



EMERGO: 7.30 P.M.

PRIME MINISTER

26 August 1974

NATIONAL BROADCAST

You will be aware that throughout last week the Cabinet met in Canberra to discuss the basic framework of this year's Budget.

There is one unusual circumstance about the Budget this year. It is being introduced five weeks later than usual - mid-September instead of mid-August. There's only one reason for the delay - the unexpected onset of the May elections and the interruption of the normal business of Government and Parliament which resulted.

So because of this delay I thought I should report to you tonight. I cannot of course give you a Budget preview - that would not be the proper course. And, I want to emphasise that the Budget is not intended to be some grand design for solving all the nation's problems. It isn't in itself a blueprint for the future. It's only part of our ongoing program and it's only part of our ongoing fight against inflation.

We are framing a Budget well in tune with the needs of the Australian economy and the needs of the Australian people. And let me emphasise that we see those needs not only in the context of inflation. It is not enough just to beat inflation. We have to plan for the future, for the future of all Australians - for our schools, our hospitals, our cities, our transport, our trade, our great resources. And this is what we are doing, laying the foundations for an even stronger fairer Australia.

Our deeply considered view is that one battle, a major battle in our war on inflation, is being won. When we came into office in December 1972 we inherited the problem known as demand inflation - that is, too much money chasing too few goods. Levels of spending were being fed by a flood of money from overseas and by the unjustified deficit in the 1972 Budget.

My Government acted firmly to increase supplies by restoring full employment and by increasing the flow of imports. We also applied restraints to the flow of funds from abroad and to spending financed by borrowing. These measures have had steadily increasing effect and it can now be said that they are fully achieving their purpose. We are now closer to a balance between spending and the goods and services becoming available.

It is therefore no longer necessary for the Budget to be actively restraining expenditure. We must of course be careful not to re-establish the conditions it has taken us so long to bring under control.

The Government has therefore reviewed its plans for new expenditure with great care.

We intend to proceed soberly but steadily with the programs which you have twice endorsed. We shall, for instance, go ahead with a greatly expanded program for the care and education of pre-school children. We shall also begin a major restructuring of the taxation system to reduce the burdens on lower income earners and on single income families.

In the fight against inflation, we shall not be using the weapon of mass unemployment in the way that previous governments have sometimes chosen to do.

The spectre of masses and masses of workless should be laid to rest. We have in reserve a wide and flexible program to cope with such unemployment as will occur. On this point you can plan ahead for yourselves and your families with confidence.

You will say: fine, but what about the rising prices we see around us. There are many elements in this, many causes. You know that all the major industrial countries share this problem with us - some far worse. I have to be quite frank with you: inflation will not be wholly beaten until there is a world-wide solution. There is no complete national answer to this international problem - least of all, in a democracy like Australia. For Australia there is the further complication of the Federal system, and the national government does not have the constitutional power to act directly on prices and incomes.

The most serious element in Australia's inflation is that very large wage and salary increases, sometimes thoroughly excessive, are pushing up costs and therefore pushing up prices. Quite bluntly, the Australian economy in 1974 just cannot absorb wage and salary increases of 20 per cent and 30 per cent without large increases in prices. Now this is a matter involving all of us. It cannot be shrugged off as a problem for the Government alone. We cannot solve this problem single-handed. We cannot solve it without co-operation and commonsense.

The national Government can do much. We are doing much. We've strengthened the Prices Justification Tribunal. Only last Friday we at last secured the passage of the Trade Practices Act which will protect the customer and prevent price fixing agreements by companies. This legislation could have been passed a year ago except for continued and repeated obstruction in the Senate. We are carefully studying proposals for tax penalties on companies which grant excessive wage demands.

But the really important thing is for all Australian employers and employees to grasp the ultimate futility of grossly excessive demands which are just eaten up by inflation. It is not only a matter of the effect it has on yourselves and your families, but the consequences to fellow Australians, not least fellow working Australians. The simple fact is that if certain industries are priced out of existence then men and women will be thrust out of work.

Further, it is quite unacceptable that the strike should come to be regarded as the court of first appeal. It is quite unacceptable that unions or companies should use their muscle power in key industry to gain short term advantage at the expense of their fellow Australians. These are not particularly palatable things for me to say, but we have to face the facts.

I know the pressures, I know the temptations and they are certainly not diminished by scare tactics and rumour-mongering of the sort we have had recently. But it is a time for care and responsibility by all of us - for our own sakes as well as our fellows' and our families' sakes.

The national Government fully accepts its responsibilities. The State governments too have their responsibilities. And there are things that we can all do. For instance it is important that customers should resist unfair price rises whenever possible. As long as sellers of goods believe they can pass on to buyers whatever costs they agree to accept or whatever profit margin they care to impose, prices will continue to rise. Every time you forgo a purchase because the price is too high, you strike a blow against inflation.

Let me sum up: the Budget, like our whole program is based on certain principles. There are four very important ones.

As I have already said, we are not going to resort to mass unemployment.

Secondly, we will protect the weaker sections of the community. Last month's \$5 increase in the pension, the largest single increase, by any measure, in Australia's history, is an earnest of our determination.

Thirdly, the most help will be given to those most in need.

Fourthly, where we seek restraint we shall seek it from the strongest, from those best able to share the load.

When you returned my Government just three months ago, I told you that together we would face some difficult times and difficult decisions. We Australians have faced infinitely more difficult times together in the past. Difficult decisions are an inevitable part of the task of any government worth its salt. My Government, the government you confirmed in office a mere three months ago, will neither flinch from difficulty nor exaggerate the difficulty. And if I know anything of the character of the Australian people, neither will you.

In particular, don't let yourselves be used by people or groups who have a vested interest in creating panic, division or confusion.

The fact remains that despite inflation, the vast majority of Australians have a higher standard of living than they did twelve months ago. Even average weekly earnings have risen 3 per cent more than the cost of living. Of course we can do better than that and we shall - all of us. The important thing is that we are a skilled, intelligent people living in a country with great basic resources.

It is a time for care, yes; but certainly it is not a time for despair. Given the commonsense and steadiness which I believe are part of the Australian character, given reasonable time for the Australian Government's whole program of renewal and reform to take full effect, we can be assured of a bright, confident future together.

CANBERRA, A.C.T.