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SPEECH BY THE PREMIER, MR. DUNSTAN, AT ROTARY DINNER,
HOTEL AUSTRALIA 12/2/75

Mr. Healey, Mr. Smith, ladies and gentlemen :

Thank you very much for inviting me to speak to you tonight.

Mr. Healey, in his letter of invitation, presented me with a formidable list of suggested speaking topics - issues related to your forthcoming Broken Hill conference.

One of them, however, stood out as a matter of continuing and pressing concern - the economy and the effect of inflation-and it's about this that I'd like to speak tonight.

The recent - and very proper - alarm about rising unemployment has to a certain extent dimmed that about our inflation rate.

The most recent consumer price index - the measure of inflation - was, in relative terms, heartening since there had been widespread reports that it would be much higher than the 3.8% that eventuated.

An interesting feature of the quarter's figures was that the goods component of the index rose by only 2.9%, while the service component (which is, by definition, labour intensive) rose by 6.7%.

This suggests that cost-push rather than demand-pull pressures continue to be the strongest being exerted in the economy's price structure.

The prospects for the March quarter are not so bright.

And only for Australia as a whole : I expect South Australia to record exceptionally and disproportionately bad figures. This is because the increases in prices due to State Government franchise taxes (on petrol and tobacco) will be recorded in that quarter. These are the imposts which I put on only with the greatest reluctance and with the warning that they would be directly inflationary.

They are also the taxes which I would hope to be able to reconsider if the Federal Government is willing to assist the States' budgetary positions at Friday's Premiers Conference.

If so - and we have put up a case which is at the very least powerful and persuasive - the June quarter figures could, as a result, reflect a proportionate improvement.

On a more general note, I believe the economic prospects before Australia - from both the aspect of reducing the present totally unacceptable level of unemployment and containing inflation - are now brighter than they have been for some months.

We reached, I think, the nadir at the beginning of the year when the orthodox Treasury line prevailed with national policy makers, when in consequence severe liquidity problems and other pressures were causing lay-offs in the private sectors and when the various surveys of employer attitudes revealed deeply pessimistic attitudes.

I might add here parenthetically, that the confidence factor - abstract though it may be - is nonetheless one of the important factors which make for boom or recession in an economy.

And it is one which must severely affect Labor Governments with their programme for reform and social justice. Some influential members of the private sector in key decision-making positions are wrongly suspicious of Labor and their suspicion has to be overcome.

Others are frankly hostile, intent on destroying Labor in office and willing to speak and to act in ways calculated to achieve that end. In doing so, of course, such people seek both to sabotage the democratic process (as Mr. Lewis is doing in a different way in Sydney) and to jeopardise the livelihoods of Australian families.

Even without this malign pressure group it is obvious that at the beginning of the year there had been a decline in business confidence, and that it was feeding on itself and that there was a need for corrective measures to be applied. I, myself, put forward a series of proposals designed to stimulate the private sector - and so safeguard the 75% of employment it accounts for. I was pleased, indeed, when many of those policies were accepted.

These measures will undoubtedly have a stimulatory effect on employment and I believe we can get this effect without renewed violent inflation.

Inevitably, however, some of these measures will take time to work through the economy and it may be a few months yet before the effect is apparent.

Last week's carefully considered statement by Dr. Cairns, and the reduced sales taxes on motor vehicles, accelerated depreciation provisions on some equipment bought this financial year, deferral of the February quarterly tax instalment and abandonment of the capital gains proposals, restrictions on imports in some industries, easier access to foreign borrowing for short periods, the cut in company taxation and the establishment of the enquiry into whether current value accounting concepts can be applied to the calculation of taxable income, give industry and commerce an attractive and compelling package.

There, I think, one gives credit to the Federal Government - and especially to Dr. Cairns - for having proved sufficiently flexible as to be able to respond to the needs of the economy.

I think that which has been done has an importance beyond the immediate impact on the economy. It suggests that at last we are in Australia fully recognising that we live and work in a mixed economy where private and government sectors need to be co-ordinated to maintain a high level of activity. We have escaped from the tyranny of the budget.

For too long economic policy has been framed and promulgated annually and if conditions changed in the interim then, - so be it - nothing else could.

I have for years been arguing for a system of sensitive national economic planning that can anticipate changes in economic circumstances or resource demand and provide policy alternatives to cope with them.

Many businessmen have wanted to see some framework of national economic goals or objectives formulated to provide them with a framework for their own planning.

The present Federal Government is, I believe, evolving just such an approach and in circumstances of great difficulty. If it can be accomplished (and the obstacles in the way are great) it will provide a structure of immense and enduring value to Australia. And - if you will forgive a partisan note - I must say, too, that even a glance at the Liberals' new economic policy suggests that the A.L.P. is the only Party with the willingness and the philosophical incentive and the intellectual capability to introduce such a system, and not merely wish to hark back to an earlier age with

policies not acknowledging the radically-changed world economic picture.

A system of sensitive economic planning of this kind is, I believe, essential for our economic health.

I said earlier that I believe the prospects before us are much better. But I must make two reservations.

Australia is an island in one sense only. We cannot escape our interdependence with the economies of other countries - especially those of Japan and the United States.

If there is a severe downturn there and/or in Western Europe we are bound to feel the draught here.

Secondly, our degree of success is going to depend very largely on how far we are able to restrain prices and incomes, and so contain cost pressures.

Make no mistake: If we do not do so we could be in for another twist of the inflationary spiral - a savage one.

We cannot justly expect workers to make sacrifices in wage restraint if there are not similar restraints on prices.

Here, as with so much else in Australia, we are bedevilled by an antique constitution.

However, there are ways in which the Federal Government can be given the effective control over prices which it needs to fight inflation.

Again I have argued for this and have put to my Premierial colleagues detailed proposals to provide for this. We have an opportunity on Friday to advance this cause. It may be our last chance to do so and history will judge us harshly if we fail to take the chance we have.

Without action to break the wage-price rise cycle and watchful monitoring to prevent a too-vigorous growth in money supply we could spark a still worse inflationary period by the year's end to be followed by still higher unemployment.

Thank you.

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