

ADDRESS BY THE PRIME MINISTER  
BUSINESS LUNCH  
ADELAIDE 20 NOVEMBER 1984

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THANK YOU FOR THE OPPORTUNITY TO SPEAK TO YOU TODAY ABOUT THE ECONOMY AND ABOUT ECONOMIC MANAGEMENT.

THIS GOVERNMENT CONSIDERS EFFECTIVE ECONOMIC MANAGEMENT TO BE THE LYNCHPIN UPON WHICH ALL OUR OTHER ASPIRATIONS DEPEND. IN A VERY FUNDAMENTAL SENSE, A MORE RAPIDLY GROWING ECONOMIC CAKE PROVIDES MUCH GREATER OPPORTUNITY FOR ACHIEVING THE TYPE OF SOCIAL AND ECONOMIC CHANGES THAT SO MANY OF US WANT TO SEE.

ECONOMIC GROWTH IS NOT IN SOME WAY AT ODDS WITH ACHIEVING A FAIRER AND MORE EQUITABLE SOCIETY. RATHER IT IS CRUCIAL TO ACHIEVING IT. OUR CAPACITY TO REDUCE THE NUMBER OF AUSTRALIANS WHO ARE UNEMPLOYED AND TO IMPROVE THE LIVING STANDARDS OF THOSE NOT FORTUNATE ENOUGH TO BE DIRECT BENEFICIARIES OF ECONOMIC RECOVERY - BOTH GOALS OF THE HIGHEST PRIORITY - IS DIRECTLY RELATED TO OUR ECONOMIC PERFORMANCE.

WHEN THIS GOVERNMENT WAS ELECTED TWENTY MONTHS AGO, WE RECEIVED A MANDATE FROM THE AUSTRALIAN PEOPLE TO CARRY THROUGH A NEW APPROACH TO THE PROBLEMS THAT AFFLICTED OUR ECONOMY AND OUR NATION. WE UNDERTOOK AN APPROACH THAT MEANT THAT INFLATION AND UNEMPLOYMENT COULD BE SUCCESSFULLY TACKLED SIMULTANEOUSLY AND THAT MEANT THAT THE DEEP DIVISIONS IN OUR ECONOMIC AND SOCIAL FABRIC COULD BE HEALED.

## 2.

LAST YEAR'S NATIONAL ECONOMIC SUMMIT WAS A WATERSHED IN THIS NEW APPROACH. IN THAT UNIQUE FORUM, WE OBTAINED THE SUPPORT OF THE COMMUNITY AS A WHOLE - INCLUDING BOTH THE TRADE UNION MOVEMENT AND BUSINESS.

FROM BUSINESS PEOPLE I SOUGHT CO-OPERATION IN AN ATTEMPT TO MAKE THE PRICES AND INCOMES ACCORD WORK. I PROMISED BUSINESS NOT JUST THE RESULTS OF A TEMPORARY ECONOMIC RECOVERY, BUT ALSO A FIRM BASIS ON WHICH A LASTING RECOVERY COULD BE BUILT.

MY GOVERNMENT COMMITTED ITSELF TO PROVIDE BUSINESS WITH STABLE, PREDICTABLE, COHERENT GOVERNMENT POLICIES AND CONTINUED EFFORTS TO MAKE THE BUSINESS ENVIRONMENT MORE CONDUCIVE TO INNOVATION, ENTERPRISE AND ECONOMIC GROWTH.

THESE UNDERTAKINGS REFLECT THE BASIC ECONOMIC REALITY THAT IN OUR MIXED ECONOMY THE PRIVATE SECTOR PROVIDES THREE OUT OF EVERY FOUR JOBS. THEY MEANT THAT THE FOCUS OF OUR ECONOMIC POLICY WAS TO CREATE THE CONDITIONS FOR A PROFITABLE AND DYNAMIC BUSINESS SECTOR. THEY MEANT SETTING IN TRAIN POLICIES THAT WOULD REDUCE INTEREST RATES, CONTAIN BUSINESS COSTS, RESTORE OUR INTERNATIONAL COMPETITIVENESS, AND BOOST DEMAND WHILE PRIVATE SECTOR ACTIVITY WAS WEAK. ONLY IN THIS WAY WOULD BUSINESS CONFIDENCE BE RESTORED AND THE NECESSARY BROADENING OF THE RECOVERY TAKE PLACE.

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## 3.

NOW NINETEEN MONTHS AFTER THE SUMMIT CONFERENCE ALL THAT HAS BEEN ACHIEVED.

THOSE OF YOU IN THE BUSINESS COMMUNITY - MOST OF THIS AUDIENCE - HARDLY NEED REMINDING OF THE DRAMATIC TURNAROUND IN THE ECONOMY SINCE THE MIDDLE OF LAST YEAR.

YOU KNOW THAT FROM A PERIOD OF RECESSION, FALLING EMPLOYMENT, HIGH INFLATION AND A STAGNATING BUSINESS SECTOR, WE NOW HAVE A STRONG AND INCREASINGLY BROADLY BASED RECOVERY IN OUTPUT AND EMPLOYMENT.                   INDEED NO-ONE COULD REASONABLY EXPECT ECONOMIC INDICATORS TO TESTIFY MORE CONSISTENTLY TO THE SUCCESS OF THE CO-OPERATIVE APPROACH WHICH WE HAVE FOSTERED. NOR COULD ANYONE HOPE FOR A SET OF INDICATORS WHICH DEMONSTRATED MORE CONVINCINGLY THAT, IN ARRIVING AT OUR POLICY CHOICES, WE HAVE STRUCK THE RIGHT BALANCE BETWEEN, ON THE ONE HAND, THE NEED FOR ECONOMIC STIMULUS WHILE PRIVATE SECTOR ACTIVITY WAS WEAK WHILE, ON THE OTHER HAND, THE NEED THEREAFTER TO PROGRESSIVELY CUT BACK ON FISCAL STIMULUS SO AS TO ALLOW RECOVERY TO BECOME SELF SUSTAINED.

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I HIGHLIGHTED JUST SOME OF THOSE INDICATORS IN MY POLICY SPEECH. EMPLOYMENT IS UP; INFLATION IS DOWN; INTEREST RATES HAVE DECLINED; CONSUMER CONFIDENCE IS AT RECORD LEVELS; BUSINESS CONFIDENCE HAS BEEN RESTORED; BUSINESS INVESTMENT IS GROWING BY THE MONTH; THE HOUSING INDUSTRY IS BUOYANT; MANUFACTURING PRODUCTION IS RISING, BUSINESS PROFITS ARE UP AND LABOUR COSTS CONTROLLED; INDUSTRIAL DISPUTES ARE DRAMATICALLY DOWN; AND THE PUBLIC SECTOR BORROWING REQUIREMENT AS A RATIO TO GROSS DOMESTIC PRODUCT WILL FALL SUBSTANTIALLY THIS FINANCIAL YEAR.

TODAY NOBODY ANY LONGER QUESTIONS THAT THE ECONOMIC RECOVERY IS WELL AND TRULY UNDERWAY. BUT THERE ARE MORE PROMISING DEVELOPMENTS.

I POINTED OUT YESTERDAY IN COLLIE IN WESTERN AUSTRALIA THAT OUR ECONOMIC PERFORMANCE NEXT YEAR WILL BE STRENGTHENED BY THE RETURN OF GROWTH IN RESOURCES INVESTMENT, WHICH HAS REMAINED DEPRESSED SO FAR IN THE RECOVERY. I POINTED OUT THAT OVER THE PAST THREE MONTHS, SINCE WE FINISHED WORK ON THE BUDGET, MAJOR RESOURCE DEVELOPMENTS TO THE VALUE OF ABOUT \$15 BILLION HAVE MOVED FROM BEING "GOOD IDEAS" TO BEING CONSIDERED BY THEIR PRIVATE SPONSORS AS CERTAIN TO PROCEED THROUGH 1985.

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## 5.

THIS NEW RESOURCE INVESTMENT WILL BE ON TOP OF INVESTMENT THAT IS STRONGLY GROWING IN OTHER SECTORS OF THE ECONOMY. IT IS NOW CLEAR THAT THE BUDGET ESTIMATE OF 5 PER CENT REAL GROWTH IN PRIVATE INVESTMENT THIS FINANCIAL YEAR WILL BE EASILY EXCEEDED.

MOREOVER, THE RESOURCE PROJECTS WHICH NOW SEEM CERTAIN TO PROCEED DURING 1985 ARE ONLY THE BEGINNING. A RANGE OF OTHER PROJECTS, INCLUDING THE RE-OPENING OF THE KWINANA BLAST FURNACE FOR PRODUCTION OF PIG IRON FOR CHINA, ARE AT A PROMISING STAGE OF NEGOTIATION.

THESE DEVELOPMENTS ARE OCCURRING IN AN ECONOMIC CLIMATE WHICH, EVEN WITHOUT NEW RESOURCES INVESTMENT, WOULD LOOK VERY PROMISING INDEED. THE ECONOMIC RECOVERY IS ALREADY WIDELY BASED, AND SOUTH AUSTRALIA IS FULLY SHARING IN THAT RECOVERY.

INDEED YOUR STATE IS A LEADER IN THE NATIONAL HOUSING RECOVERY WITH DWELLING COMMENCEMENTS INCREASING BY MORE THAN 50 PER CENT LAST FINANCIAL YEAR. EMPLOYMENT IN SOUTH AUSTRALIA HAS SHOWN A WELCOME GROWTH OF MORE THAN 3 PER CENT OVER THE YEAR TO THE THREE MONTHS ENDING IN OCTOBER. WE WANT TO SEE THAT CONTINUE.

ONE OF THE ENCOURAGING FEATURES OF OUR PERIOD IN OFFICE SO FAR HAS BEEN THE SUCCESS WE HAVE HAD IN REDUCING INTEREST RATES FROM THE RECORD LEVELS OF OUR PREDECESSORS.

6.

IN THE CASE OF HOUSING INTEREST RATES THE FALLS HAVE GENERALLY BEEN AROUND ONE PERCENTAGE POINT. IN THE CASE OF MOST OTHER INTEREST RATES THE FALLS HAVE BEEN MUCH LARGER. AND, THE BEST IS STILL AHEAD OF US.

AUSTRALIA AND AUSTRALIANS WILL DURING 1985 REAP THE INTEREST RATE REWARDS THAT ARE FLOWING FROM THE SUCCESSFUL POLICIES OF THE PAST 20 MONTHS. WE'VE PLOUGHED THE FIELDS AND SOWN THE SEEDS. IN THE VERY NEW FUTURE, WE WILL HARVEST THE CROP.

BUT, OF COURSE, WE MUST CONTINUE THE POLICIES THAT ARE STARTING TO HAVE SUCH PRODUCTIVE EFFECT.

THAT REQUIRES, FIRST OF ALL, THAT INFLATION BE KEPT UNDER CONTROL BECAUSE WITHOUT CONTROL OF INFLATIONARY PRESSURES AND INFLATIONARY EXPECTATIONS INTEREST RATES CANNOT BE BROUGHT DOWN OR KEPT DOWN. WE HAVE ALREADY HALVED INFLATION. WE EXPECT INFLATION WILL BE LESS THAN FIVE PER CENT IN THE YEAR AHEAD AND WE ARE DETERMINED TO KEEP IT BELOW FIVE PER CENT.

CONTINUED MODERATION IN INTEREST RATES WILL ALSO REQUIRE RENEWED EFFORTS TO REDUCE THE BURDEN WHICH THE GOVERNMENT SECTOR PLACES ON FINANCIAL MARKETS. WE HAVE ALREADY MADE EXCELLENT PROGRESS IN OUR FIRST TERM. AND ONCE AGAIN I CAN ASSURE THE COMMUNITY THAT WE WILL CONTINUE OUR WORK OF PUTTING THE PUBLIC FINANCES OF THIS NATION BACK IN ORDER AND CREATING THE CONDITIONS WHERE FURTHER INTEREST RATE REDUCTIONS CAN OCCUR.

## 7.

IN OTHER WORDS, AT PRESENT, THE OUTLOOK FOR INTEREST RATES IS AS BRIGHT AS IT HAS BEEN FOR MORE THAN A DECADE.

BY CONTRAST, THE OUTLOOK FOR INTEREST RATES WOULD BE BLEAK IF THE COALITION POLICIES WERE PUT IN AFFECT AFTER DECEMBER 1. THE OPPOSITION'S ECONOMIC POLICIES ARE, QUITE SIMPLY, A GUARANTEED RECIPE FOR HIGHER INTEREST RATES. RISING INTEREST RATES WOULD, FOR A START, BE THE INEVITABLE CONSEQUENCE OF THE INFLATIONARY WAGE-PRICE SPIRAL THAT WOULD BE CREATED BY THE OPPOSITION'S WAGES POLICY - WHICH PROPOSES THE DISMANTLING OF THE CENTRALISED WAGES SYSTEM UNDER THE UMBRELLA OF THE PRICES AND INCOMES ACCORD, WHICH PROPOSES THE UNDERMINING OF THE ARBITRATION SYSTEM AND WHICH INVITES TRADE UNIONS TO GO OUT INTO THE MARKET PLACE AND ACHIEVE WHATEVER WAGE INCREASES THEY CAN THROUGH THE UNFETTERED EXERCISE OF INDUSTRIAL MUSCLE.

HIGHER INTEREST RATES WOULD ALSO BE THE INEVITABLE CONSEQUENCE OF THE MASSIVE INDIRECT TAX SLUG THE OPPOSITION IS PROPOSING AS PART OF ITS TAX POLICY. THAT CUMULATIVE INDIRECT TAX SLUG WOULD DIRECTLY AND SHARPLY LIFT THE CONSUMER PRICE INDEX, FEED INTO THE WAGES PRICES SPRIAL AND CREATE ADDITIONAL INFLATIONARY PRESSURES THAT WOULD PUT IRRESISTIBLE PRESSURE ON INTEREST RATES. NOT ONLY WOULD WE NOT YET HAVE THE REDUCTIONS THAT WE EXPECT NEXT YEAR BUT THERE WOULD BE EVERY REASON TO EXPECT AN INCREASE OF ABOUT 2 PER CENT IN THE NEXT 12 MONTHS.

## 8.

THE BUSINESS COMMUNITY WOULD SUFFER AND AUSTRALIAN FAMILIES WOULD SUFFER. FOR EXAMPLE, A TWO PER CENT INCREASE IN HOUSING LOAN INTEREST RATES WOULD ADD AROUND \$44 TO THE MONTHLY REPAYMENT OF AN AVERAGE FAMILY PAYING OFF ITS OWN HOME.

CORRESPONDING INTEREST RATE INCREASES IN OTHER AREAS WOULD SERIOUSLY WEAKEN INVESTMENT, RISK THE POSTPONEMENT OR CANCELLATION OF NEW DEVELOPMENT PROJECTS, DAMAGE CONSUMER CONFIDENCE AND UNDERMINE JOB PROSPECTS.

THAT IS THE STARK CONTRAST THE AVERAGE AUSTRALIAN AND THE BUSINESS COMMUNITY IS CONFRONTED WITH. THE CERTAINTY OF FURTHER REDUCTIONS IN INTEREST RATES UNDER THE PROVEN, INTEGRATED ECONOMIC POLICIES OF MY GOVERNMENT, AND AGAINST THAT, THE INEVITABILITY OF A RETURN TO RECORD HIGH INTEREST RATES UNDER THE SAME IRRESPONSIBLE, UNCOORDINATED HOTCH-POTCH POLICIES OF OUR OPPONENTS - POLICIES WHICH PRODUCED THOSE DISASTROUS RESULTS IN THE PAST AND WHICH WOULD, AS I SAY, INEVITABLY DO THE SAME AGAIN.

THE TASK WE WILL FACE IN OUR NEXT TERM OF OFFICE IS TO TURN THE RECOVERY NOW UNDERWAY INTO SUSTAINED STRONG GROWTH WITH LOW INFLATION, AND TO ENSURE THAT THE BUSINESS CLIMATE REMAINS FAVOURABLE FOR NEW INVESTMENT AND FOR NEW JOBS.



9.

IN ORDER TO MEET OUR OBJECTIVES FOR GROWTH, EMPLOYMENT AND INFLATION DURING OUR SECOND TERM, I HAVE MADE FIRM COMMITMENTS IN THE VITAL AREA OF FISCAL POLICY.

THOSE COMMITMENTS ARE ON THREE SPECIFIC MATTERS - THE BURDEN OF TAXATION, THE SIZE OF THE BUDGET DEFICIT AND THE GROWTH OF GOVERNMENT EXPENDITURE. OVER THE NEXT TERM OF THIS GOVERNMENT THERE WILL BE NO OVERALL INCREASE IN THE BURDEN OF TAXATION, THERE WILL BE A REDUCTION OF THE DEFICIT AS A PROPORTION OF GDP AND EXPENDITURE GROWTH WILL NOT BE AS FAST AS GROWTH IN THE ECONOMY.

THESE COMMITMENTS REFLECT THE FUNDAMENTAL IMPORTANCE THIS GOVERNMENT ATTACHES TO SUSTAINING ECONOMIC GROWTH. THEY REFLECT OUR BELIEF THAT WHAT THE ECONOMY AND BUSINESS IN PARTICULAR, NEED FROM GOVERNMENT IS A STABLE AND PREDICTABLE POLICY ENVIRONMENT. THEY PROVIDE ASSURANCE TO BUSINESS OF A LONG TERM ENVIRONMENT FAVOURABLE TO INVESTMENT AND TO GROWTH.

WITH THE POLICIES WE ARE PURSUING, BUSINESS CAN BE CONFIDENT THAT THE TIME IS RIPE FOR MEASURED EXPANSION AND GROWTH AND FOR FURTHER INVESTMENT IN THEIR OWN BUSINESS, IN THEIR OWN FUTURES AND IN AUSTRALIA'S FUTURE.

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