



PRIME MINISTER

FOR MEDIA

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In reviewing the current and prospective state of the Australian economy, EPAC members agreed that in all significant respects, performance was superior to the expectations of any group at the time of the Summit. Recent performance on growth, employment, inflation, the relationship between wages and prices, and improvement in corporate profitability, have all been well above expectations.

While it was recognised that the exceptionally good seasonal conditions and the strong growth performance of the United States economy had contributed to our own growth, and that these positive influences could weaken or reverse in future, the domestic non-farm economy had performed extremely well.

The strong underlying performance and the continued successful operation of the Prices and Incomes Accord, have provided Australia with a rare opportunity to move to a path of sustained growth with inflation no higher than that of our trading partners. The objectives of the 1984-85 budget therefore must be the continuation of high growth based on the maintenance of stability in costs, prices and policies and the consequent expansion of the nation's productive capacity and international competitiveness.

EPAC believes that in framing the 1984-85 budget the Government should not be obsessed with any particular budget deficit figure. It recognises the Government's overall objective to reduce pressure on financial markets by significantly reducing the deficit.

It is vital that budgetary policy continue to be based on providing economic stimulus without accommodating any reversal in the downward trend in inflation, while supporting the Prices and Incomes approach to economic management. To this end budgetary policy should be aimed at:

- Providing significant income tax cuts as an essential feature of the Accord to reduce cost pressures faced by employers and employees, having regard to increases in inflation and their effects on the tax scales, the impact on the Medicare levy and the desire to maintain wage and price stability. EPAC believes that the priority for such tax cuts should be for low and middle income earners.

- Ensuring that the level of demand is sufficient to provide an adequate incentive for private investment.
- Developing a positive framework for investment, particularly private investment. In this respect EPAC believes that budgetary policy must be integrated with and not disruptive of industry policy.
- Co-ordinating the demands of the Commonwealth, State and local governments upon financial markets, within an environment of rigorous control of total government expenditure.
- Priority for increases in welfare expenditure for those most in need.