THOUGHTS ON THE BUDGET

The latest Budget seems to have aroused less controversy than its predecessors in recent years. This Budget represents a continuation of policies which were announced at the beginning of this year and which were designed to control inflation.

The Government is, I believe, particularly disturbed about the effect that continued inflation will have upon our exporting industries, which means the rural industries, and it is faced with the position of trying to control inflation while, at the same time, maintaining enough stimulus in the economy to maintain our rapid rate of development. Inflation could be easily controlled if this country were not developing rapidly or if modern social conscience did not demand a state of full employment. We have only got to look at the pre-war years to find evidence of this. In the inter-war period, there was some degree of stagnation, a degree of unemployment that in this day we would regard as unbearable and intolerable. There was no inflation.

In the post-war era we have had some inflation as have all other countries. We have also had rapid development and one of the highest levels of employment of any country in the world.

I think it is probably very difficult, as I have said before, to prevent inflation entirely and, at the same time, maintain the rate of development that Australian people demand at the present time. Nevertheless, this is what the Budget attempts to do.

The Budget is complementary to the Bank policy, the import policy and the wage policy announced earlier in the year.

When I mentioned the wage policy, I would like to answer a criticism that has been put forward. It is that the Government is trying to take it out on the worker by preventing his wages rising. However, the complete answer is given to such critics by the facts. Over the last ten year period, the "C" series index has risen by 96% or 98%. Average weekly earnings have risen by well over 130%, much more than the "C" series index. In every year but one when the difference was only 0.3% average weekly earnings have risen much more than the cost of living index.
In addition to this, since this Government has been in power, the proportion of national income going to wage and salary earners has risen from 50% to about 60%. Wage earners are getting a larger slice of the national income than ever before and this is under a liberal Government which some people say is meant to work against the interests of wage earners. These figures can all be verified in the National Income White Papers.

The Budget this year will have a small surplus in it. That means that the Commonwealth from its sources will be raising more revenue and more loans than it will be spending. The surplus will be about £15M, which is not very much when spread over a Budget of £1500M.

The theory behind this is a simple one. In times of inflation, if a Government collects more money than it spends, then it is theoretically reducing the amount of money that is available to the community and thus reduces inflationary pressures.

Somebody asked why did the Treasurer re-impose the 5% tax rebate which was introduced last year in addition to placing an extra 6d. in the pound on Company tax. The reason is clear. Last year, in the view of the Government, some stimulus was needed to absorb all the people who would be coming forward to employment and to maintain a proper level of development. Therefore, the Government budgeted for a deficit. In other words, it was going to spend more money than it would have collected in that year.

That the situation has changed so rapidly over the last twelve months is due in part, but not entirely, to the wage increases of last year, which totalled £160M, and also export returns were higher than people originally thought they would be. However, inflation is one of those intangible things and it is not possible, in my opinion, ever to point to one thing and say that this is the cause of inflation. Indeed, the principal cause of inflation in this country is something that is intangible. That is, a determination to develop Australia rapidly with the consequent pressure that that puts on the resources of the country.
One of the things that we will have to guard against is to make sure that our desire to develop does not outstrip our ability to progress. In other words, if we try and do more than we are able to, because of our limited resources, then disruption throughout the community could become severe.

The difficulty so far as inflation is concerned is a position in which it places primary producers. Their costs rise. This does not matter when prices abroad are high, but as everyone here knows, prices abroad, especially for wool, are at most unsatisfactory levels. Since the progress of the whole nation depends upon the export funds earned by primary industries, and since the employment of over one million people in industry is also dependent upon the same export funds (for the simple reason that by far the greater part of our export funds are used up in buying capital equipment or raw materials for industry) it is clear that the position of primary industries must be maintained. Even though this area has suffered worse than most in the last two or three years because it has been hit by bad seasons as well as by bad prices, it is still true to say that many primary producers are more than embarrassed by the low prices that they now get for their product.

If this position cannot be improved in other ways, if inflation cannot be curtailed, the Government will be forced into one of two things; subsidies of one kind or another or devaluation. Neither of these answers are particularly happy ones and they are both last ditch answers.

No primary producer at heart wants to be in a subsidised industry. It is true that alterations in the organization of the wool industry may be able to assist, but the assistance coming from such things as changing the method of selling wool may not be great enough for many producers at the present time.

In a sense the Budget can be called a Primary Producers' Budget for the simple reason that it represents a determined effort to control inflation and primary producers are the one group who will benefit most if inflation is controlled. If the Government cannot
succeed in this or if the pressures of rapid development thwart the Government's efforts to cure inflation, then other measures will have to be found to assist primary producers.

Statements by at least one senior Minister outside the Parliament have shown that the Government is concerned about this problem.