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PRIME MINISTER'S WEEKLY BROADCAST

THE BUDGET

SUNDAY 31 AUGUST 1975

I WANT TO DISCUSS WITH YOU SOME ASPECTS OF THE BUDGET WHICH THE PARLIAMENT HAS BEEN DEBATING DURING THE PAST WEEK. YOU WILL REMEMBER THAT THE BUDGET MADE A SWEEPING REFORM OF THE INCOME TAX SYSTEM. IT'S BEEN PERFECTLY CLEAR FROM THIS WEEK'S DEBATE THAT THE OPPOSITION HAS NO CREDIBLE ALTERNATIVE TO OUR ECONOMIC STRATEGY AND CERTAINLY NOTHING TO COMPARE WITH OUR TAX REFORMS. MR FRASER'S PROPOSALS OFFER NOTHING WHATEVER TO THE PEOPLE MOST IN NEED. THE GREAT DIFFERENCE BETWEEN US IS THIS: WE ARE REFORMING THE PERSONAL INCOME TAX SYSTEM TO GIVE RELIEF TO THE MAJORITY OF TAXPAYERS AND MAKE THE SYSTEM FAIR TO ALL. THE BEST THAT MR FRASER COULD PROPOSE IS SOME TINKERING WITH THE EXISTING TAX SCALES. UNDER THE OLD SYSTEM DEDUCTIONS FOR MEDICAL EXPENSES, EDUCATION, SUPERANNUATION AND OTHER EXPENSES WERE WORTH MUCH MORE TO THE WEALTHY MAN THAN TO PEOPLE ON LOWER INCOMES. THE WEALTHY MAN PAID LESS FOR THE THINGS WE ALL NEED. UNDER OUR NEW SYSTEM, NOT ONLY WILL MOST PEOPLE HAVE MORE MONEY TO SPEND AFTER TAX IS DEDUCTED; BUT EVERYONE'S DEDUCTIONS FOR EXPENSES WILL BE WORTH EXACTLY THE SAME.

HERE'S A FIGURE TO REMEMBER: OVER THE NEXT TWO FINANCIAL YEARS THE AMOUNT COLLECTED IN PERSONAL INCOME TAX WILL BE NEARLY ONE BILLION DOLLARS LESS THAN IT WOULD HAVE BEEN UNDER THE OLD LIBERAL SYSTEM. THAT'S A MASSIVE SAVING TO THE TAXPAYER. AND DON'T FORGET THAT OUR TAX CUTS AREN'T SOME VAGUE PROMISE: THEY ARE ALREADY IN OPERATION. BECAUSE THEY INVOLVE SUCH EXTENSIVE AND COMPLEX CHANGES IT WON'T BE POSSIBLE TO GET THE EXTRA MONEY INTO YOUR PAY PACKETS UNTIL THE BEGINNING OF THE NEW YEAR. BUT IN FACT YOUR TAX SAVINGS ACTUALLY STARTED TO ACCRUE ON THE FIRST OF JULY LAST.

APART FROM ANYTHING ELSE, THE DEBATE THIS WEEK HAS SHOWN JUST HOW JUDDLED AND EVASIVE ARE THE OPPOSITION'S ECONOMIC POLICIES. BECAUSE WE HAD TO TACKLE INFLATION THERE WERE SOME THINGS IN THE BUDGET THAT NONE OF US LIKE. WE ANNOUNCED HIGHER CHARGES ON CIGARETTES, BEER, SPIRITS, PETROL AND RATES FOR POSTAGE AND TELECOMMUNICATIONS. WE SAW THESE AS AN ESSENTIAL PART OF OUR PLAN TO RAISE REVENUE AND REDUCE THE BUDGET DEFICIT. AS SOON AS THESE CHANGES WERE ANNOUNCED THEY WERE ATTACKED BY THE OPPOSITION. MR FRASER HIMSELF ATTACKED THEM IN HIS SPEECH ON TUESDAY NIGHT. YET WITHIN 24 HOURS MR LYNCH, THEIR DEPUTY LEADER, WAS FORCED TO ADMIT THAT EVERY ONE OF THESE HIGHER CHARGES WOULD BE SUPPORTED BY THE OPPOSITION. IN OTHER WORDS, AS SOON AS THE OPPOSITION WERE FORCED TO DO THEIR SUMS, THE MOMENT THEY HAD TO JUSTIFY AND EXPLAIN THEIR POLICIES, THEY ADMITTED THAT OUR ECONOMIC MEASURES WERE SOUND AND JUSTIFIED. WE HAD THE EXTRAORDINARY SPECTACLE OF THE OPPOSITION LEADER IN THE SENATE, SENATOR WITHERS, ATTACKING THE NEW CHARGES AT THE VERY MOMENT MR LYNCH WAS SUPPORTING THEM.

YOU'LL NOTICE THAT THE OPPOSITION ARE ALWAYS TALKING ABOUT CUTTING GOVERNMENT EXPENDITURE. MR FRASER SAID HE WOULD SAVE \$1000 MILLION IN EXPENDITURE CUTS. YET HE AND HIS COLLEAGUES KEEP ON PROPOSING MEASURES WHICH WOULD PUSH EXPENDITURE FURTHER AHEAD - MORE FOR DEFENCE, MORE FOR THE SCHOOL, WITH THE HIGHEST FEES, MORE FOR CADET CORPS, MORE FOR CERTAIN INDUSTRIES. THEY NEVER SPELL OUT CLEARLY WHERE THEIR CUTS IN EXPENDITURE WOULD COME FROM. MR FRASER GAVE A LIST OF SO-CALLED SAVINGS IN HIS SPEECH THIS WEEK. IT SIMPLY DOESN'T BEAR EXAMINATION. HE TALKED OF SUSPENDING OUR GROWTH CENTRE PROGRAM, OF CUTTING BACK LOANS FOR NEW HOUSING, OF SCRAPPING OUR LEGAL AID SERVICE, OF ABANDONING URANIUM EXPLORATION, OF DISPOSING OF OUR GAS PIPELINES. THESE PROPOSALS WOULD BE DISASTROUS ENOUGH IN THEMSELVES, BUT THEY STILL WOULDN'T LEAD TO SIGNIFICANT ECONOMIES. TRY AS HE MIGHT, MR FRASER COULDN'T MAKE HIS SAVINGS ADD UP TO ANYTHING LIKE \$1000 MILLION. MR LYNCH HAD TO EXPLAIN LATER THAT MR FRASER WAS ONLY GIVING EXAMPLES OF THE CUTS THE OPPOSITION WOULD MAKE. IN OTHER WORDS, MR FRASER IS HOLDING OUT ON US. IT DOESN'T TAKE MUCH IMAGINATION TO SEE WHERE THE REAL CUTS WOULD COME FROM IF THE LIBERALS HAD THEIR WAY. THEY WOULD COME FROM OUR PROGRAMS FOR THE CITIES, FOR REGIONAL DEVELOPMENT, FOR BETTER PUBLIC TRANSPORT, FOR DECENT SCHOOLS, FOR BETTER HEALTH SERVICES AND HOSPITALS, FOR ADEQUATE SOCIAL SECURITY. THE PEOPLE WHO WOULD PAY FOR MR FRASER'S ECONOMIC POLICIES ARE THE POOR, THE NEEDY, THE SICK, THE CHILDREN, THE AGED, THE PEOPLE WHO LIVE IN NEWER SUBURBS AND COUNTRY TOWNS.

MR FRASER'S POLICIES WOULD MEAN A SAVAGE ATTACK ON THE LIVING STANDARDS OF THE VAST MAJORITY OF AUSTRALIANS.

IT IS EASY TO SEE MR FRASER'S DILEMMA. WHILE HE APPROVES OF THE SIZE OF OUR DEFICIT - AND HAS SAID AS MUCH - HE STILL ADVOCATES FURTHER CUTS IN TAXES - MAINLY TO BENEFIT THE WEALTHY - AND MORE EXPENDITURE ON SUCH THINGS AS THE SUPERPHOSPHATE BOUNTY - MAINLY TO BENEFIT WEALTHY FARMERS LIKE MR FRASER HIMSELF. WELL, HE CAN'T HAVE IT BOTH WAYS. THE SYDNEY MORNING HERALD - NO FRIEND OF THE GOVERNMENT - SUMMED IT UP THIS WAY:

"IT WOULD SIMPLY NOT BE POSSIBLE TO STEP INTO GOVERNMENT AND IMMEDIATELY KNOCK A FURTHER \$1000 MILLION OFF GOVERNMENT SPENDING OVERNIGHT...UNTIL THE NECESSARY SPENDING CUTS HAVE BEEN MADE MR FRASER COULD NOT RESPONSIBLY INTRODUCE HIS TAX CUTS, FOR TO DO SO WOULD BE TO RUN THE RISK OF EXPANDING THE DEFICIT, AND MR FRASER RECOGNISES THAT THE DEFICIT MUST, IF ANYTHING, BE REDUCED."

IN OTHER WORDS, THE OPPOSITION'S REMEDIES JUST DON'T MAKE SENSE. THEY IGNORE REALITIES. THEY CONCEAL THEIR TRUE PURPOSES. OUR BUDGET IS THE ONLY SERIOUS AND PRACTICAL WAY TO TACKLE INFLATION. ONLY BY TACKLING INFLATION CAN WE REDUCE UNEMPLOYMENT. ONLY BY TACKLING INFLATION CAN WE BOOST BUSINESS CONFIDENCE AND GET INDUSTRIES TO INVEST IN MORE PLANT AND MORE JOBS. THE FIGHT AGAINST INFLATION MUST COME FIRST. MR FRASER'S ANSWER TO INFLATION IS TO PROMISE INDEXATION OF TAXES. THAT IS, HE WANTS TO GEAR TAXES TO INFLATION. THAT'S NOT A REMEDY FOR INFLATION; IT'S A WAY OF SAYING THAT INFLATION IS INEVITABLE, THAT WE SHOULD BUILD IT INTO THE SYSTEM. THAT WON'T GIVE MUCH CONFIDENCE TO THE BUSINESS COMMUNITY. IF I WERE A BUSINESSMAN I'D RATHER HAVE A GOVERNMENT PREPARED TO TACKLE INFLATION THAN A GOVERNMENT THAT SIMPLY ACCEPTS IT AND TRIES TO CONCEAL ITS EFFECTS. IN THE LONG TERM THERE IS A CASE FOR TAX INDEXATION AND WE CERTAINLY HAVEN'T RULED IT OUT, BUT IT'S A VERY POOR SUBSTITUTE FOR GENUINE TAX REFORM. IT DOESN'T CHANGE THE EXISTING TAX SCALES. IT DOESN'T GIVE TAX RELIEF TO THOSE WHO NEED IT.

IT'S AN INTERESTING COINCIDENCE THAT OUR TAX REFORMS - THE GREAT AND ENDURING THEME OF OUR BUDGET - HAVE COME AT A TIME WHEN THE GOVERNMENT IS COMPLETING ITS FIRST 1000 DAYS IN OFFICE. THOSE 1000 DAYS CERTAINLY HAVEN'T BEEN EASY. WE'VE HAD TO CONTEND WITH A WORLDWIDE ECONOMIC RECESSION, WHEN UNEMPLOYMENT IN EVERY COMPARABLE COUNTRY HAS REACHED ITS HIGHEST LEVEL SINCE THE DEPRESSION. WE'VE HAD TO CONTEND WITH A WORLDWIDE UPSURGE OF INFLATION. WE'VE HAD TO CONTEND WITH WILFUL OBSTRUCTION OF OUR POLICIES IN THE SENATE AND BY THE STATES. YET DESPITE ALL THIS WE HAVE MANAGED TO HOLD OUR OWN. THE RECESSION IN AUSTRALIA HAS BEEN MUCH LESS SEVERE THAN IT HAS BEEN IN OTHER COUNTRIES. AND THROUGH ALL THIS WE HAVE BROUGHT IN REFORMS AND ACHIEVEMENTS OF LASTING BENEFIT TO ALL AUSTRALIANS. WE HAVE WIDENED THE EDUCATIONAL HORIZONS OF EVERY AUSTRALIAN CHILD, WE HAVE FREE UNIVERSITIES, WE HAVE INTRODUCED MEDIBANK AND THE LEGAL AID SERVICE, WE HAVE LAID THE FOUNDATIONS FOR BETTER TRANSPORT AND HOUSING AND DECENT CITIES, WE HAVE GIVEN A NEW DEAL TO LOCAL GOVERNMENT AND BROUGHT NEW AND PERMANENT STANDARDS OF SOCIAL WELFARE AND SECURITY. WE HAVE ABOLISHED CONSCRIPTION AND ENDED OUR TRAGIC INVOLVEMENT IN VIETNAM. WE HAVE REVITALIZED THE ARTS. WE HAVE BROUGHT NEW HOPE TO THE ABORIGINES, THE MIGRANTS, THE UNDERPRIVILEGED IN THE COMMUNITY. AND NOW, WITH OUR LATEST BUDGET, WE HAVE BROUGHT RADICAL REFORM TO THE TAXATION SYSTEM. THOSE 1000 DAYS HAVE BEEN STRENUOUS AND DIFFICULT AND SOMETIMES PAINFUL - BUT LOOKING BACK, THEY'VE BEEN WELL WORTH IT.