

APPROPRIATION BILL

SPEECH BY THE PRIME MINISTER, HOUSE OF REPRESENTATIVES,
17 APRIL 1975

JUST OVER FIVE MONTHS AGO, ON 12 NOVEMBER 1974, I ANNOUNCED TO THE HOUSE A SERIES OF ECONOMIC MEASURES WHICH SUPPLEMENTED ACTION ALREADY TAKEN IN THE BUDGET. THE MEASURES HAD FOUR OBJECTIVES:-

FIRSTLY, TO MAINTAIN CONSUMER DEMAND THROUGH A SUBSTANTIAL REDUCTION IN PERSONAL INCOME TAX.

SECONDLY, TO ATTACK INFLATION BY REDUCING THE PRESSURE FOR WAGE INCREASES THROUGH A SUBSTANTIAL IMPROVEMENT IN AFTER-TAX TAKE-HOME PAY THIS YEAR.

THIRDLY, TO ENHANCE BUSINESS PROFITABILITY BY A REDUCTION IN COMPANY TAX AND OTHER MEASURES.

FOURTHLY, TO SUPPORT PARTICULAR INDUSTRIES WHERE SPECIAL PROBLEMS WERE EMERGING.

ANNOUNCING THESE MEASURES I WARNED THAT IT WOULD TAKE CONSIDERABLE TIME FOR THE MEASURES TO TAKE THEIR FULL EFFECT AND THAT FOR SEVERAL MONTHS THE FIGURES - UNEMPLOYMENT, THE COST OF LIVING INDEX - WOULD NOT BE GOOD. WE ARE NOW BEGINNING TO SEE THE UP-TURN WHICH WE HAVE SOUGHT SO EARNESTLY.

APART FROM THEIR DOMESTIC SIGNIFICANCE THE FIGURES SERVE TO REMIND US OF THE OUTSTANDING CHARACTERISTIC OF AUSTRALIA'S PRESENT ECONOMIC DIFFICULTIES - THEY ARE INTERNATIONAL, THEY ARE WORLD-WIDE IN CHARACTER AND WORLD-WIDE IN INCIDENCE. GOVERNMENTS IN COMPARABLE COUNTRIES ARE GRAPPLING WITH THE TWIN PROBLEMS OF HIGH UNEMPLOYMENT AND RAPID INFLATION. MOST GOVERNMENTS HAVE ADOPTED MEASURES SIMILAR TO THOSE OF THE AUSTRALIAN GOVERNMENT. ALL ACKNOWLEDGE THAT THERE IS NO SINGLE OR SIMPLE SOLUTION FOR OUR COMMON PROBLEMS. NO GOVERNMENT HAS BEEN MORE ENERGETIC IN THE QUEST FOR A SOLUTION OR MORE FLEXIBLE IN ITS APPROACH THAN THE AUSTRALIAN GOVERNMENT.

THE EXTRAORDINARY SPEED WITH WHICH ECONOMIC CIRCUMSTANCES CHANGE IN ALL MODERN MIXED ECONOMIES REQUIRES AN ALTOGETHER NEW DEGREE OF FLEXIBILITY IN ECONOMIC DECISION-MAKING. WE DO NOT INTEND TO BE SCARED OFF FROM MAKING NEEDED AND PROPER CHANGES BY CHEAP CHARGES OF INCONSISTENCY. ECONOMIC CIRCUMSTANCES HERE AND THROUGHOUT THE WORLD ARE NOW SUBJECT TO RAPID CHANGE NEVER EXPERIENCED IN OUR LIFETIMES. THE BUSINESS CYCLE WHICH USED TO TAKE FIVE TO SEVEN YEARS FOR ITS COMPLETION NOW APPEARS TO TAKE ABOUT TWO YEARS. THIS IMPOSES UNPRECEDENTED PRESSURES ON GOVERNMENTS AND REQUIRES VERY GREAT FLEXIBILITY IN POLICY PLANNING.

IN THIS SITUATION ONE HAS TO BE EXTREMELY CAREFUL IN MAKING PREDICTIONS BASED ON THE LATEST SET OF ECONOMIC INDICATORS. WE MUST BEWARE OF FALSE DAWNS. NONETHELESS, THERE ARE GROUNDS FOR SOME CAUTIOUS OPTIMISM. THE SITUATION AT PRESENT IS THAT SOME OF THE MORE SERIOUS ASPECTS OF DECLINE IN ACTIVITY ARE NOW BEHIND US. CREDIT IS FREELY AVAILABLE AND THE DEMAND FOR FUNDS, PARTICULARLY FOR HOUSING, IS HIGH. IMPORTS ARE NO LONGER EXCESSIVE AND THE BALANCE OF PAYMENTS SITUATION - PARTICULARLY ON CURRENT ACCOUNT - IS STRENGTHENING. WE ARE SEEING THE FIRST REAL SIGNS OF RECOVERY IN EMPLOYMENT. WITH THE LARGE PERSONAL TAX CUTS, INCLUDING THE HOUSING INTEREST DEDUCTIBILITY SCHEME NOW BEING REFLECTED IN PAY PACKETS, DISPOSABLE INCOMES ARE RISING STRONGLY.

THIS FOUNDATION FOR RECOVERY HAS BEEN ACHIEVED BY NEW MEASURES TAKEN SINCE THE BUDGET. INEVITABLY THE ESTIMATES OF EXPENDITURE AND RECEIPTS CONTAINED IN THE BUDGET HAVE BEEN AMENDED. WE MAKE NO APOLOGY FOR THAT, JUST AS WE MAKE NO APOLOGY FOR THE POST-BUDGET MEASURES THEMSELVES. THE INCREASED ESTIMATED DEFICIT IS THE NECESSARY CONSEQUENCE OF THOSE MEASURES. THE BUDGET ITSELF WAS CRITICISED LAST SEPTEMBER AS BEING TOO EXPANSIONARY. WITH HINDSIGHT, WE CAN SEE THAT IT WAS NOT EXPANSIONARY ENOUGH.

THAT DEFICIENCY HAS SUBSEQUENTLY BEEN CORRECTED. THE DEFICIT IS NOW ESTIMATED AS MOST LIKELY TO BE OF THE ORDER OF \$2,300 MILLION WITH A DOMESTIC DEFICIT OF ABOUT \$1,660 MILLION. THAT DEFICIT HAS TO BE PUT IN THE PERSPECTIVE OF THE SEPARATE ITEMS WHICH COMPOSE IT. THE CRY NOW IS THAT GOVERNMENT SPENDING MUST BE CUT. THE FACT IS THAT THE REALLY BIG ITEMS WHERE SPENDING HAS BEEN INCREASED MOST, COMPARED WITH THE BUDGET ESTIMATE, ARE PRECISELY THOSE WHICH ARE CONTRIBUTING MOST TO THE RECOVERY IN THE PRIVATE SECTOR.

LET US LOOK AT THE DETAILS. LET THE OPPOSITION DECLARE THAT IT WOULD CUT SPENDING ON THESE ITEMS. HIGH-FLOWN GENERALISATIONS ABOUT GOVERNMENT SPENDING ARE NOT ENOUGH.

SPENDING ON SOCIAL SECURITY AND WELFARE IS UP \$210 MILLION ON THE BUDGET ESTIMATE. WOULD THE OPPOSITION DENY THE CORRECTNESS OF OUR PENSIONS INCREASE BOTH IN HUMAN TERMS AND ECONOMIC TERMS? SPENDING ON HOUSING IS UP \$234 MILLION. DOES THE OPPOSITION CLAIM THAT THIS IS ILL-DIRECTED EITHER SOCIALLY OR ECONOMICALLY?

ASSISTANCE TO INDUSTRY IS UP \$377 MILLION ON THE BUDGET ESTIMATE. DOES THE COUNTRY PARTY DEPLORE OUR ASSISTANCE TO RURAL INDUSTRIES OR THE LIBERAL PARTY DENOUNCE OUR ASSISTANCE TO PRIVATE INDUSTRY?

PAYMENTS TO THE STATES AND FOR NATURAL DISASTER RELIEF ARE UP \$224 MILLION ON THE BUDGET ESTIMATE. IS THIS, INCLUDING DARWIN RELIEF, AN AREA WHERE THE OPPOSITION WOULD CUT GOVERNMENT SPENDING?

EDUCATION IS UP \$103 MILLION. IS THIS WHERE THE CUT SHOULD BE MADE?

DEFENCE SPENDING IS UP \$142 MILLION. SHOULD WE HAVE PARED HERE?

THERE IS OF COURSE ONE AREA OF GOVERNMENT SPENDING - READILY IDENTIFIABLE, READILY MARKED FOR THE AXE. THAT IS THE SPENDING INVOLVED IN THE NEW PROGRAMS INSTITUTED BY THIS GOVERNMENT WHICH ARE DESIGNED TO BENEFIT THOSE AUSTRALIANS WHO HAVE THE LEAST POLITICAL LEVERAGE. THEY ARE PROGRAMS WHICH ARE POLITICALLY DISPENSABLE BECAUSE THEIR BENEFICIARIES ARE POLITICALLY EXPENDABLE. THERE IS A READY-MADE LIST OF EXPENDABLE PROGRAMS - THE PROGRAMS IMPERILLED BY THE HIGH COURT CHALLENGE ON THE CONSTITUTIONAL VALIDITY OF THE AUSTRALIAN ASSISTANCE PLAN AND THE REGIONAL EMPLOYMENT DEVELOPMENT SCHEME. ALL THESE PROGRAMS BENEFIT THE RELATIVELY INARTICULATE OR UNDER-PRIVILEGED IN OUR COMMUNITY. THEY HAVE A SOCIAL AND HUMAN VALUE FAR BEYOND THEIR FINANCIAL COST, IN ITSELF RELATIVELY SMALL COMPARED TO THE GREAT TRADITIONAL AREAS OF GOVERNMENT SPENDING. TO CUT THEM WOULD HAVE NO SIGNIFICANT ECONOMIC EFFECT - BUT IT WOULD MAKE A GESTURE IN THE DIRECTION OF THOSE DEMANDING CUTS IN GOVERNMENT SPENDING. THAT LOBBY IS VOCAL AND WELL ORGANISED; THE AUSTRALIANS WHO BENEFIT UNDER THESE PROGRAMS ARE NEITHER. I SUGGEST IT IS UPON THESE PROGRAMS AND UPON THOSE WHO BENEFIT FROM THEM THAT THE OPPOSITION WOULD REALLY LIKE TO SEE THE GREAT AXE FALL.

ON THE OTHER SIDE OF THE LEDGER RECEIPTS ARE DOWN BY \$307 MILLION ON THE BUDGET ESTIMATES. WHY? BECAUSE OF TAX CUTS ADDITIONAL TO THOSE MADE IN THE BUDGET. WE HAVE FOREGONE A FURTHER \$230 MILLION NET IN REVENUE FROM PERSONAL TAXATION AND \$105 MILLION IN COMPANY TAXATION. DOES THE OPPOSITION REJECT THESE CONCESSIONS? SHOULD WE HAVE INCREASED TAXATION TO REDUCE THE DEFICIT? SHOULD WE HAVE INCREASED TAXATION TO SATISFY THE DOGMA THAT DEFICIT BUDGETING IS INTRINSICALLY IRRESPONSIBLE?

IF OPPOSITION SPOKESMEN WILL SPECIFY ONE AREA WHERE A SUBSTANTIAL REDUCTION IN SPENDING SHOULD HAVE BEEN MADE EITHER ON THE GROUNDS OF ECONOMIC PRUDENCE OR SOCIAL RESPONSIBILITY THEN WE MIGHT TAKE MORE SERIOUSLY THEIR DEMANDS FOR REDUCED GOVERNMENT SPENDING. YET, RATHER THAN DO THIS THEIR COMPLAINTS ON SPECIFIC ISSUES IMPLY NOT REDUCED GOVERNMENT SPENDING BUT INCREASED GOVERNMENT SPENDING. WHAT ELSE IS THE CONSEQUENCE OF THE DEMANDS BY THE LEADER OF THE OPPOSITION FOR INCREASED DEFENCE SPENDING? OR BY THE LEADER OF THE COUNTRY PARTY FOR EVEN MORE GENEROUS ASSISTANCE TO RURAL INDUSTRY THAN WE ARE ALREADY PROVIDING. THE FACT IS THAT THE AREAS WHERE WE HAVE INCREASED EXPENDITURE OR FOREGONE REVENUE ARE ALL SOCIALLY ESSENTIAL AND IN THE CIRCUMSTANCES IN WHICH THEY WERE MADE ECONOMICALLY CORRECT. THE EXPANSION UPON THE SEPTEMBER BUDGET HAS BEEN THE CORRECT COURSE FOR THE CIRCUMSTANCES UNDER WHICH IT WAS UNDERTAKEN.

WE HAVE THUS ACHIEVED NOT FULL RECOVERY BUT THE CHANCE FOR FULL RECOVERY. THE OPPORTUNITY HAS BEEN HARD-WON. THE AUSTRALIAN GOVERNMENT LIKE ALL RESPONSIBLE GOVERNMENTS IN COMPARABLE COUNTRIES HAS HAD TO MAKE DIFFICULT DECISIONS AND THERE WILL BE A CONTINUING NEED FOR MORE DIFFICULT DECISIONS; BUT THE IMPORTANT THING IS THAT THE OPPORTUNITY ALL AUSTRALIANS HAVE EARNED SHOULD NOT BE LOST. THE FACT REMAINS THAT IN 1975 THE REAL DANGER OF A RESURGENCE OF THE RATE OF INFLATION AND THE REAL DANGER OF A DOWN-TURN IN EMPLOYMENT WOULD COME FROM WAGE DEMANDS, GREATER THAN THE ABILITY OF THE ECONOMY TO ABSORB. THIS IS THE REAL MESSAGE THAT THE TREASURER AND I HAVE TRIED TO CONVEY TO EMPLOYEES AND THEIR ORGANISATIONS. THE WHOLE OBJECT OF THE PERSONAL INCOME TAX CUTS, OF OUR SUPPORT FOR WAGE INDEXATION AND THE SUBSTANTIAL IMPROVEMENTS WE HAVE ACHIEVED IN THE PROVISION OF HEALTH, EDUCATION, PUBLIC TRANSPORT AND COMMUNITY SERVICES HAS BEEN TO SUSTAIN AND RAISE THE REAL STANDARD OF LIVING OF FAMILIES BEYOND THAT PROVIDED BY THE PAY-PACKET ALONE. OUR OBJECT IS TO REDUCE THE NEED FOR VAST WAGE INCREASES WHICH INDIVIDUALS AND FAMILIES FEEL OBLIGED TO DEMAND IN ORDER TO CHASE RISING PRICES AND MAINTAIN THEIR LIVING STANDARDS. THE AUSTRALIAN GOVERNMENT BELIEVES IT IS THE MORE ENTITLED TO EXPECT CO-OPERATION INsofar AS WE HAVE BEEN SUCCESSFUL IN OUR EFFORTS TO RAISE REAL STANDARDS AND REAL EARNINGS FOR AUSTRALIAN EMPLOYEES, THAT IS FOR THE VAST MAJORITY OF AUSTRALIANS.

INCOMES OF WAGE AND SALARY EARNERS HAVE GROWN CONSISTENTLY FASTER THAN THE COST OF LIVING SINCE DECEMBER 1972. BETWEEN THE DECEMBER QUARTER 1972 AND THE DECEMBER QUARTER 1974:-

- THE CONSUMER PRICE INDEX INCREASED BY 31.6 PER CENT.
- AVERAGE WEEKLY EARNINGS INCREASED BY 46.8 PER CENT TO \$146.90.
- AVERAGE MINIMUM WEEKLY AWARD WAGE RATES FOR MALES INCREASED BY 53 PER CENT TO \$104 PER WEEK.
- AVERAGE MINIMUM WEEKLY AWARD WAGE RATES FOR FEMALES INCREASED BY 75 PER CENT TO \$91 PER WEEK.
- REAL AVERAGE WEEKLY EARNINGS, BEFORE TAX, INCREASED BY 11.5 PER CENT.
- REAL AVERAGE WEEKLY EARNINGS, AFTER TAX, INCREASED BY 7.3 PER CENT.

THESE FIGURES FURTHER POINT TO THE BASIC STRENGTH OF THE AUSTRALIAN ECONOMY AND THE SUPERIOR PERFORMANCE OF OUR NATIONAL POLICIES IN MEETING THE INTERNATIONAL PROBLEMS OF THE WORLD ECONOMY. I SHALL GIVE SOME KEY COMPARISONS:

- WHEREAS IN AUSTRALIA, REAL AVERAGE WEEKLY EARNINGS BEFORE TAX INCREASED BY 11.5 PER CENT IN THE TWO YEARS DECEMBER 1972 - DECEMBER 1974, IN THE U.S. THERE WAS A DECLINE OF 5.8 PER CENT.
- IN THE CALENDAR YEAR 1974, AUSTRALIAN GROSS DOMESTIC PRODUCT GREW BY 1.7 PER CENT IN REAL TERMS COMPARED WITH THE PRECEDING CALENDAR YEAR 1973. IN THE SAME PERIOD THERE WAS A DECLINE IN THE U.S. OF 2.2 PER CENT; IN JAPAN OF 3.7 PER CENT AND IN GREAT BRITAIN OF 0.2 PER CENT. IN WEST GERMANY THERE WAS A MARGINAL INCREASE OF 0.4 PER CENT. IN THE OECD NATIONS AS A WHOLE THERE WAS A DECLINE OF 0.3 PER CENT IN REAL GROSS DOMESTIC PRODUCT.

THERE IS NO SUGGESTION IN ALL THIS THAT THE AUSTRALIAN GOVERNMENT IS COMPLACENT, BUT THE FIGURES DO SUGGEST THAT CONFIDENCE IN THE AUSTRALIAN ECONOMY IS WELL FOUNDED. THE KEY TO ECONOMIC REVIVAL THIS YEAR IS THE REVIVAL OF CONFIDENCE IN THE PRIVATE SECTOR. THE MEASURES TAKEN BY THE GOVERNMENT IN THE PAST NINE MONTHS ESTABLISH A GOOD BASIS FOR THAT CONFIDENCE.

IN SEPTEMBER, NOVEMBER AND JANUARY, WE TOOK MEASURES APPROPRIATE FOR EXISTING AND EMERGING CONDITIONS. WE SHALL CONTINUE THAT APPROACH, THE APPROACH OF A RESPONSIVE AND RESPONSIBLE GOVERNMENT - RESPONSIVE TO THE NEEDS OF THE ECONOMY, RESPONSIVE TO THE NEEDS OF ALL SECTIONS OF THE COMMUNITY, RESPONSIBLE IN MAKING THE DECISIONS TO MEET THOSE NEEDS.

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