THE 1967 BUDGET

Last Tuesday, the Treasurer introduced his second Budget. The total Budget is not far short of $6,500 million and you might well think that with a vast sum of this kind the Government and the Treasurer would have a good deal of flexibility to decide where our funds should be spent. It would be very pleasant if this were so but in fact by far the greater part of Budget expenditure is already committed before the Government begins the Budget discussions. The Bills for Defence, Social Services, Repatriation, are not completely but in large measure fixed by decisions that have already been taken in earlier times and so there is only room for marginal adjustments which, by themselves, might be reasonably large but which only represent a very small part of the total Budget.

I mentioned that the total Budget expenditure will be just short of $6,500 million. Total revenues are estimated to be $5,887 million and this will leave about $596 million to be financed from borrowings, which is $61 million more than the amount borrowed last year. These figures are very large but Commonwealth expenditure has been restrained to a certain extent over this year. The rate of increase over the previous year was 9¾% against a rate of increase of 11% in the year earlier. On the other hand it is estimated that revenue this year will increase by $499 million where it only increased by $306 million last year. So this is a big improvement over the earlier period.

These are the total figures. Let me look at some of the major items of expenditure. Last year we spent $950 million on Defence. This was $50 million below the estimate because some equipment ordered from abroad was not completed and the bills were not presented last year. The $950 million dollars was 27% above the previous year. This year we are providing $1,118 million an increase of $168 million or 18% on last year’s figure. Five years ago the Defence Bill was only $428 million, $700 million less than this year’s estimates. This tremendous increase in Defence spending has been accomplished with relatively little change in the normal civilian rate of expansion and rate of growth in the economy but it is quite clear that if these resources could have been devoted to development or to welfare a great deal more could have been achieved. The Treasurer pointed out that Australia would not be able to afford to continue a rate of growth in Defence spending of this kind. We will be spending about 5% of gross national product this year on Defence. Of the western countries, only the United States, Britain and France are devoting a larger portion of their resources to Defence than we are. We know that
British Defence expenditure is falling while the United States is in a different category and cannot really be compared with us.

There is another aspect of Defence spending that concerns the Government and this is the spending which is involved overseas. Five years ago external costs of Defence were under $100 million a year. This year they may be over $350 million which would represent about 11% of our export earnings. This is one of the reasons why the Defence Services, where possible, have a policy of buying in Australia and I am pleased to be able to say that the Army spends about 80% of its capital equipment vote in Australian factories.

International aid is another large and growing field of Government expenditure overseas. What we are doing in this field is not as well known as it should be. Unlike all other aid-giving countries we provide our official aid in grants without any strings attached. Most other countries provide their aid in loans and grants that must be spent in the country of origin. This year our aid will total $142 million or 0.75% of our estimated national income. Of all the countries of the west, only France can point to a better performance than that. In recent years, our aid has been growing rapidly where that of most other countries has been falling.

The major items of overseas aid go to various programmes under the auspices of the United Nations, and to the Colombo Plan, SEATO Aid programme, to food aid for countries such as India, or to the Territories of Papua and New Guinea which is the largest single recipient; this year our aid to the Territories represents over $91 million.

The other very large field of Commonwealth expenditure which is nearly all pre-empt because of previous decisions is Social Services, Health and Repatriation. These are the national welfare payments. Expenditure in this field will rise by more than $50 million to a total of $1,332 million. This is a larger sum than all the pay-as-you-earn income tax collections of the last financial year. It is important to remember that when we are talking about all these payments they do not represent something which basically belongs to the Commonwealth. They represent something which has been collected from every one of us as individuals and which is paid out by the Commonwealth in the interests of the nation. But these tremendous sums can only be obtained by the imposition of tax on individual people.

Let me now break up this figure of $1,332 million. $1,071 million will be paid out in age, invalid and widows' pensions, in child endowment, in medical and hospital benefits, and in other benefits and services in the field of health and home savings grants. In spite of these very large sums,
additional payments are being made this year. For the fourth and each subsequent child in a family child endowment will be progressively increased by 25c. Thus, for the fourth child the payments will be $1.75 a week, for the fifth child it will be $2 and so on. A family of 9 children under 16 years would, therefore, get an additional $5.25 a week. You may say that there are not many families of this size but I think it would be difficult to deny that the financial burden of rearing a family falls most heavily on those with four or more children and the Government has sought to alleviate this hardship.

There will be some other small benefits for the moderately retarded, for deserted wives and the wives of prisoners. A useful new improvement will be to authorise the Commonwealth Accoustic Laboratories to supply hearing aids on loan for a nominal charge to pensioners with defective hearing. The cost of these four proposals will be $10 million in a full year.

Repatriation expenditure will increase by $11 million this year to $261 million. The only increase in repatriation pensions this year is for war orphans. For children who have lost one parent through war service, the pension will rise to $4.40 for the first child and to $3.25 for the second and other children. For those children who have lost both parents the pension will rise to $8.15 for each child.

Although I have mentioned the details of this Budget, we should try and remember that the Budget is not only concerned with detail. Its main purpose is to try and maintain an even balance in the economy. We seek to keep a reasonable pressure on resources to maintain adequate employment, so that there is good progress throughout the country. In the Budget we need to avoid two extremes - the pressures that would lead to undue inflation must be minimised and any slackness that might lead to unemployment and hardship in another direction must also be avoided. The Government's best means of maintaining such control is by its Budget.

In this year, the Government believes that the economy is reasonably well balanced. At this point of time, there is no need for strong measures to depress the economy and oppose inflation, and thus there are no new taxes in this Budget. On the other hand, the economy is marching forward fairly strongly and the Treasurer did not want to exert any additional stimulus which might well spark off an undue inflationary movement. These were the main reasons which led him to try and avoid tax increases and to contain the growth in Commonwealth expenditure.