and to creating new jobs that will last. That kind of approach would be disastrous.

Premiers have often called for cuts in taxation and cuts in interest rates. These goals are both incompatible with their calls for increased government expenditure. It is our policies of restraint and reduced government spending that have allowed us to cut taxes and have interest rates and mortgage rates fall.

The Australian people have twice rejected the notion that Governments can go on spending a larger proportion of gross national product year after year.

Australians know the damage that excessive government expenditure causes to small business, to farms, to investment. It is easy for governments to have big spending programmes. It is easy to introduce new programmes, but that does not necessarily mean they will advance Australia's cause.

Spending taxpayer's money to put people on the Government payroll cannot, and will not, solve unemployment. It will, however, affect the confidence that investors have in Australia's economic management and it can lead to more overall unemployment as a result.

Experience here and overseas has shown the utter folly of undisciplined expenditure and the unrealistic expectations that creates. As we know from the past, this inevitably means printing money which leads to high inflation and high interest rates. It is the kind of policy that hits families in all circumstances and in all walks of life. Printing money is a short way to disaster. It is not a path my Government will entertain.

What will get Australia moving again is a revival in private industry, a revival in investment, and confidence in this country from within and from overseas. To maintain this confidence we are now re-establishing, we have to be certain that inflation keeps coming down. To do this, expenditure must remain under tight control.

In the months ahead, the healing process now underway in the economy will be confirmed and strengthened. We are determined not to throw away what we have already gained through a relaxing in our economic management policies.

We have some rare opportunities in Australia because we have great natural resources. The world will want access to those resources. They will therefore be interested in investing in Australia, in partnership with Australians.

By making ourselves more attractive, by running a sterner economy, by making sure inflation comes down and therefore that interest rates come down, we will attract that investment and be able to better withstand the difficulties faced by the trading world and at the same time take advantage of whatever opportunities may be open to us.

My Government will not be side-tracked from firm economic management. We will not be pushed off course. Our strong stand was right for Australia. We certainly make no apology for it.

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