

## THE BUDGET WE SHOULD HAVE HAD

Address by the Hon Gareth Evans QC MP, Deputy Leader of the Opposition and Shadow Treasurer to the National Press Club, Canberra, 28 August 1996.

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It is a long way from the Rockefeller Plaza to Dandenong Road, as Peter Costello put it in Parliament last week with his usual sensitivity and charm. But it is a journey that has taken me back to my own roots, and taught me a lot about the kind of society we are and are capable of being. Just as this Budget has taught a lot more of us about the kind of society we are in danger of becoming.

I think I learned more about the impact of this Budget in a series of visits, discussions, walks and talks around my electorate last Friday than I did in three previous days in Canberra poring over the Budget papers and media analysis and commentary.

I certainly heard, for a start, from a great many of those smart, quick on their feet, small and medium sized enterprises, on whom so much of our export future depends, how disconsolate and disgruntled they feel about the slashing of Austrade and AusIndustry services, the winding back of the Export Market Development Grants Scheme and the collapse in government support for research and development.

I heard from family after family of middle income Australians - those to whom John Howard's so-called "core" promises were addressed - how concerned they were about the impact on their own budgets of higher education fees, changed Austudy eligibility rules, higher pharmaceutical charges, higher child care expenses, higher nursing home costs for their elderly in-laws, and whatever else might be coming at them round the corner from a State government recovering its own funding shortfalls. They weren't very impressed with the private health insurance rebate, and this morning's *Herald Sun* report shows how right they were: fee increases by the larger funds have already wiped out most of the possible benefit.

And I certainly found out how anxious and fearful were group after group of lower income and disadvantaged Australians - the non-core people who Messrs Howard and Costello decided they could politically forget - about the impact on them not only of all these things, but like the tearing apart of labour market programs, uncompensated pharmaceutical price increases for pensioners, the abolition of the Commonwealth Dental Health Program, and a miscellany of other little semi-submerged nasties like the 250 per cent increase in Adult Migrant Education course fees.

Some of these impacts mean much more when you don't say them quickly, but see them slowly...

Take, for example, what I saw when I visited last Friday the dental clinic at the Springvale Community Health Service. I wanted to find out what would happen when the ten dentists who work there, delivering the Commonwealth Dental Health Program to Pensioners and Health Care Card holders across a big swathe of Melbourne's South East, are sacked - as they will be at the end of this year.

The corridors and surgeries at Springvale were full of aged pensioners and low-income, disadvantaged Australians in half a dozen other categories. But my most lasting memory will be of the sweet-faced 14-year old Bosnian girl, recently arrived under the humanitarian program (now being cut back by 3,000 places because, we're told, there's been "an easing of conflict and tension in the world"). A sweet-faced girl, that is, until she opened her mouth for the dentist's examination - revealing the most appalling decay in nearly every tooth in her head, the product of terrible living conditions and total medical neglect during the long, horrible years of the civil war from which she had just escaped. Her dentist told me that a major conservation effort could now save most of her teeth. But in just a few months more, total extraction - and dentures, if there was someone to provide them - would have been the only option.

How many Health Card holders, I asked, were there currently on this clinic's own waiting list? Well, came the answer, for conservative dentistry, 4580; for prosthetics, 599. What would happen when this clinic closed? There will be just one State-funded chair operating three-quarter time. For emergencies like abscesses there's the Dental Hospital and the public hospitals. And that's about it. Will private dentists in the area pick up the load? No - the Card holders simply can't afford it, the dentists have plenty of other work, and there's no evidence of them being willing to drop their rates without substantial government subsidy.

So what will happen to all the aged pensioners and other poor and disadvantaged members of our community for whom this service has been a godsend since this scheme was introduced by the Labor Government? The States are hardly going to pick up the \$100 million a year tab, with the pressures on their funding that they already face. So the next little Bosnian girl's teeth would rot away, and with it her job prospects and her social prospects, and her life would be very unhappy indeed. Just as it used to be for the 500,000 low income earners, including a large number of aged pensioners, who have been getting basic care under this scheme every year.

I want Michael Wooldridge to go to that clinic and look at that little girl's teeth some time in the next few days. But above all I want Peter Costello to do the same - and then look me straight in the eye and say that the decision to totally scrap this program was *not* an

immoral, indefensible one.

Another visit I made last Friday was to the Grassmere Jobtrain Project, right out on the suburban fringe in Narre Warren, run by the Uniting Church, where a group of fifteen young school dropouts - some of them single mothers, all of them a long time unemployed - were doing a six-months child care course. They and their supervisor were full of infectious enthusiasm for the training course. And so they should have been - in the previous group of sixteen participants, ten were now in jobs and three had gone on to TAFE. But they were also asking a lot of anxious questions.

What would be the effect of the Coalition breaching its pre-election pledge not to cut labour market programs? If \$1.8 billion was going to be chopped from the \$6.4 billion allocated to these programs over the next four years, didn't that mean there would be no places in the future for close to one in three of those now benefiting, hundreds of thousands in all? How would those out of work for a long time, or never in work, *ever* get a job if they couldn't get training like this, and build their skill and confidence? Employers just wouldn't look at kids, or anyone else, coming in for a job after two or three years of doing nothing.

And even if *these* kids finished their courses, what would be the fate, they asked, of their mates now hanging around the streets - many of them bored and getting sucked into the drug scene - who could and should be doing them? And as child care trainees, they had a more specific question: what would their own job prospects now be as child carers, given the removal, in another broken promise, of \$155 million over four years in operating subsidies to the community-based centres? Would it mean cuts and closures, and generally less jobs?

This is the kind of question I was asked, over and again, everywhere I went, and certainly by every youngster. It's the question that is now being asked in every electorate in Australia, except apparently the Treasurer's in Toorak. *Where are the jobs coming from?* Does the Government have any idea of how and when the jobless rate is going to fall below its present plateau of 8-1/2 per cent, with 772,000 Australians out of work at last count?

If there's been all this pain and all this promise breaking, people are saying, surely it must have had a point? If it's all so economically necessary, why is it necessary? When and how, if at all, will it bear fruit in a better, stronger economy? How long do the unemployed have to wait before things get any better? Does this Government really *care* whether the situation for the unemployed gets any better or not?

At the end of the day, these are the most fundamental questions of all to be asking about this Budget - and the Government's failure to answer them will be the ultimate reason

why this Budget will be seen as a failure, whatever the financial markets' Glee Club may presently be warbling.

We in Opposition do have some answers to these questions, and our story goes like this.

Our starting point is that, whatever else might be said about it, Australia's is not an economy in crisis. The Coalition inherited from us an economy that had been growing for four years at an average of 4 per cent, with inflation averaging 2 1/2 per cent, and unemployment coming down - in our last three years from 11 per cent to 8 1/2 per cent, with 700,000 new jobs being created, putting us well on the way to achieving the medium term target of 5 per cent unemployment by the year 2000.

And whatever the Coalition may be saying about debts and deficits, we were unquestionably doing well by international standards. According to the OECD, we have had the third lowest government expenditure in the industrialised world, the fourth lowest government debt and equal-third lowest overall Budget deficit.

And the aficionados among you might also be moved to know that if we happen to be located in Europe, we would be the only one of the fifteen European Union economies, apart from Luxembourg, currently able to meet the Maastricht convergence criteria on government debt and deficit (viz. a national budget deficit below 3 per cent of GDP, and a national debt below 60 per cent of GDP)!

None of that is to say that the Australian economy doesn't have any problems. The biggest and most urgent of them is unquestionably unemployment. And we do have a problem with our saving ratio, low by international standards and requiring a significant improvement in both public and private sector performance. But there are *choices* in the way these problems are addressed. Labor and Coalition governments have traditionally had very different approaches, and we have them again now.

The Labor Government addressed the employment problem by concentrating on achieving sustainable 4 per cent growth (which saw unemployment steadily fall once the recession ended), and the saving problem by introducing, on the private side of the equation, the national superannuation scheme. Of course we were also conscious that government dissaving - by way of budget deficits - made a significant contribution to our ongoing saving problem. This is why we were the only Government in the post-war years to actually achieve, as we did in the late 1980s, a string of budgetary surpluses. But in the present environment - with unemployment still so high - we regard the restoration of budgetary balance as a medium term problem rather than our most urgent, highest priority one.

I should add in parenthesis that we also saw value in government, and still do, in

continuing to allocate significant resources to human capital formation - educating, training, skilling and otherwise preparing people for effective employment - and giving strategic assistance to industry where this has an obvious strategic rationale. A good example which I came across in North Queensland this week is the \$2 million we committed under the Regional Development program to get off the ground at Cairns Airport a new freight facility with a refrigeration plant and sophisticated packing and distribution system. This was designed to fill the bellies of the 50-odd flights leaving for Asia each week, now full of nothing much more than tourist baggage, with fresh produce from small growers and fishermen from Cape York to Mackay - with an export return expected to reach \$240 million per annum within the next few years.

The incoming Coalition Government has made a very different set of policy choices. In particular, it has made an unequivocal decision to place its whole priority focus on deficit reduction, and let unemployment take care of itself some time in the never never. An awful lot of babies have gone out with the bathwater as a result, including a huge slab of human capital formation programs - and, among many other victims of this kind, the Cairns freight facility.

In going down this path, the Coalition has already squandered the Labor inheritance. Growth is down. And with all the Treasurer's baseless rhetoric of the last few months on deficits and debt, consumer and business confidence is badly down as well. Interest rate reductions were delayed longer than they could and should have been, when the Accord was torn up and uncertainty introduced about future wage movements.

And now, with nearly \$8 billion to be taken out of the economy over the next two years, growth is projected to remain at no more than 3 1/2 per cent right out to the year 2000, falling short of the 4 per cent necessary to significantly claw back unemployment.

Unemployment itself is predicted to remain at its present order of magnitude for at least another year, with unemployment beneficiaries estimated to number fully 829,000 for the next two years. The only hope offered is a reference to structural improvements in the economy paving the way for more jobs - a barely disguised pitch for the American way: the capacity to achieve lower unemployment by clearing the labour market at deregulated poverty wage levels.

Some of the most interesting pages in the Budget papers are those where it becomes apparent that the Government hasn't quite the confidence in its economic predictions that it politically projects. It would perhaps come as something of a surprise to a number of people to be told that, for example

- the Treasury expects any possible confidence effects from the Budget to be overtaken by short term contractionary

pressures [p 2-21];

- that the Government expects government debt to decline anyway as a percentage of GDP without any harsh contractionary measures being imposed at all [p 1-14]; and

- that the effect of the improved Budget deficit situation on the current account deficit will be, on the Treasury's estimate, for the foreseeable future, negligible [p 2-24]. No wonder that we won't now be having a monthly spotlight focused on the state of that deficit - with the ABS now unhappily obliged, we're told, by its own Budget cuts to publish BOP figures only quarterly!

It's not exactly a secret that money markets *like* tough budgets which do nothing very much to generate employment. High unemployment tends to keep wages down, and that's good for inflation and interest rates and the morale of the bond holders. Thatcherite small government ideologues also get their jollies out of slashing and burning and the inevitable unemployment, in both the public and private sectors, that goes with it. But whether it's good for anyone else, and in particular the people of this country who are suffering unemployment, who are at risk of unemployment, and who feel themselves to be at risk, is not so self-evident.

There *is* an economically responsible, alternative approach to this Budget, and its one that we in Opposition will continue to advocate. It *doesn't* involve the manic slaughtering of outlay-program innocents. It *does* involve a Budget of moderate and balanced measures that works for, and not directly against, growth and employment.

The essential argument is that if you aim for and achieve higher growth, each year's deficit starting point is lower, so you can get to eventual balance with a fraction of the cuts that would otherwise be necessary. Moreover, with the higher employment associated with higher growth, the economy generates more savings (through more private income, more government revenue, and less government outlays). So if you put employment first, you have a good chance of solving *both* our continuing economic problems. But if you put restoration of the budget deficit first, you don't necessarily make much headway on the overall saving equation, and you certainly do nothing for unemployment in the short term, except make it worse.

The higher than predicted outcome deficit for 1995-96 made the overall task look tougher than the Treasurer was asserting back in March. But even against that background, it is our calculation that, on entirely reasonable assumptions about the growth that would be achievable under a less manic budgetary policy (*viz.* no more than 1/2 per cent extra over

the next two years, and 1/4 per cent in the third), the no-policy-change underlying deficit would be reduced to around \$3 billion in 1998-99. And that, of course, would be a very much more achievable target to eradicate than that which this Government is now embarked upon.

Of course strong growth alone won't be enough to eliminate the deficit. But it's not voodoo economics to say that if you embark on a course of fiscal bloodlust, and have the economy running more slowly than it otherwise would, higher deficits occur than would otherwise be the case, which require even more effort to eradicate. It's as *negatively* self-fulfilling as growth (assuming it can be kept non-inflationary) is *positively* self-fulfilling.

The unemployment story is not the *only* one we want to tell about this Budget. We will be telling a *number* of stories, with nauseating persistence, in the months to come.

We want to tell the story about the assault this Budget makes on the struggling and the disadvantaged in our midst - the poor, the old, the sick, the Blacks and the newly arrived migrants - and the unfair way in which the burden of fiscal consolidation has fallen on those with low and middle incomes; about the way in which we seem to be becoming, under the leadership and philosophy of this Government (and this is reflected in the foreign aid cuts as well), a more selfish, less caring and generally less decent society.

We want to tell the story about the mindlessness of so many of the cuts - particularly in education and training, research and development, and other business support - which are so often counter-productive in their longer term consequences, for the individuals affected or the whole economy or for our already sadly diminished international reputation.

We want to tell the story of the deceit and promise breaking that has been involved in this Budget on a unprecedented scale - at least the 25 major promises that I documented on Budget night, and with scores of other commitments at least partly dishonoured. We calculate that promises have been *broken* totalling *\$17 billion* over the next four years while only \$7 1/2 billion worth have been kept (see attachment): not, one would have thought, a happy record for a Prime Minister making a theatrical art form of his integrity.

We want to tell the story about the particular deception involved in the family tax package, whereby what John Howard appears to be putting into one pocket is, for most middle Australian families, being taken right out of the other by Treasurer Costello in higher education fees, Austudy changes, higher nursing home costs, higher pharmaceutical costs, higher child care costs and a series of imposts that the States will now impose to make up for the drastic shortfall in their own funding from the Commonwealth. It's easy to find non-extravagant examples of families being *worse* off by \$18 or \$23 or \$38 or even \$59 per week than they are at the moment (see the further attachment to this speech).

But above all we want to tell the story that this is *not* the Budget we had to have, and these have *not* been the cuts we had to have - that the *right* Budget to have had is one that addresses our biggest economic problem first, that gives priority attention to unemployment and addresses deficit reduction as a medium term issue.

People who have brought a new car always take a long time to accept that their purchase may be a lemon. Human nature tends to make us all insist, so long as there is any room for manoeuvre, that we weren't really taken in by the salesman's patter. But after less than six months in office, this Government is already chalking up a very formidable record: congenitally incapable of keeping its promises; insensitive, divisive and confrontational in a great many of its policies; destructive of consumer and business confidence; incapable of articulating credible policy detail; thoughtless about counter-productive longer term consequences for individuals, the economy and our national reputation; and simply not serious about targeting urgently, or at all, the country's number one economic problem - and the one causing more concern to more people than any other problems put together - unemployment.

It may take a little while for this view to become more universally entrenched, but it is getting harder and harder to resist the conclusion - and this Budget is the best evidence to date, particularly as it starts to unravel, as is now happening with nursing homes and the superannuation tax issue - that, whatever its present cockiness, the Howard-Costello Government is shaping up to be a very big lemon indeed, and before very long will be judged as such by a clear majority of Australians.