

Some Budget Cuts

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These days, for one reason or another, most people want smaller government. Either they believe that the public sector is less efficient than its private-sector alternative; or they recognise that with reduced government outlays politicians have a better chance of reducing interest rates; or they are fed up with paying excessive taxes. Both major parties have, therefore, talked about fiscal responsibility, and each has asked the other where the money is to come from to pay for its promises.

Neither party has, however, told us where it intends to cut enough from the budget to produce the overall economies it promises. And, compounding the difficulty, both have promised additional expenditure on such things as roads and child care for middle-class parents. Ironically, the Coalition's promises are the more extravagant of the two. The reason why the parties duck the issue is, of course, that each actual and potential budget line protects a voting vested interest from the real world.

In a half-hearted way Labor has tried to present the budget as 'cut to the bone', but it is not. Real budget outlays per capita, although down from the peak in 1985-86, have actually risen under the Hawke government and, of course, they rose under both Whitlam and Fraser. In constant 1984-85 dollars, the last McMahon budget spent \$2700 per Australian, the last Whitlam budget: \$3450, the last Fraser budget: \$3650, and the most recent budget calls for per capita expenditure of \$3800.

Before each Federal election The Australian Institute for Public Policy publishes the budget cuts it feels are responsible and feasible. This time, the recommendations are made by Sir William Cole, a former head of the Department of Finance. He listed cuts adding up to \$4.25 billion. Because an organisation such as AIPP lacks the resources of the Department of Finance, only major items were considered. It was decided not to consider cuts in pensions and benefits despite the declining living standards of other sections of the

community. And with one item, unemployment benefits, Cole's recommendation to save \$300 million already looks puny beside the Opposition's promise to save net \$665 million. In short, AIPP's cuts could be substantially increased without exhausting the practical possibilities.

It is possible here only to indicate the flavour of Cole's 57 recommendations, but a taste will suffice to defend the claim that a smaller budget is well and truly possible. Consider the Australia Council. It has a budget of \$58 million, of which \$8.7 million is spent on administration, making its staff of 117 the largest identifiable group to benefit from the Council's existence. What is more, charges of elitism and cronyism abound. If the Australia Council were abolished, at least \$50 million could be saved. The only reason not to return *les beaux arts* to the private sector is the poor one that subsidised elites make a fuss. The Institute of Sport should go for almost identical reasons---saving \$22 million.

Healthcare adjustments offer the taxpayer much larger savings. Through the Federal budget alone, the taxpayer pays nearly \$8 billion for healthcare (double what it was a mere five years before). In spite of this increased expenditure, there are queues for hospital beds---queues that did not exist ten years ago.

Several proposals have been advanced to rectify, or at least improve, the situation. Cole takes one of these, Access Economics' Medicovert proposal, and adjusts their design (which is revenue neutral) to one which saves the taxpayer \$800 million (10%). The losers are those middle and upper income earners who do not at present have private cover.

Children of wealthy parents who organise their affairs to qualify for Austudy are another group for whom taxpayer subsidies are unwarranted. If Austudy recipients were to be reduced in number by only 3%, taxpayers would get a \$27 million bonus. A manual worker whose kids are over the age of sixteen but not studying will think this saving pretty miserly, but it is a start. The taxpayer gets more from a \$250 million cut in payments to the States, but even that is peanuts when compared with the WA Inc. and Victoria Inc. losses which will probably exceed \$2 billion. Human nature being what it is, taxpayers will probably get more satisfaction from the \$37 million that it is suggested should be taken from the ACT. (Canberrans need not worry: they will still have the best public facilities in the nation.)

Over the past fifteen years Australians of working age have suffered a remarkable decline in their health: some 175,000 more of them are now permanently incapacitated than if the numbers had risen in line with population growth. Cole proposes partly to rectify this

tragedy by returning only to the 1987 grounds for eligibility for invalid pension---saving \$300 million.

The list is not exhaustive, but its underlying point---that the incoming government could save a lot of money if it were serious about it---is uncontestable. After all, when hard times strike individual taxpayers they do tighten their belts. If, as seems probable, the economy hits a rough spot in the coming year, there is no good reason why the private sector should bear all of the adjustment costs. If Channel 9, for instance, can reduce its budget by 20%, why not the ABC---saving: \$45 million. Would the future be affected if the Commission for the Future were abolished? Etc, etc.

We could have more confidence that the political parties would face up to other economic problems, if, instead of promising to spend even more, they faced up to managing their own budget. They might reduce public-sector outlays to pre-Hawke, real per-capita levels; then to pre-Fraser and even to pre-Whitlam levels---saving \$17.6 billion. But I am dreaming. More immediately, depending on the next Government's preference, \$4.25 billion worth of budget cuts could be used as public-sector savings which will, among other things, tend to bring down interest rates; or the savings might be employed to buy off the ACTU yet again; or they might pay for the latest crop of election promises; or, then again, they might provide tax cuts for ordinary working Australians.

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