



EMBARGO: AGAINST DELIVERY

CHECK AGAINST DELIVERY**PRIME MINISTER**FOR MEDIATHURSDAY, 28 AUGUST, 1980SPEECH IN THE DEBATE ON THE 1980/81 BUDGET

Mr. Speaker, twelve months ago the Leader of the Opposition described the 1979/80 Budget as "without doubt the most contractionary in the 18 years I have been a member of this Parliament". Perhaps the first thing I should do is to welcome his declaration that the 1980/81 Budget is also a contractionary Budget. If he is as wrong about this year's Budget as he clearly was about last year's, we can look forward to another very good year.

His outdated and discredited diagnosis of Tuesday evening ignores the fact that, in circumstances of continued inflation, the key elements of the Government's Budget, limiting the growth of the Commonwealth Budget outlays and, through the further substantial reduction in our deficit, reining in the public sector borrowing requirement not only allow the expansion of the private sector, but also they offer the only chance for sustainable economic growth in the 80s. And that is the choice before us.

Do we want sustainable economic growth, through the containment of inflation, that has been secured by Liberal/National Country Party Government? Or do we squander our hard won gains through big spending, big deficits and high inflation which Labor guaranteed us on Tuesday evening?

1979/80 brought Australia further along the road to national economic recovery with a Budget which, by the Leader of the Opposition's standards, was much more "contractionary" than this year's. Yet for the second year in a row, in 1979/80, growth accelerated, notwithstanding the adverse effects of industrial disputes on output in the second half of the year. And the public sector contributed less than one-quarter of 1% to the growth in non-farm product of over 3%. Even that cartoon figure Blind Freddie - a character not unknown to the Leader of the Opposition - could not have failed to see the strengthening of the economy last year.

Let me remind the Leader of the Opposition that, at the time of last year's Budget, he said: "If my assessment of economic growth is correct - it was last year - there will be less than 2% growth for the year in the non-farm sector".

How does what the Leader of the Opposition said then tally with the facts today: the increase of 3.1% in non-farm G.D.P. (not the 2% predicted by the doom-mongers of the Labor Party), was one percentage point more than in 1978/79; employment in the 12 months to July this year rose by 212,000, the highest annual increase for 10 years; real private investment in dwellings was over 10% higher than in 1978/79; consumer spending strengthened over the course of the year, rising in real terms at an annual rate of 2.9% in the second half; exports increased in real terms by no less than 14½% for the year as a whole; and private sector external transactions recorded the largest surplus since 1972/73. Just as important as this strengthening year-on-year, was the strengthening within the course of the year, when internally-generated demand took over from exports as the major impetus to growth. These are unchallengeable achievements.

What Mr. Hayden didn't say on Tuesday evening was that the I.D.C. on economic strategy recorded that, "...there is general agreement about the appropriateness of the overall (economic) strategy. It is agreed that no substantially different alternatives are available...". As a nation, we have come a long way since 1975, the Hayden days, when total economic disorder and investment decay were created through the same economic prescription that was paraded before us on Tuesday evening. Labor in the 80s is merely Labor in the 70s recycled.

This Government has laid sound foundations for the economy in the face of a difficult and demanding legacy. As a result, we are on the verge of what is potentially one of the most exciting eras of economic development in our history. Certainly, there will be difficulties in realising our potential. Above all, we shall need a continuation of the right policies. In particular we shall need the continuation of a firm policy stance from Government to make sure that inflationary pressures are contained. For the containment of inflation must continue to remain the principal economic priority of Government if the well-being of all Australians is to be secured.

The Labor years taught us bitterly what many economies throughout the world are now learning: that inflation has the capacity to destroy our living standards; that inflation will destroy national confidence, national capacity, and national will; that inflation strikes at those least able to defend themselves from it - the old, the sick, the disadvantaged, and the low income earner; that inflation, as it did in the mid 70s, cripples investment, development and business expansion on which our national wealth depends; and the I.D.C. report further confirms our strategy when it says: "realisation of the investment potential depends most importantly on maintenance of a stable economic environment through firm anti-inflationary policies conducive to foreign as well as domestic investment".

That is why the first priority of economic management in the 80s ignored on Tuesday evening by the Leader of the Opposition, must remain the containment of inflation. A political party which does not attack the source of inflation is little better than a political party which ignores breaches of law. For inflation robs people of their freedom and their security.

Our success in the fight against inflation, in absolute and relative terms, is the cornerstone of the economic recovery that is now under way in Australia. The last thing we need, in the period ahead, is the so-called "stimulatory" policies of the Opposition which could only lead to a disastrous acceleration of inflation.

The Leader of the Opposition has forgotten that, in his own Budget as Treasurer in 1975, he firmly declared that "it is inflation itself which is the central policy problem. More inflation simply leads to more unemployment". That was precisely the result of Labor's disastrous years in office.

And Mr. Hayden demonstrated on Tuesday evening that he does not even believe now what was written for him then. During his reply to the Budget, he boasted that "the cost of (his) programmes has been hidden from no-one". And Mr. Hayden announced that five of the Labor programmes, and a tax cut, in the one year, would cost no less than \$1435 million on his own costings.

But what he had hidden from everyone was the commitment he made on "AM" on 20 August to raise pensions to 25% of average weekly earnings, with a further commitment in the long term, to increase them to 30% of average weekly earnings. The total immediate cost to taxpayers of this, about \$500 million, was hidden from us in the Budget reply speech. So that on the most conservative estimates, Mr. Hayden should have been talking last Tuesday evening of \$2,000 million. And, of course, that hides from us the cost of all the other Labor programmes - over 250 of them.

Yet yesterday morning on radio, Mr. Hayden announced that "the cost of the programmes would be \$835 million". Of course, this is sheer myth. The man who said that the cost of his programmes would be hidden from no-one, conveniently hid from a national radio audience the cost of the tax cut, the cost of the commitment to increased pensions, and the cost of more than 250 other Labor programmes.

So which Mr. Hayden are we to believe? Can the Labor Party believe that he is still committed to the 250 programmes? Even without these do we believe the August 20 Mr. Hayden, the \$2,000 million dollar man? Or do we believe the last Tuesday evening Mr. Hayden, the \$1435 million dollar man? Or do we believe the last Wednesday morning Mr. Hayden, the \$835 million dollar man? Which is the real Mr. Hayden? Which Mr. Hayden are we being asked to afford? What confusion will the Labor Party try next? What deception will next be tried on the Australian taxpayer? Let us take the figure of \$1435 million which can be deduced from his speech in the House last Tuesday evening. One of the items listed in Mr. Hayden's speech was "\$180 million for new jobs".

Yet Labor's job opportunities programme announced in March this year contains the following statements: "The community service corps ... when fully operational ... will cost \$200 million a year"; "The work programme ... when fully operational, \$110 million a year"; "Private sector employment and training programme ... \$20 million". A total of \$330 million a year. Which Mr. Hayden do we believe? The March \$330 million dollar Mr. Hayden, or the last Tuesday evening \$180 million dollar Mr. Hayden?

But there is another Mr. Hayden - the August 1977 Hayden. For on the 11th August 1977, the now Leader of the Opposition in company with Mr. Whitlam announced a plan to "place more than 50,000 in work in a full year". 50,000, not 100,000 as is being promised now. And Mr. Hayden gave us some selections of cost in 1977. Gross, \$800 million in a full year; net \$550 million in a full year. And that is for 50,000 jobs.

Yet in March this year, Mr. Hayden was going to create 100,000 for \$330 million, and Tuesday night he was going to do it for \$180 million. No wonder one of his colleagues in the Party in Queensland was prompted to remark recently, "Bill Hayden I think is a confused man". He is allowed his confusion.

But that is no justification for perpetrating this kind of deception on the working men and women of Australia, at their expense. An expense which on our costings is \$2,500 million in only six areas; with the cost of the tax cut to be thrown in on top of that; and the cost of over 250 other programmes.

The statement by the Leader of the Opposition last Tuesday evening was a statement of selective omission. For there is no mention of more than 250 programmes to which the Labor Party is committed. And that commitment has been clearly enunciated by the Leader of the Opposition himself. In June this year, Mr. Hayden was unapologetic when he said, "What I do say is that we have the sanction of our platform to devise policies ... and we are prepared to implement them as a Government". Well, the platform and subsequent policy releases for over 250 programmes involve massive spending of taxpayers' money. But aware of the overwhelming electoral opposition by taxpayers to having their money wasted on socialist planning, Mr. Hayden, in a tape to A.L.P. members in March this year, said, "We have to present our policies in an attractive and digestible form ... now this requires us to be selective". Does this mean that Mr. Hayden is going to hide some of his commitments from the electorate because they are not popular? Commitments like: the Australian Hydro-Carbon Corporation, where big money is involved; the Fuel and Energy Commission, more big money involved; a national superannuation scheme, more big money; the restoration of Medibank; and a national investment fund. Where have we been given the costs of these?

Does this mean that, because Mr. Hayden is afraid of losing votes, certain policies will be ignored in an attempt to deceive the electorate?

Does this mean Mr. Hayden is aware that, if he announced all his spending programmes together, he would lose massive electoral support? Does this mean he recognises the impossibility, the recklessness and the irresponsibility of the total Labor package. Is that what Mr. Hayden means when he says he must be selective?

The simple truth is Mr. Hayden has not costed the programmes; he cannot cost the programmes; and, because of his fear of the electoral reaction, he will not cost them. Well, this Government and this Parliament will not allow Mr. Hayden or his Party the latitude of such selectivity. Let them stand up and be costed. But the backdowns and the omissions in the Opposition Leader's statement do not end there.

Less than two weeks ago, on 13 August, Mr. Hayden was reported as saying quite categorically, "A Federal Labor Government would offer cheaper health insurance and lower petrol prices and sales tax...". "Labor would also consider lowering income tax". And in the ultimate flight of fancy, the Opposition Leader said, these aims could be achieved in a "trade-off" with the union movement.

Well what happened on Tuesday evening? The commitment of 13 August had evaporated. We were given no commitment, only options. And then only one of the three that had been promised only 13 days before. Mr. Hayden has no doubt awoken to the opposition within the electorate to his big spending proposals, but he is bound by the left wing of his Party and the resolutions of his conference. He may seek to avoid mentioning A.L.P. commitments but he will not be allowed to ignore them, by his back bench, his Shadow Ministry, the rank and file or the union movement. And the consequences for Australia must not be taken lightly by this Parliament or the Australian people.

The economic prescription outlined by the Opposition Leader on Tuesday evening is: rejected by major industrialised countries; rejected by academics; rejected by the metropolitan press; rejected by businessmen; rejected by the O.E.C.D.; rejected by the I.M.F.; rejected even by the Democratic Party of the U.S.A.; and, as Mr. Hayden should now know, rejected by the report of the Interdepartmental Committee on Economic Strategy.

And it was once rejected by Mr. Hayden himself when he said: "Some might argue that a large deficit could be offset by a tough monetary policy - but this would mean greatly increased interest rates, disruption in financial markets, further depression of business confidence and serious company failures. That is an unacceptable option". Or again, "It is not possible to provide more and more Government services or transfer payments from the Budget without ultimately having to pay for them through cutting back after tax earnings via increased taxes. It is not possible to get quarts out of pint pots".

Yet now Mr. Hayden says he can increase expenditure and reduce taxes. And how is going to manage this?

He told us on "AM" on Wednesday morning that deficits can be funded, "by an increase in the money supply"; by the use, that is, of the printing presses. What great self-confessed economic wizardry is that? It is no wonder Clem Jones, the former Lord Mayor of Brisbane, and one of the more successful Labor Party administrators in recent years, remarked, "It is recognised that Bill Hayden has admitted he cannot read a balance sheet".

The other significant omission of the statement by the Leader of the Opposition in his Budget speech was the promise to increase taxes dramatically. In December last year, Mr. Hayden reminded us that his revenue raising programmes were, "somewhat more radical than had been outlined up to 1972". He warned us then about our taxation future under Labor when he said, "...I have committed my organisation to a capital gains tax, a resource rental tax, a levy on domestic oil producers, a number of initiatives in the tax area and other measures of that nature..."

In what constitutes an elaboration of the "other measures" the Opposition's Spokesman on Economic Affairs has said that it is "wrong" that we don't have "some form of tax on capital, be it death duties, capital gains tax, wealth tax or perhaps some kind of combination of those, or all three".

The Labor Party are now enjoying a renewed fascination with the concept of a capital gains tax. I recall the announcement by the then Government in its 1974 Budget speech to introduce a capital gains tax - just as I recall the announcement of the abandonment of that intention five months later.

The fascination with this general topic seems to be based on an unproven belief that there is a large number of relatively very wealthy people in the community, so much so that Mr. Willis believes \$700 million will accrue annually from this tax. What is one to make of such illusory revenue sources?

And the so-called social contract promised a Royal Commission into income and wealth which, "would not be frustrated in its endeavours by unco-operative attitudes from those with something to hide". There is no doubt that the fires of envy still burn very brightly within the Labor Party. But such taxation threats will not escape the attention of hard working Australians. For they would sound the death knell of enterprise, initiative, and reward for effort and risk taking. They would destroy economic freedom.

To complete Labor's picture of economic incredibility, Mr. Hayden announced that he and the union movement had achieved, "For the first time in this country ... a political-industrial agreement on procedures for an effective and economically sound policy covering prices, wages and non-wage incomes".

His statement to the Parliament was not 24 hours old when the newspapers carried the details of A.C.T.U. demands made before the President of the Arbitration Commission - demands which bore no resemblance to restraint.

As reported in the press, they included: demands for regular automatic wage adjustment based on movements in the Consumer Price Index; the right to collective bargaining; the use of national productivity increases to further wage demands; the pursuit of the 35 hour week on an industry basis; and the continuation of work value decisions.

This is presumably what Mr. Hayden calls, "effective and economically sound policy". It is unsurprising to read today that the A.C.T.U.'s senior Vice-President, Mr. Cliff Dolan, has said, "there is no social contract on wages between the A.C.T.U. and the Labor Party".

It is perfectly clear that the union movement will not accept any limitation on their freedoms for the sake of Bill Hayden's social agreement. And when to this lack of restraint by the union movement, we add the provisions of the A.L.P. platform which grant immunity to unions from penalties for strike action, thereby placing the union movement above the law, we have a clear picture of the nature of the special relationship that Mr. Hayden says he has with the union movement. It was this relationship which saw award wages for males in the year to March 1975 rise by almost 35% and for females by over 43%. It was this relationship that forced unemployment to double under the previous Labor administration.

The relationship between Mr. Hayden and the union movement is like the special relationship that exists between a ventriloquist and his doll - a slight twist from the left wrist and Bill's head nods up and down.

Mr. Speaker, my Government will continue to work to further reduce both the share of resources by Commonwealth Budget outlays and the Budget deficit itself, because we remain firmly committed to winding back inflation. Economic responsibility will continue to be our watchword. Strengthening private sector demand and pressure of rising prices from overseas over the past 18 months, call for firm fiscal and monetary policies in the period ahead if inflationary pressures are to be contained and our inflation rate is again to resume its downward trend.

We will be aiming, in particular, to secure a lower growth in the money supply in 1980/81, with monetary policy playing an enhanced role. The 1980/81 Budget, in association with an appropriate monetary policy, and with the co-operation of the majority of Australians is directed to ensuring that the nation can realise the bright economic prospects now before us.