



PRIME MINISTER

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ELECTORATE TALK

A fortnight ago the Commonwealth met with State Premiers in Canberra for the first Premiers' Conference and Loan Council Meeting in 1981.

Tonight I would like to step aside from the predictable bickering that surrounds such conferences and talk to you about the real issues involved. They are fundamental issues about the role of government in a free society - about cutting back on bloated bureaucracy; about streamlining and modernising government and making it more efficient for the eighties and beyond; about reducing the burden of taxation, and about whether you are free to spend your earnings as you choose, or only as government chooses.

Not so many years ago, governments were under the impression that they would be popular if they spent money freely; that votes could be bought. It was that philosophy which raised government spending from 31 cents in every dollar produced in Australia in 1972/73 to 37 cents only two years later in 1974/75.

It is a matter of history that the sharp increase in government spending was not paid for at that time. But we have paid heavily since through inflation and unemployment triggered by the big budget deficits of those days.

We have been obliged to take tough action to bring the deficit under control. The Government has had to borrow massive amounts to pay for these deficits - and these borrowings increasingly run the risk of depriving private enterprise of the funds it needs to increase job opportunities. We have to hold back government spending so that private enterprise can continue to grow and take advantage of the magnificent opportunities Australia now affords.

Fortunately, there is now a change blowing through the Australian community. People are realising that governments which spend money willy-nilly are using resources that would otherwise be available to families and to businesses to spend in the ways they themselves want. They are realising that governments that want to spend more money, first have to take it from the people of Australia in taxes, or borrow it in a way which holds back job-creating developments.

On every side we are being told "there is too much government, too much regulation", "taxes are too high", "give us tax relief". A responsible government cannot reduce taxes unless it first cuts its spending.

That was one of the reasons for the recent Review of Commonwealth Functions which identified ways of eventually saving \$560 million a year in Commonwealth outlays and pruning 16,000 or so public service places.

At the Premiers' Conference we carried the process a stage further by imposing restraints on the tax sharing funds paid by the Commonwealth to the States. It is not generally realised that State and Local governments spend just over half of all the money spent by governments in Australia. But at the same time, they raise less than one fifth of all the taxes. The Commonwealth raises the rest. The States keep up their spending only with the help of massive payments from the Commonwealth. In fact, about half the funds the States spend are raised by the Commonwealth. To put it simply, the Commonwealth collects the taxes and the States spend them. This means that if there are to be tax cuts all levels of government, State as well as Commonwealth, have to rein in their spending. The question now is whether the States will take the lead from the Commonwealth and cut their spending. I hope they will.

Make no mistake, the States have done very well out of the Commonwealth in the past. Under the existing agreement, the States' general revenue funds - the monies the States can spend as they please - rose at an average rate of 5.5% per year (even after inflation is taken into account) in the four years to 1979/80. Total Commonwealth budget spending grew by under 1% per annum in real terms over the same period.

With this agreement about to come to an end, we told the States in no uncertain terms that it was much too generous. The Commonwealth simply could not afford to go on treating the States better than it is treating itself. What we are doing now is asking them to bear a small decline, in real terms, in their tax sharing funds; they will still increase by 9% in money terms. Thereafter they will receive a share of total Commonwealth tax revenues.

Under this new arrangement, the States will fare no better and no worse than the Commonwealth itself. They will be insulated from changes in the relative importance of the different sorts of tax. If past experience is any guide, their revenue will be more stable than if they were linked only to personal income tax receipts - where is the injustice in that?

It almost seemed as if the Commonwealth went into the Premiers' Conference as the sole representative of the Australian taxpayer. In our view the taxpayer is already carrying too heavy a burden and the time has come to protect the taxpayer against the ever-growing demands of government. We succeeded in our aim at the Premiers' Conference.

We have put the brakes on the uncontrolled public spending spree. Without that, there would be no hope of genuine tax relief in the foreseeable future.