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## PRIME MINISTER

FOR PRESS

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### ELECTORATE TALK

Although the presentation of this year's Federal Budget is still five months away, the Government has already begun to tackle the job. One of the central issues again facing the Government in the framing of the Budget will be the level of Government spending.

Clearly, as we continue our fight against inflation, it will be absolutely critical that the Government succeeds in curbing its own expenditure. It will be critical that the deficit be tightly controlled.

Last year - in our first year in office - we were confronted by a massive deficit that was approaching \$4,000 million. Immediately we took steps to substantially rein back the deficit through a rigorous restraint on Government spending. We moved to cut unnecessary programmes and to make existing programmes more effective.

We have continued to exercise restraint in spending. We have continued to seek to get the maximum possible value from the taxpayers dollar. This year, as the Treasurer has indicated, the closest examination will again be made in every area of Government spending. This detailed process has started. It will be an exhaustive examination. No effort will be spared in making sure that the Budget is responsible and responsive to Australia's needs.

The Budget will demonstrate that our priorities are to protect the disadvantaged and to beat inflation so that economic recovery can continue. It will not be an easy task. It is never easy for responsible Governments to hold back on some programme, or even reduce programmes. Of course, it is easy for Governments to take money from people and throw it around - and then claim credit for their generosity with taxpayers funds.

As Australia has found to its cost, that kind of approach does not solve problems - it creates problems. It's the kind of approach that brought the national economy to its knees and caused immeasurable and lasting harm to hundreds of thousands of Australian families.

As we have demonstrated, our approach is the reverse of the Labor Party. We have sought to get the most effective distribution of Government programmes - and not just simply throw cash at a problem and hope it goes away. We have sought to give individuals the chance to make their own decisions, their own choices -

and not just to impose Canberra-controlled and directed programmes.

Labor's centralist programmes were financed out of high taxation that was fuelled from rampant inflation. Our introduction of personal tax indexation last year stopped this unlegislated tax drain to Canberra.

In just over three month's time, from July 1, personal income tax indexation will come into effect for the second year. It will reduce our taxation revenues by \$1,000 million - tax that would have come direct from pay packets without indexation. Those who still call for tax cuts forget that the decisions of this Government have resulted in a tax saving of \$3,000 million over our first two years. Of this, personal tax indexation accounts for over \$2,000 million of the total. It is a tax reform unparalleled in our history. It deserves wider recognition for the relief it has given to thousands of individuals and companies.

By the second year it will be worth nearly \$500 for the average family. Against this background the Government has been encouraged by trends in our fight against inflation and in our efforts to restore our country to full economic health. Inflation is coming down.

Both the deflator for major components of the gross national expenditure - probably the best measure of the inflation rate - and the C.P.I. clearly demonstrate that the underlying rate of inflation is steadily coming down.

Confidence has returned to important sections of industry. To illustrate: company profits were around a third higher in the December quarter last year than they were a year earlier; investment in plant and equipment by private enterprise increased by over 31% last year; real private investment in dwellings increased by over 5% in the second half of last year - 24% up on the same period a year earlier; dwelling approvals, registrations of new motor vehicles, real private consumption, real gross non-farm product, and new capital raisings by listed companies, all markedly improved last year. There are other signs that are encouraging. The only business survey available for the March quarter of this year showed that manufacturers were more optimistic about the general business situation in the next six months than they were three months ago.

This kind of confidence is apparent among consumers too. The January survey of consumer attitudes by the Melbourne Institute of Applied Economic and Social Research shows that consumer confidence was at the highest level in over 12 months.

Unemployment is still far too high. We have taken a great number of measures to help the unemployed, particularly the young. This week for instance, the Minister for Employment and Industrial Relations announced a special after-hours programme that will give both employers and employees an opportunity to discuss employment problems with senior officers of the Commonwealth Employment Service. Parents of unemployed young people would be especially welcome to take advantage of this particular offer. However, as I and my Ministers have frequently pointed out, the sustained reduction in unemployment will only occur from policies that reduce inflation. Our fight against inflation is a fight against unemployment. The Government has pursued its fight against inflation with full zeal during the past 15 months. We will not slacken in our desire to continue this task during this year. We will not be sidetracked in our fight against inflation.