

MAJOR ISSUES – THE ECONOMY, SCANDALS AND THE LOANS AFFAIR

By early 1974, three major problems – weakened economy, the ‘loans affair’ and ministerial scandal were undermining Labor’s authority.

ECONOMIC PROBLEMS

- 1970 world recession.
- Increased unemployment.
- Low economic growth and inflation
- Caused by the reduction of oil supplies to Western nations. Consequently prices rose and produced high inflation.
- In 1972 the inflation rate stood at 4.4 percent.
- Reached 7 percent by the time Labor came into government.
- In 1975 inflation had reached 15 percent.
- Wages increased.
- Unemployment increased.
- Whitlam’s social reforms became hard to sustain.

REX CONNAR AND THE LOANS AFFAIR

- Connar’s dream to ‘buy back the farm’ to ensure Australian ownership of the country’s resources.
- Wanted to borrow US \$4 billion to buy out foreign control of Australia’s resources.
- Build a natural gas pipeline across the continent.
- Executive council granted approval to obtain a loan however at a reduced amount.
- Rex Connar attempted to obtain a loan from the Middle East (non traditional).
- Executive council withdrew permission.
- Rex set on his dream and continued to obtain a loan.
- A fax from Connar to Mr Tirith Kemlahni telling him to continue negotiations, was leaked to the press.
- Resulting in Whitlam demanding Connar’s resignation.

JIM CAIRNS (1914-2003)

- Leader of the Vietnam moratorium movement.
- Held roles of both Treasurer and Deputy Prime Minister.
- Cairns appointed Junie Morosi as coordinator of his office.
- People questioned her employment based on looks not qualification.
- Media’s interest in Cairns’ relationship with Ms Morosi distracted attention for government activities.
- March 6 the Executive Council granted approval for Cairns to seek an overseas loan of US \$550 million.
- Dr Cairns without consulting the colleagues, arranged for a Melbourne businessman, George Harris, to source a loan. Promising Harris 2.5 percent commission, Cairns denied this when he was questioned by parliament.
- Whitlam sacked Cairns for misleading parliament.