

SUNDAY 27 JULY 1975

On Friday my colleagues and I finished a week of intensive Cabinet discussions to frame the Budget which the Treasurer, Bill Hayden, will be bringing down next month. It wouldn't be proper to tell you what is in the Budget, but I can tell you something of our general approach to it. I might mention in passing that our Budget discussions were more than a little hampered by the farce which the Senate has enacted in the past two weeks, requiring Ministers to be on hand for the Opposition's interrogation of public servants and others. But those are the Senate's priorities - political inquisitions first, the national Budget second.

It is not exaggeration to say that the coming Budget will be the most important for Australia for a very long time. And more preparation and consultation has gone into this Budget than any before. We've listened to the views of consumers, of unions, of employers, of farmers' organisations, of industry - a whole host of people in the community. And months ago we set up important new procedures to plan and develop the Budget strategy. A special committee of ministers, backed by a committee of officials, has worked hard to review the whole range of government expenditures. So simply: this will be the most thoroughly prepared and carefully planned Budget Australia has ever had.

Our first two Budgets - in 1973 and 1974 - were ones of heavy Government expenditure. There was a good reason for that. When we came to office we had the task of redressing many years of neglect by previous Governments in almost every field of national life. For 23 years the Liberals had neglected education, neglected our cities, neglected our country towns, neglected local government, neglected the urgent needs of public transport, health, the environment, migrants, women, Aborigines, pensioners, children. A great many things were crying out to be done - programs and reforms of a fundamental and long-term nature. After all, the people in two elections - in 1972 and 1974 - had given us a clear mandate, clear instructions to get on with the tasks we inherited. So we had to spend money - big money. Things like Medibank, and better schools and higher pensions don't come cheap, but it would have been utterly irresponsible for us to ignore the people's demands for such services. On top of that, there were other heavy unexpected calls on Government finance - such as funds for Darwin and for flood relief here in Queensland.

While these programs were getting underway a further need arose for heavy Government expenditure. Last year the whole western world entered on the worst recession experienced since the war. Australia has not escaped. In such circumstances - at a time of rising unemployment - it was necessary to push Government expenditure further ahead in order to boost our economy and keep Australians at work. On the whole that strategy paid off. The recession in Australia has been a good deal less severe than it has been in other countries.

Let me illustrate. In the United States, industrial production during the recession has declined by about 14 per cent - compared with an eight per cent decline in Australia. Unemployment in the United States has passed the eight per cent mark. In Australia it is 4.5 per cent. In Japan the decline in production was of the order of 20 per cent compared with eight per cent here. So don't get the idea that unemployment and recession have been confined to Australia; it's been a world-wide upheaval with world-wide causes.

The point is that the world is ^{now} not just beginning to climb out of the recession. The signs of recovery are appearing both here and abroad. So we have this difficult problem: How much longer should we push ahead with expenditures to combat unemployment, how much longer should we maintain our high levels of spending on the great social programs we have started? Economic questions of this kind have never been more complex and difficult, because we have to try to look ahead and take decisions now whose effects won't be felt for many months to come. In general we feel that, now that the worst of the recession is behind us, our priority must be to attack inflation. Inflation is another problem that has bedevilled every western country. In former years, the standard way to attack inflation was to bring about a recession and throw people out of work. That was the method the Liberals used. And of course it no longer works anywhere in the world. We staunchly resisted that approach when it was put to us in the Budget discussions last year. True, unemployment has occurred, but we have managed to keep it at lower levels than in most other countries. The question now is: what other approach can we take to hold down inflationary pressures?

There are two things we can do. One is cut back the growth of Government expenditure. As part of this process, I announced on Monday that we would be putting a strict limit in the next financial year on the growth of the Australian Public Service which, incidentally has been growing at a slower rate than the State public services. In addition we are looking at ways of reducing Government expenditure in other areas. This doesn't mean that we are no longer committed to our national goals - better public facilities, wider opportunities for all Australians. It means that, having got these programs started, having set up the machinery to run them, we can now take a breather and slow down our spending sharply in the interests of the whole economy. This won't be popular with those who benefit from our programs - and I don't need to tell you that it isn't particularly palatable to us - but it has to be done. And the other thing we have to do is keep the national wages bill within reasonable limits. Our economies in expenditure won't be much use in countering inflation if wages and salaries in both the public and private sectors are allowed to grow too quickly and push prices up further. My Government fought a hard battle to persuade the Arbitration Commission to give wage indexation a fair trial. Indexation will protect the real living standards of every employee. It must be given a chance to work.

I wouldn't be honest with you if I said there were easy solutions to our economic problems. I can't promise a popular Budget but I can promise a sound and responsible Budget - if you like, a tough Budget. In the next twelve months we are going to need all the help and co-operation we can get in making the Budget work, in safeguarding our living standards. I'll have no patience with knockers and whingers. We must make sure that Australia is one of the first countries in the world to come through this recession, and to come through it in good shape, in fighting trim. We can do it. We cannot afford to fail.
