



PRIME MINISTER

FOR MEDIA

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ELECTORATE TALK

The Government's determination to continue with responsible economic management is unwavering. We can never match the economic promises of our opponents and their promises of enlarged and more powerful government. To do so would run counter to our own notion of government responsibility.

A central plank in discharging that responsibility is to continue our fight against inflation. The importance of this fight was emphasised this week with the release of international inflation figures. The latest statistics from the OECD - that is from the advanced Western democracies - show that Australia is continuing to improve its competitive position in relation to other major industrialised nations.

During 1979 and 1980 inflation rates around the world have risen - boosted in part by steep increases in oil prices and by prices of other commodities. We have been subject to the same pressures - yet the rate of inflation in Australia has increased by only half as much as inflation in other major industrialised countries. Official figures make this point very clear.

Since the end of 1978 the inflation rate for all OECD countries has risen by 5½ per cent while in Australia it has risen by less than 3 per cent. In the United States it has risen by approaching 6 per cent; in Japan by nearly 5 per cent; in Germany by about 3½ per cent and in the United Kingdom by a massive 13.4 per cent. The inflation rate has more than doubled in Japan, Germany and the United Kingdom.

Yet in Australia our inflation rate is more than 3 percentage points lower than the OECD average - and the margin in our favour has been increasing since the middle of 1978. Nevertheless we cannot afford to be complacent. These raw statistics reflect our improved trade performance, and our economic strength and prospects. Exports are up, confidence is higher, and employment in Australia has increased. The prospect is for further gains, by continuing with sound and responsible economic policies.

This picture of economic strength and vitality stands in contrast to those bleak years of 1974 and 1975, when the then government with total disregard for the effects of its policies decided to spend its way into the hearts of the electorate.

Inflation went through the roof - in 1975, our inflation hit 17 per cent - and was nearly 4 percentage points higher than the OECD average during the year of 1975.

It has taken four years of hard work by my Government and the people of Australia together to rebuild the economic strength of this nation; the economic strength that Labor so wilfully destroyed. Australia's achievements have been won by persistence. By accepting that, hard decisions were necessary. This is not the time to throw our gains away.

Against this background, the current national wage case is of vital importance. The Full Bench of the Arbitration Commission is now considering its decision. All Australians would expect a decision which would allow us to reap the benefits of enhanced international competitiveness. A large wage increase would add intolerable pressure to the costs of production, thereby raising prices, weakening the momentum of our trade overseas, and depressing output and employment within Australia.

In this context, the 35 hour week being advocated by some trade unions is patently irresponsible. Shortening the working week by five hours without a corresponding cut in wages would raise labour costs by at least 12 per cent - more if overtime increased as a result. It has been estimated that the full additional cost of labour from a 35 hour week would be in the region of 21 per cent. No-one could responsibly advocate this sort of increase in hourly wage rates at this time. Our survival in the harsh world of international trade depends on sanity prevailing at home. We must reject moves to shorten hours of work.

During the coming week - while the National Wage case is being considered - the States and the Commonwealth will meet at the Premiers' Conference in Canberra. Just as this is not the time to meet high wage demands, it is also not the time for extravagant Government spending by the Commonwealth or by the States. We have to maintain vigilance over all levels of Government spending.

I am meeting with the Premiers to discuss a wide range of matters including financial arrangements for next year. In past years the Federal Government has been generous to the States - irrespective of what may be said at the time by individual Premiers. The Government's new Federalism policy reversed the trend of the Whitlam Government by giving the States more freedom to decide how they would spend their money.

General tax sharing payments to the States through the Government's tax sharing arrangements have grown from just under 50 per cent to 57 per cent of total payments to the States since 1975-76. There has been a corresponding decline in the proportion of total payments tied to particular programmes. Therefore the States have had more freedom to use federal monies in the way that they prefer.

On top of that, we have guaranteed to Local Governments throughout Australia 2 per cent of income tax collections. This move has been warmly welcomed by the local administrators, who were for too long the poor cousins in the Australian system of Government.

We have also introduced a new programme which allows the State authorities to borrow from overseas to finance major infrastructure developments - and more than \$2½ billion worth of borrowings have already been approved. These funds help provide the impetus for a great programme of national development which will provide investment and employment opportunities and rewards for Australians in the decade ahead.

However, with the new freedom enjoyed by the States come new disciplines. For example, the tax sharing arrangements make sure that the States as well as the Commonwealth, are constrained in their rate of growth of expenditure by tax indexation.

The fight against inflation should not be a matter for the Federal Government alone. All levels of government have a part to play in exercising restraint. There are always individual programmes and projects - which, if looked at by themselves - seem to have a case for additional funds.

But as the Federal Government we have an over-riding responsibility to look at the total picture. We must never forget that the unchecked expansion of government - Commonwealth and State - would threaten the success of our continuing fight against inflation. And therefore in the long run would threaten the well-being of every business and every individual in Australia.

Australia enters the 80s with lower inflation; significant successes in cost containment; and an economic system with more appropriate rewards for risk taking and enterprise. It is understandable that investors are now looking to Australia with justifiable confidence and, as Australians, we are entitled to view the short and the longer term prospects with optimism. Our success in recent years in the face of significant economic difficulties has made this possible. We know there will be difficulties in the future.

We must commit ourselves as a nation, as one community, to overcome whatever the difficulties may be; to make sure that Australia takes advantage of the enormous opportunities open to us.