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CHIFLEY MEMORIAL LECTURE, DELIVERED BY THE PRIME MINISTER,
THE HON. E.G. WHITLAM, Q.C., M.P., AT THE UNIVERSITY OF MELBOURNE
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As the fourth Chifley Memorial lecturer in 1957 I said:

"The way of the reformer is hard in Australia." I intended neither pessimism nor prophecy, although one may concede that little has occurred in the intervening 18 years or the last two and a half years to lead to the belief that reform in Australia is altogether a primrose path. In my 1957 lecture I attempted to point up the difficulties confronting the Australian Labor Party in carrying out its policies under a federal system and in particular the impediments which the Australian Constitution placed in the way of achieving reform.

This was no exercise in negativism, in finding excuses. You will accept that that has never been my way. I was however concerned then by the way in which the Labor Party's failure to move on, to look ahead, to attempt to find new ways towards reform was shortchanging the Australian people and shortchanging the Party itself. In 1957, the Platform, policies and structure of the Australian Labor Party had remained basically unchanged since the days of the Chifley Government, already by then 8 years distant. Even in 1957, the Party still tended to interpret the 1949 election result as an aberration, much as the Liberals today still see 1972 as an aberration. The Party became obsessed with the idea that rather than being about renewal for the future, its purpose was to return to a more comfortable past - not renovation but mere restoration. As a result, both the achievements of the past and the hopes for the future receded equally. The Party stagnated and the Platform was stultified.

For his heirs, the setbacks which Chifley had met became not an experience for building but an excuse for baulking. At best we learnt only half the lesson of the Chifley experience. We acknowledged that we could not nationalise the banks or indeed any important part of the economic system, but our rhetoric remained unchanged - the rhetoric both in the Platform and from our platform speakers. In at least one policy speech the acknowledgement of the Constitutional impossibility of nationalisation was presented as if it were a positive undertaking - impotence was to be a guarantee of future good behaviour. The acknowledgement became an alibi - an alibi for the Party's failure to develop new policies, to work out new programs whereby the basic ends envisaged by Chifley could be achieved by other means.

In 1956 I had been elected a member of the Joint Committee on Constitutional Review. By virtue of that experience, I became better acquainted and more preoccupied with the difficulties and barriers raised by the Constitution against not only reform but good government in Australia. With one exception - national responsibility for Aborigines - the Constitution remains unchanged, despite the unanimous all-Party recommendations of the Committee in 1958 and 1959. These unanimous recommendations covered a wide range of matters, particularly in the fields of economic management and electoral reform. All-Party acceptance in 1959 has become partisan resistance whenever the opportunity to implement these recommendations has arisen.

For example, it is often forgotten that all Parties, the Country Party as much as the Liberal Party, accepted the recommendation of the Committee that the enrolment in any electorate should not vary by more than 10 per cent from the average enrolment in all electorates within a State. As a result of the Joint Sitting last year, that all-Party recommendation is now the law of the land. But partisan resistance has nullified that law. The redistribution proposals - by which alone the recommendation of the Committee of 1959 and the legislation of the whole Australian Parliament in 1974 could be made a reality - have been rejected by the Senate.

Yet despite the lack of Constitutional amendment, there has been Constitutional advance - not by amendment at referendums, but by interpretation in the High Court. The High Court, in such matters as monopolies and restrictive trade practices, civil aviation and television, has widened the powers of the national Parliament in ways which, in my 1957 lecture, I looked for through Constitutional amendment.

The chief purpose of my 1957 Chifley lecture was therefore to examine not just the barriers against Labor reform put up by the Constitution but the means by which these reforms could be achieved within the Constitution. I put the view that, while amendment of the Constitution must remain a fundamental objective, neither the Party nor the nation should be expected to wait indefinitely for amendment before reform. It was not a question of trying to circumvent the Constitution, but to make the best use of it, not supinely to accept the limitations of powers imposed by the Constitution, but to use the powers offered by it. For example I said:

"In our obsession with Section 92 which is held up as the bulwark of private enterprise, we forget Section 96, which is the charter of public enterprise."

I further illustrated how in the fields of social welfare, health, education, housing, transport, urban and regional development, industrial relations, restrictive trade practices and law reform, significant advances could be achieved under existing powers to a very great extent. The themes foreshadowed in that lecture became the basis for the substantial rewriting of the Platform at subsequent Federal Conferences of the Australian Labor Party, particularly the great reform Conferences of 1967, 1969, and 1971. The policies thus developed provided the framework for the 1972 policy speech and to that extent, the framework for the programs of the Australian Labor Government in the past two and a half years.

My purpose in this lecture is to review those programs in terms of the basic objectives they were designed to achieve, to examine how the successes of the program may best be consolidated in the light of the economic conditions in which Australia now finds herself.

It is easy enough to generalise about the need for reform. Reform, however, must be relevant to objectives which are both desirable in themselves and perceived to be desirable by the public. A reform Party needs to convince a majority of the people that the reforms it proposes are desirable and a reform Government has to keep them convinced. Quite apart from overriding questions of economic management there are always going to be four special

difficulties in that task. The first is the sheer problem of public perception of what has been done and why it is being done - the so-called communications problem. There may be even some Members of Parliament who might not pass an examination of the substance of the Government's programs.

Secondly, there is a law of diminishing returns in politics whereby a demand once met ceases to be an issue. Thirdly, there is frequently a long delay between implementing a reform and the delivery of its actual benefits. Fourthly, a great many reforms by their very nature benefit and are expressly intended to benefit a minority in the community who, in general, are among the least articulate and least influential in the community; they are therefore the people least able to translate their grievances into political action or their gratitude into effective political support.

In a sense the Party of reform in a democratic system carries a self-created handicap as a reforming Government. In Opposition, its essential task is to raise the public perception of the need for change, the need for reform. That is, its task is to raise expectations. The nature of politics, founded as it is on human nature itself, is that there will always tend to be a gap, a shortfall, between expectations aroused and expectations met.

A conservative Government survives essentially by dampening expectations and subduing hopes. Conservatism is basically pessimistic; reformism is basically optimistic. The great tradition which links the American and French revolutionaries of the Age of Reason with the modern Parties of social reform is the tradition of optimism about the possibility of human improvement and human progress through the means of human reason. Yet inevitably there will be failures, and the higher expectations rise, the greater the likelihood of at least temporary failure to meet them.

Up to December 1972 the task of the Australian Labor Party was three-fold: first to state the reforms we proposed, secondly to state the means by which we intended to achieve those reforms, thirdly to convince a majority of the electorate that those reforms were both achievable and desirable. We achieved office because we raised expectations and convinced a sufficient majority that those expectations could be met.

Yet the specific reforms we proposed were related to general goals and had to be so related if they were to be seen and accepted as part of our general mandate to govern. The meaning of the "mandate" in a Parliamentary system has been subject to critical analysis by Parliamentarians and academics for more than a century. In Australia the meaning has been especially scrutinised in the past two and a half years because of the very great emphasis my own Government has always placed on the fulfilment of the program set out in the policy speech of 1972 and confirmed in the policy speech of 1974. Another reason why the meaning of the "mandate" has become significant in the current Australian political debate is because of the existence of a hostile majority in the Senate and the use to which that hostile majority has been put. So the debate about the meaning of the mandate has centred on the question of whether in 1972

and again in 1974 the Australian Labor Party was given only a general mandate to govern or a specific mandate to implement each part of its program.

Is the mandate merely general or is it specific? Is it a grant of permission to preside or a command to perform? Our opponents naturally interpret it in the weakest sense as a general and highly qualified mandate to govern - on their terms and indeed by their grace and favour. I interpret the mandate as being both general and specific - a general mandate to govern for the term for which we were elected and a specific mandate to implement the undertakings we made, within that term. But even when I speak of a general mandate I cannot accept the conservative definition of a mere mandate to govern, a permit to preside over the administration of government and, hopefully, to administer the existing system in a sufficiently acceptable way to give reasonable prospects of re-election - for a further renewal of the mere mandate to preside. The mandate as I interpret it is to move by specific programs toward the general goals and the general objectives accepted by the people at the elections.

What was that goal? I defined it in these words in the Parliament on 5 March 1970:

"On this side we believe there is one clear goal that this national Parliament should set for itself, which should define and motivate each specific action we take. It is the goal of equality. The true quality of our national life will be principally determined by the way in which and the rate at which we advance towards true equality. It is this that gives meaning to our possession of prosperity. If I interpret the history of this country and the character of our countrymen and women correctly, it is this search which alone can give any worthwhile, enduring meaning to our fortuitous possession of this most fortunate, peaceful and privileged continent in this most turbulent and deprived region of the world."

I regard the thrust towards equality as the natural extension of the great thrust of the Chifley Government which was towards security for all. There is no phrase more quoted than Chifley's "light on the hill". Very few remember what the metaphor meant. As Chifley used it it was not just a fine phrase but a quite specific objective - it was security. As Chifley said in the policy speech of 1949:

"it is the duty and responsibility of the community and particularly those more fortunately placed, to see that our less fortunate fellow-citizens are protected from those shafts of fate which leave them helpless and without hope. That is the objective for which we are striving. It is the beacon, the light on the hill to which our eyes are always turned and to which our efforts are always directed."

In other words Chifley saw that the fundamental duty of the community, acting as a whole through its elected representatives, was to provide security for all its members. To that I add the basic objective of promoting the basic goal of equality. As I see it, the two goals are inseparable. I have always put the search for equality in positive terms, that is, the promotion of equality, not the imposition of equality. As I implied in my

1957 Chifley lecture and specified some years later in my Curtin Memorial lecture of 1961:

"Socialists are now more concerned with the creation of opportunities than the imposition of restraints. Within Australia we do not have to ration security but to plan abundance."

I state the underlying philosophy in this way: in modern communities, even the wealthiest family cannot provide its members with the best education, with the best medical treatment, the best environment, unaided by the community. Increasingly, the basic services and opportunities which determine the real standard of life of a family or an individual can only be provided by the community and only to the extent to which the community is willing to provide them. Either the community provides them or they will not be provided at all. In the Australian context, this means that the community, through the national government, must finance them or they will not be financed at all.

Over the span of years the common factor which links the doctrine of security and the doctrine of equality is the insistence upon community responsibility for the promotion of these twin goals.

This concept of equality - what I call positive equality - does not have as its goal equality of personal income. Its goal is greater equality of the services which the community provides. This approach not merely accepts the pluralistic nature of our system, with the private sector continuing to play the greater part in providing employment and growth; it positively requires private affluence to prevent public squalor. The approach is based on this concept: increasingly a citizen's real standard of living, the health of himself and his family, his children's opportunity for education and self-improvement, his access to employment opportunities, his ability to enjoy the nation's resources for recreation and cultural activity, his ability to participate in the decisions and actions of the community, are determined not so much by his income but by the availability and accessibility of the services which the community alone can provide and ensure.

The quality of life depends less on the things which individuals obtain for themselves and can purchase for themselves from their personal incomes and depends more on the things which the community provides for all its members from the combined resources of the community.

What we aim at is the achievement of the classic liberal idea of the career open to the talents - equality of opportunity - in a vastly expanded form. Equality of opportunity is a splendid ideal; but to confine it to equality of job opportunities is not merely to restrict it, but to negate true equality of opportunity. The older, narrower ideal of equality of opportunity concentrated almost exclusively on education. The assumption was that the mere provision of free education would guarantee equality of opportunity. Even in a community as homogeneous and socially mobile as Australia this has proved not to be the case.

In modern communities, not least Australia, opportunities, social, economic and cultural opportunities are really determined by where a family lives, even more than by a family's income. So we have no preoccupation with equality of incomes. We are striving for an equality of environment in the total sense of those things which increasingly the community alone can provide - welfare, health, education, recreation, transport.

The general argument against this concept turns on the question of private incentive and individual initiative. This really gets to the heart of the philosophical differences between the Labor Party and its opponents. The argument that collective welfare destroys private incentive is a very old one indeed. It is the argument which has been used to resist every advance in social welfare, even the most basic ones, such as the provision of old-age pensions. It was the argument used at every stage of the very massive expansion of the social security system under Curtin and Chifley - represented in money terms by an increase from \$36 million provided before the war to \$200 million in 1949. Such were the colossal sums which Chifley used in those days to undermine free enterprise and destroy individual incentive.

The argument is in fact based on a particular view about human nature and human motives. In the final analysis it predicates fear and greed as being the principal spurs to human action. It says in effect that if people know they are guaranteed an income in retirement they will be both lazy and improvident during their earning days; if people are not afraid of the price of sickness they will abuse and overuse the health services the community provides; if public schools are made as good as private schools then parents will not work so hard to earn the fees for their children's education; if the attempt is made to make underprivileged communities more decent places to live, people will lose the competitive urge.

We are going to hear a lot more of these arguments, put in perhaps more subtle ways. The counterargument is that the removal or reduction of basic fears and insecurities, far from being a limitation on individual incentive, represents a liberation for human creativity. The contest between the two opposing views of human nature and human society is still the essence of the philosophical debate between the Parties - to the extent that the political debate is conducted in terms of philosophy and to the extent to which either Party can be said to have a philosophy.

The programs developed between 1967 and 1971 and presented in the policy speech of 1972 sought to give practical application to these attitudes. A political program, particularly a program for a democratic election is of course not an essay in philosophy. Policies are not developed in a political or economic vacuum; still less are they implemented in a vacuum once the appeal to the electorate has been successful. The program as presented in 1972 had to be related to economic and political realities as we judged them to be in 1972 and as we assumed, to the best of our judgement, they would exist during the three years for which we sought and won a mandate. Carrying out the program has to be related to the political and economic realities as they exist. In 1972, we made two important assumptions which seemed very reasonable at the time. One was political; the other was economic. Both proved partly wrong. The first, the political assumption was that if elected we would have a clear three years to fulfil the program.

The second, the economic assumption was that domestic growth would be sufficiently restored and that the world economy would remain strong enough to permit an avowedly expansive and expensive program of social reform to be implemented without massive tax increases or without massive inflation.

The fundamental and continuing difficulty of the Government has been and remains to reconcile the demands of the program with the falsification of two of the key assumptions on which it was based.

It is hard to estimate and hard to exaggerate the damage done to the Australian political system and the Australian economy by the conduct of the majority in the Senate. From the beginning, that conduct has had one overriding objective - to deny the very legitimacy of the Labor Government. But its real effect has been to cast doubt on the legitimacy of an elected Government itself, to cast doubts on the legitimacy of the electoral and constitutional processes.

One has to bear in mind that the elections of 1972 were for the House of Representatives alone. The program was drawn up as a 3-year program. Whatever the result of the 1972 elections, the state of the Parties in the Senate had to remain unchanged; an anti-Labor majority was guaranteed until at least July 1974.

So the question of who would control the Senate was never an issue in 1972. If you cast your minds back, you would agree that nobody approached the 1972 campaign with any thought other than what Australians were doing then was electing a Government for a normal three-year term. There might have been some fleeting thought given to the possibility of the circumstances by which Labor, if successful, might be brought to the need for a double dissolution. But certainly no-one seriously considered the possibility of the House of Representatives being forced to an election by the refusal of Supply by the Senate. And no-one considered the possibility of a double dissolution triggered off by the threat of refusal of Supply by the Senate. It has been a remarkable example of the unthinkable becoming apparently quite acceptable.

During the 1974 campaign I frequently quoted an article written in 1968 by Sir Robert Menzies in which he castigated Senate pretensions as "a falsification of democracy". That phrase is now very well known. What is not so well known is that what Sir Robert Menzies was condemning was not the ultimate falsification - the refusal of Supply - but the repeated rejection by the Senate of legislation passed by the House of Representatives - by the majority forming the Government. I quote from Sir Robert Menzies' article in the Sydney Daily Telegraph of 18 February 1968:

"In Australia we practise the system of 'responsible government'. Indeed it has been judicially declared that it is embodied in our Constitution by necessary implication. In that system Ministers sit in and are responsible to Parliament; but Cabinet may be displaced by a vote of the House of Representatives (not - Sir Robert's emphasis - the Senate) and therefore holds office at the will of the House of Representatives.....

"It would be a falsification of democracy if, on any matter of Government policy approved by the House of Representatives possibly by a large majority, the Senate, representing the States and not the people, could reverse the decision."

The basis of Sir Robert's concern at that time - early in 1968 - is interesting and instructive. He was writing shortly after the Liberal Party had elected Senator Gorton as its leader.

Sir Robert's concern was that once the Senate had made the big breakthrough in providing a Prime Minister, its ambitions and pretensions would thereby increase. He feared the Upper House might become altogether too uppity.

He pointed out that the situation by which a Government in the House of Representatives lacks a majority in the Senate is frequent enough in itself to be normal. The falsification against which he warned was the rejection of legislation, not the refusal of Supply. He didn't deal with that question for one simple reason: it just never crossed his mind that this was a practical possibility worth arguing about.

Yet the Labor Government, the Australian administration, Australian business and the Australian community have had to live with this possibility since April 1973 according to the evidence of Senator Withers, the Leader of the Opposition in the Senate, who said in April 1974:

"We embarked on a course some 12 months ago to bring about the House of Representatives election".

That is, for all but the first few months of the Labor Government a new and gross element of instability and unpredictability has been introduced into Australian political life. No important aspect of our political or economic system has remained unaffected by it.

It may be true that hanging concentrates the mind wonderfully but it is not generally regarded as good for the morale or the health.

We can see in retrospect that the election campaign of 1974 and its long drawn-out aftermath interrupted for more than four months the normal business of the nation and, at a critical time, diverted the attention of the planners, whether they were in Government, in administration, in finance or in business, from crucial matters relating to the economy to purely political pre-occupations.

One should not think that administrators in Government can divorce themselves from the preoccupations of their political associates - least of all in so political and politicised a capital as Canberra. The fact is that during political crises, decision-making in Australia virtually halts. This regularly and properly happens when there is a normal election in the normal course of events - that is each three years. To make this turmoil endemic, to threaten it each six months, is thoroughly destructive of good administration and good government.

The present Australian Government is the only Government since Federation and the only Government in the English-speaking world to have been placed in this situation. I confine my remarks in this context to the political consequences, the direct consequences, of the continuing threat by the Senate to refuse Supply. It's not to my present purpose to deal at length or in

detail with the Senate's record of legislative obstruction - the score of key bills which have failed to pass. In passing, however, I mention two aspects of that obstruction, both related to the concept of the mandate, as I see it, and the proper working of democracy, as Sir Robert Menzies saw it.

The legislation rejected in the Senate was foreshadowed in 1972 and repeated in the 1974 campaign. Much of it was put as long ago as 1969. These Bills are not ring-ins. They are not to be dismissed just as Whitlam's whims. I put this proposition: if a matter is thrashed out in three campaigns and throughout the intervening years, and if the proposals which a Party has put on those matters are endorsed by sufficient Australians to result in that Party being elected, surely in the name of anything that can pass for democracy, that Party in Government is entitled to claim a mandate for such proposals. More, is not that Party obliged as a Government to try to implement such proposals? That has been the background, the basis put in 1969, in 1972, in 1974 - of so much of the legislation now stalled or rejected by the Senate. Reflect that Medibank itself would not now exist if the Senate had had its way. Medibank exists only because of the double dissolution of 1974 and our subsequent ability to get the legislation through at the Joint Sitting.

Furthermore, for all the present pretensions of the Senate, for all the Hamlet-like approach of the Leader of the Opposition to what he will or will not do about the refusal of Supply, the fact remains that while the Government did not obtain a majority of the Senate seats in the Double Dissolution, it did obtain a majority of votes for the Senate over all the Parties then represented in the Senate - a majority of 43,000 over the Liberal Party, the Country Party, the Democratic Labor Party, combined. A majority of seats in the House of Representatives; a majority of votes in the Senate - is this or is it not a mandate to govern?

Yet on specific legislation forming an integral part of the policy put at these elections and on its basic right to govern, the legitimacy of this Government is challenged month by month, day by day.

So for most of the period of our Government we have had to live with an unprecedented political problem. Equally, there has been the problem of world-wide economic difficulties. As I said before, our program was predicated on certain assumptions about internal growth and the strength of the world economy. We had devised a program of social reform designed to catch up with a backlog, as we perceived it, created by 23 years of conservative rule. We were concerned that so wealthy a country as Australia, which had once been a pioneer and leader in social reform, should have fallen so far behind. I had stated our belief in these terms in the 1969 policy speech:

"We make these assertions: firstly, that Australians should not be deprived of opportunities which citizens of every comparable country enjoy. Secondly, there is every reason why Australia, wealthy and well-endowed, in many respects incomparably so, should be giving a lead to other nations in the equality of opportunities and the quality of the opportunities we make for our own citizens and in the help we can give to others. Twenty years ago, Australia was indeed a pioneer and a leader: now we lag behind."

It should be remembered however that that period of conservative rule in Australia coincided with an extraordinarily protracted period of world economic growth. The world had enjoyed a virtually uninterrupted boom of twenty years. In general, a relatively high rate of growth was accompanied by a relatively low rate of inflation. Through most of that period Australia shared both these characteristics of the world economy. Although in 1972 the Australian economy was already showing the signs of the twin problems of inflation and unemployment, with a poor growth rate which was subsequently to become world wide, the great catastrophes about to fall on the international economy were not foreseen. With hindsight we should perhaps have foreseen the inevitable economic consequences of the way in which the United States chose to finance the war in Vietnam. We could not, however, have foreseen the energy crisis of 1973.

I know that it is now considered in some quarters to be mean-spirited, to be buck-passing, for an Australian Minister to mention international economic problems or to make international comparisons, or to explain any of our economic problems whatsoever in international terms. But these international problems remain a fact of life and, whether we like it or not, they affect our national life.

When my Government was elected our aim was to finance our new programs from growth. But world-wide inflation and recession frustrated this objective. This is no mere self-justification. The whole industrialised world is currently going through the worst peacetime inflation on record and the deepest recession since the 1930's. Within the OECD, the membership of which includes virtually every industrialised country in the world, the average rate of inflation jumped from 3.9 per cent per annum in the decade 1962 to 1972, to 7.9 per cent in 1973 and 13.4 per cent in 1974. Real Gross National Product which rose at the rate of 5.4 per cent per annum in the decade to 1972 declined slightly for the OECD countries as a whole in 1974 and is expected to show a decline of about 1.5 per cent in 1975.

The OECD Economic Outlook stated on 17 July 1975:

"The present recession in OECD countries is the most serious since the war. It is remarkable not only for its length and depth - a third consecutive half-year of negative growth has now been recorded for the area as a whole - but also for its widespread nature: virtually every OECD country grew by less than its medium-term average rate in 1974, and no economy is expected to take up slack in 1975. The margin of idle resources in the OECD area is now the largest in the post-war period, with unemployment at record levels. The forecasts presented in the December Economic Outlook, and to a greater extent those being made at that time by national authorities, proved to be too optimistic. Industrial output in the major countries fell very sharply in the last quarter of 1974 and the first quarter of this year. The extent and simultaneous nature of the decline was unlike anything recorded in the post-war period. The combined GNP of the major countries, which was thought at the time to have increased marginally in the second half of 1974, is now estimated to have fallen, at an annual rate, by over one per cent. Output was expected to continue stagnating in the first half of this year; it may in fact have fallen at an annual rate of about five per cent. The December Economic Outlook gave reasons for supposing that the balance of uncertainties attaching to the forecasts was on the downside; but the extent to which this proved to be the case is astonishing."

There is no way in which Australia could have escaped being caught up in these disruptive world-wide economic developments. We are after all a major trading country, so what happens to our major trading partners - the United States, Japan and the United Kingdom - is bound to affect us. It is estimated that in the course of the recession industrial production fell by 20 per cent in Japan, by over 14 per cent in the United States and by over 8 per cent in the United Kingdom. Even West Germany, which has ridden out this storm better than most, suffered a fall in industrial production of over 11 per cent. What is more, these declines should be viewed against strong upward trends previously existing at least for the U.S., Japan and West Germany; on this basis the loss of potential output has been much greater than these figures imply.

What is not widely recognised is that Australia has fared comparatively well among the industrialised countries during this period of economic turmoil. Our unemployment has been a great deal lower than that suffered by a number of industrialised countries; our loss of production has been less; and many industrialised countries have had much more severe inflation. Unlike most industrialised countries, we have moreover been entirely free of balance of payments problems.

In spite of our economic problems the Australian employee has on balance done well over the last two years. Average minimum award rates have risen by 55 per cent and average earnings by 48 per cent - while the cost of living as measured by the CPI has increased by 32 per cent. There have, therefore, been substantial real gains to wage and salary earners, supplemented by improved education, health, and other benefits by this Government.

There is a widespread expectation that 1976 will see strong economic recovery across the world, accompanied by a continued slowdown in the rate of inflation. It is important that Australia should participate in both. There is a widespread view that, to the extent that inflation is not contained, the recovery may not be a sustained one. I share this view. I am convinced that we must get inflation down to an acceptable level in Australia, all the more if other countries with which we trade and compete in world markets do so.

I again acknowledge the awful impropriety of my making international comparisons. I'll have to bear that cross. But despite everything let me make this assertion: while Australia shares to a greater or less extent these economic problems, while in some respects we are making a better fist of dealing with them than some other nations, we are alone in this - that while dealing with very difficult, with unprecedentedly complex economic problems which all nations share, we have made significant and enduring advances in social reform, in so changing the structure of welfare in this nation as to be of permanent benefit to future generations when the problems of the present are but a vague and distant memory.

Our goal now is to consolidate the reforms instituted in the past two and a half years.

The 1975-76 Budget which the Treasurer, Mr Hayden, will introduce into Parliament next week will be a major step towards this goal. In spite of the urgency we see in proceeding with our programs, we have decided to slow down the rate of increase in outlays this year. Let me emphasise that, contrary to a lot of ill-informed comment, we are not going to reduce expenditure, but

to slow down the rate of increase. Our expenditures will still increase in money terms and in real terms, but less rapidly than would otherwise have been the case.

One effect should be to leave room for the private sector of the economy to expand, to play its proper role in the recovery. Another effect will be to moderate the extent to which the Australian Government's budget generates monetary expansion. A slowdown in the rate of monetary expansion is clearly essential if inflation is to be brought under control.

It is not appropriate, however, for me to say too much about the Budget at this stage, beyond that it will be a responsible budget consistent with our long term objectives of reform, with consolidation of what we have already achieved, and with progress towards a stable, growing economy. What I can speak of, however, are our plans stretching beyond this Budget.

We plan, and I use the word advisedly, to review our programs and commitments to ensure that, in total and in each category, our expenditures will be consistent with our overall objectives for the economy and will consolidate the vast new programs we have introduced.

We have to look carefully at the question of what proportion of the resources available in the economy should be directed through the Australian Government's Budget and how these resources should best be allocated between the various programs of the Government. I see this task as having immediate priority. All new programs and proposals will have to be assessed against and accommodated within this framework.

Now is a time for consolidation, evaluation planning for the future with an appropriate balance between welfare and economic responsibility. Policy must always reflect our concern for those in want; it must choose the most effective and efficient means to that end.

We have striven to reform the overall structure of the Australian economy. In our first year in office, before Australia was engulfed in the world-wide economic turmoil, we pushed ahead with the revaluation of the Australian currency and tariff reductions and removed a number of anachronistic subsidies and taxation concessions which operated to support less efficient industries. We replaced the aged Tariff Board machinery with the more up-to-date and broadly constituted Industries Assistance Commission. Trade Practices Legislation has been passed and a Trade Practices Commission established to protect the consumer and enhance competition. I have no doubt that, in the long run, the Australian economy will benefit greatly from these measures.

We shall certainly continue to maintain proper exchange rates and tariff policies. We have made clear our resolve to encourage and assist the Arbitration Commission to maintain a wages policy consistent with the slowdown in the rate of inflation, while protecting the position of wage and salary earners in this country.

In the context of arbitration, it is difficult to take into account the immensely enhanced value of services now provided by the community and no longer provided from incomes. I mention in particular the Schools Commission in school year 1974 and onwards, Medibank in fiscal year 1975-76 and onwards.

We are now in the process of adjusting our fiscal policies to ensure that they will now and in the long run contribute to the stability of the economy. Through the Reserve Bank and the banking system we shall maintain responsible monetary policies which ensure that credit is available, as needed, for the development of the Australian economy but that the monetary system is not awash with liquidity in a way which permits and even promotes inflation.

We must all recognise that the path to price stability and full employment will not be a short one. We certainly cannot hope to get there in 1975-76. It is important, however, to make quite sure that we get on that path and stay on it.

Our aim is to consolidate what we have done, to plan ahead to produce an environment conducive to economic growth, and thereby to produce the means of completing the task we set ourselves, and which we were elected to carry out.

An essential part of the consolidation relates to the provision of income security for all Australians. When we came to power in 1972 there was need for immediate improvement in welfare services. Considerable progress has been made to effect that improvement. Further improvements of a more fundamental kind are needed. To assist in determining new directions, the Government has a number of expert reports which will form the basis of a review process over the next year.

We have the reports of the Woodhouse Committee and the legislation arising from it which the Senate has reviewed and reported upon. We have some of the reports of the Henderson Inquiry into Poverty. We have the interim report of the Hancock Inquiry on National Superannuation, and the final report is expected within the next few weeks. We have a report from the Priorities Review Staff canvassing issues raised in the inquiries already mentioned and discussing possibilities for social welfare reform in Australia. We are expecting a report later in the year from Mr Justice Toose on Repatriation. The Asprey Report on Taxation also needs to be mentioned; there is, of course, a very close relationship between reforms in the welfare and taxation areas.

Two of the reports I have just mentioned - the Henderson and PRS reports - will be released before the end of this month. They both draw attention to a number of problems which need attention and to a variety of possible solutions to those problems. They are reports which require the most careful examination by the Government. They are reports which I hope will stimulate public debate and public contribution of a kind which will assist the Government in taking decisions on them in due course.

Against that background, the Government has decided that a full year should be set aside in which, in the light of published expert reports, to develop an equal, fair and workable income security system for Australia. The review will be conducted by the Government itself, with Ministers closely directing the work undertaken and reviewing the progress at regular intervals.

By the time of the 1976-77 Budget I expect the Government will be in a position to determine its long term program of reform in the welfare area and the steps which will need to be progressively taken to achieve those reforms.

The new Budget attempts to be as relevant to the implementation of the Labor program as its two predecessors. In the framing of those Budgets, we were concerned about priorities, the priorities of meeting needs as we saw them, the priorities of reaching towards goals as we saw them.

The common ground of economic debate between the parties today is the need to reduce the rate of growth of government spending. The present Leader of the Opposition makes no specific proposals about what cuts should be made, while the Leader of the other Party proposes only more subsidies and new spending. The Leader of the Opposition's most recent predecessor did at least make a specific proposal: it was to make percentage cuts across the board. We have not taken that course because it avoids the basic task for a Government - the task of determining priorities. In this Budget you will find that we have been as much concerned about getting our priorities right in circumstances of great difficulty and complexity as we tried to do when both national and international circumstances permitted us a far wider range of options.

The abiding challenge for statesmanship in a democracy is to try to get the priorities right and to resolve the conflicting demands about priorities in the context of the desirable and the possible, the politically possible, the economically possible. The nature of our Australian society is such that everyone in politics or government is faced with an ever-increasing range of demands from the articulate, from the powerful, and equally inescapable demands and hopes from the less articulate, the least powerful, that their priorities are the ones which should be adopted.

A remarkably permanent aspect of our Australian society and Australian history is that for all our sense of independence, for all our ability to improvise, to take initiatives, our demands for action always turn into demands for Government action, for Government assistance. At this very moment, almost every demand for the protection of free enterprise, for the enhancement of business freedom, is couched in terms of Government assistance - a subsidy, a quota, a tariff.

It has ever been thus. From the beginning, when we in Australia have spoken about national priorities, we have really meant priorities set for the nation by the Government. Australian political debate has always been extremely vehement.

The peculiar vehemence of Australian political debate has always been about priorities set by the Government of the day, whether elected or appointed. One only needs recall that one of the principal charges against Macquarie, one of the principal items used to discredit him in the Bigge Report, was the building of the Obelisk which still stands in what is now Macquarie Place as the measure of distance from all places out of Sydney. It was charged against Macquarie that he had got his priorities wrong. Those who govern Australia are still accused of trying to build monuments, when their real wish is to get Australia's priorities right, right for the present and right for generations ahead.