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Economic report

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REPORT ON THE ECONOMY BY THE PREMIER OF SOUTH AUSTRALIA, DON DUNSTAN.

NWS CHANNEL 9 7/2/72.

Good Evening:

Next Monday in Canberra, State Premiers will meet with the Prime Minister.

It will probably be the most important Premiers' Conference since the War.

The national economy is not healthy, and unless action is taken now, Australia could be in for a pretty rough time.

Now I suppose probably the most complicated area of politics is economic policy.

Among economists it's most often all figures, percentages, and mysterious jargon.

So I want to say this: for me, the basic task of Governments in economic policy is - jobs for people - full and secure employment. When all is said and done by Treasurers and economists, it's jobs (which in turn provide food and community services) that matter.

So what has gone wrong? Why should we, one of the richest nations on earth, now have a situation before us in which many thousands of people throughout the country are out of work, in which other people are not confident enough to spend adequately to help provide full employment, and in which factories are producing far less than their capacity.

Well, it's simply a matter of bad judgement, in national economic policy.

So bad, in fact, that every State Premier at next week's conference can be expected to bring strong arguments before the Commonwealth to take immediate remedial action.

This is the position we're in at the moment.

About 18 months ago, it became obvious to Australian Treasurers and industrialists that costs were beginning to rise, and that this was dangerously inflationary.

But there are two kinds of inflation - one where it costs industry more to produce, say, an individual car or refrigerator - which is a cost-push inflation, and one where people try to buy more individual products than industry can produce, which is demand inflation.

In one, prices rise because costs rise.

In the other, prices rise because of shortage.

Now if you try to stop either form of inflation in the wrong way, you can cause unemployment by going too far.

And what has happened in Australia is that because of a serious error in Federal economic judgement, the remedies for our current inflation have been for the kind of inflation we haven't got.

The Federal remedies are for demand inflation, rather than cost-push inflation.

Because of this the Federal Government has raised taxes that have reduced people's purchasing power.

There has been increased sales tax on motor vehicles and appliances, increased excise on cigarettes, and a new wine excise, increased postal charges, increased petrol tax, and so on. These measures increased prices directly of themselves.

Prices have also increased because people were severely limiting their purchases, and this has forced firms to sell less than they needed to operate profitably with low prices. Job opportunities fell because of low sales.

And so, the error of judgement has meant unemployment queues, dole lines, and the inevitable family tragedies which occur through unemployment.

Because the Federal Government decided to cut back purchasing power, it made the unemployment situation even worse.

In fact, next Monday when the new figures come out I can predict now that they will show we have in Australia far more unemployment than the Australian total of 120,000 the last figures indicated.

And this at a time when the cost-push inflation is running at about 7% - 4½% more than it should be on average.

Further, the misjudged remedies caused the Federal Government to say to the States, "Cut back on your spending".

But how can we do that?

There are only four areas of State expenditure where cuts could affect our part of the national economy - health, hospitals, schools and transport.

How can any State Government cut back on those?

Less hospitals? No.

Less health? No.

Less schools? No.

Less public transport? Only if we want to ruin the city and choke our lungs.

Now it is true that in a national situation such as we have, where industries' costs, and thus prices, are rising, the thing that should have been done is to take action with the full weight of all governmental powers to reduce and restrain cost increases.

That would mean making sure there was a general policy from government that assured stabilising of wages, prices and profits.

It has to be all three. You have to make sure people get paid a fair amount for their work. You have to make sure companies make enough profit to re-invest for expansion. And you have to make sure no-one is exploited through too high a profit level or inadequate wages.

After all, obviously workers will not stop asking for wage rises when companies are putting up prices or sharply increasing their profits, and when the real value of their pay packets is eroding. Now the only organisation that can do this on all three levels is the Federal Government.

What all the States can do is co-operate and we would.

In South Australia we have through limited price control and persuasion kept our State's prices below national averages.

But the present Federal Government has never agreed to this principle and sought effective nationwide powers to restrain price rises.

But this is essential if they are to stabilise the demands of wage and salary earners.

Instead of national policies, we have cost-push inflation, wrongly diagnosed, with us.

And that inflation is causing workers to ask for higher wages. Higher wages are adding to industrial costs, which in turn is creating more inflation. And even while prices rise, demand for goods is falling and people are being put out of work. It's a sorry story. We've just been going round and round in circles. Now as I have said earlier there is no way a State Government can act to improve this situation.

During the last 18 months we've increased taxes to bring us in line with the Eastern States, and this extra money has allowed us to keep our Government employment of maintenance workers, builders and the like at an even level.

But we can't go any further short of raising costs for people and industry to a very undesirable extent in the way the Federal Government has done nationally.

So where do we stand now?

If the Federal Government's economic policies are reversed now - if they take measures to reduce costs to industry, increase demand for products, put more money into people's pockets, and achieve a good-standing-lasting balance between wages, prices and profits - it will take six to eight months for our economy to get back to its normal condition.

What I have been talking about are some of the points which I intend to raise at the Premiers' Conference next week.

What is needed now is action.

And my Government will demand that we get it.

But I need your help. If the economy in South Australia - with its enormous reliance on cars, refrigerators and other consumer industries - is to survive this critical period, we need to ensure that the customers for our goods interstate have incomes, and the confidence to spend those incomes on our products.

That can only come if the Federal Government comes to the party and stimulates demand in Australia.

If they do so, it will improve the confidence of businessmen and encourage them to make favourable industrial investment decisions.

And we need immediate action like

- . cutting the level of sales tax
- . removing the wine excise duty
- . restoring the investment allowance to businesses
- . removing the income tax surcharge of $2\frac{1}{2}\%$ imposed precisely at the wrong time in the last budget
- . raising in a real way unemployment benefits
- . lowering the interest rates for housing loans
- . providing additional monies for State services.

It's not hard to do these things, and they can start very quickly to bring the economy back to a more even keel.

Now next week, in putting pressure on the Federal Government for action of this kind, I ask for your support.

Because this is a vital business - the economy of Australia is basically sound - it's simply been given the wrong medicine.

Canberra must be brought to understand that dole and unemployment queues should be eliminated in Australia - but they will only be if quick, firm action is taken now at the Federal level.

Thank you.

REPORT ON THE ECONOMY BY THE PREMIER, DON DUNSTAN.

NWS CHANNEL 9 7/2/72.

V.O. Here is a special report on the economy by the Premier, Don Dunstan.

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And this at a time when the COST-PUSH inflation is running at about 7% - ~~4 1/2%~~ ^{4 1/2%} more than it should be on average.

Further, the ^{MISSED} remedies ^{caused} meant that the Federal Government ~~had to say~~ ^{to say} to the States, 'Cut back on your spending'.

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what about
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electric power, time
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~~Good Night.~~
THANK YOU.

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same thing

and in Canberra next week I will be pressing for positive action