

Labour governments' budget headaches are being eased by treatment recommended but seldom tried by the non-socialist parties. Mr. Hawke and Mr. Burke, faced with falling revenues, have taken steps to cut at least some expenditure. This the Fraser and Court/O'Connor governments signally failed to do. In opposition Labour Party rhetoric never contemplated smaller government or salary cuts, but faced with the uncomfortable realities of office even these options demand consideration; particularly in the first year of a three year term.

Although less spectacular, the Hawke government's approach was more radical than Burke's. It gets nearer to the root cause of the budget problem, which is wasteful expenditure; both were faced with a deficit projection which they thought was unacceptable; neither has yet done enough to make a real dent in the problem; both have taken a small step in the right direction,-for which we should be thankful; both have had to face the outrage of the affected interests; neither seems to have suffered much loss of electoral support.

Burke's principal means of approaching budget balance has been to increase charges for electricity, gas, water, sewerage, transport and hospitals. The public sector salary cuts, though a correct policy, only make an \$11 million contribution to a \$274 million problem. To maximise the benefits that Burke correctly identified -- budget saving and more employment,- the salary reduction should have affected the entire public sector.

The attitude of Trades and Labour Council secretary Mr. Ron Reid is interesting. Reid said ".... those without jobs have already made the biggest sacrifices..." and " The groups now being affected are those who have previously been sheltered from unemployment." So far the costs of the recession have been almost entirely borne by the private sector, although one would not think so if one were impressed by the volume of complaints. Most of the T.L.C's members are private sector employees.

The recession has greatly reduced the share of total national income going to that part of the private sector which takes its earnings in the form of profits (or losses). In the past twelve months, many profit takers have in fact lost their

whole income, or worse, been forced to accept a negative income. Those people are unlikely to be impressed by the outcry from those who have only dropped ten per cent. Much has been made of the unexpectedness of the cut, but even those families who draw up formal budgets, who can be sure those budgets are correct within ten per cent of their income? Don't people earning as much as \$33,500 put ten per cent away against contingencies? What would they have done if they became ill or lost their job? The Australian gross product and income fell this year; that is to say we are a little poorer. There is absolutely no reason why public sector incomes should not bear a share of that misfortune.

People who have a real problem are those who have been thrown out of work by the recession and the inability of wages to adjust to that smaller gross national income. Mr. Burke would have done most for unemployment if he had reduced the wages of those employees who are closest to unemployment,-- those who might be dropped because the cost of their jobs are least clearly justified by what is produced. These people tend not to be the most senior and highly paid, but are the unskilled. People with skills to some extent avoid unemployment by moving down the income ladder, displacing others from the bottom.

Users rather than taxpayers should pay the full cost of public utilities such as electricity and water. Only when full costs are forced out into the open will users wish to see that utilities are efficiently operated. If, over time, costs are rising faster than inflation then we must suspect that they are not efficient. Even before Burke's recently announced hike of utility charges are added, during the two years since the June quarter 1981, fuel and light costs have gone up 27 %, urban transport 43 %, and shared ward hospital beds 110 %. In the same time the West Australian CPI only inflated 20 %. Water rates have only risen at about the CPI, but excess water charges have in the past two years risen about one and a half times faster than inflation. While the rest of the economy was forced by the recession to trim their sails these monopolies were able to pass along additional costs to users, lifting public section inflation rate far above the private sector.

Mr. Burke cannot expect to balance his budget and at the same time stop spiraling utility charges until he forces his State owned monopolies to face the economic music like everybody else. As far and as fast as he can he should open them up to competition.