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ADDRESS BY THE PRIME MINISTER, THE HON. E.G. WHITLAM, Q.C., M.P.

COMMITTEE FOR ECONOMIC DEVELOPMENT OF AUSTRALIA

MENZIES HOTEL, SYDNEY

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This is the second successive Friday Luncheon I've spoken to representatives of the Sydney business community. If there are any here who were also at the Sydney Chamber of Commerce Luncheon I hope they will bear with any repetitiousness on my part because I do think that my theme itself bears some repetition.

I emphasised there my Government's long-term commitment to the prosperity of the private sector. I was at some pains to refute the assertion that there is anything phoney about this commitment - that it represents some sort of panic response to present difficulties. I concede that there have been failures of communication in the past and I concede that some prejudices and pre-conceptions on both sides have raised needless difficulties. I do detect, however, in the business community generally a new willingness to co-operate, born of a mutual recognition that we share so many of the difficulties for so many of the same reasons. I think on both sides there is a willingness to end futile recriminations - which of course, is not to say that we should not have plenty of constructive criticism. If I am right in this assessment that there is a healthier spirit emerging then I assure business that the Government is ready to go more than half way to foster it.

Last Friday I drew attention to the way in which economic circumstances here and throughout the world were now subject to rapid change never experienced in our life-times. The business cycle which used to take five to seven years for its completion now appears to take about two years. This imposes unprecedented pressures on both Government and business and requires very great flexibility in policy planning - for business and Government alike. In this situation one has to be extremely careful in making predictions based on the latest set of economic indicators. We have seen too many false dawns. Nonetheless, there are grounds for some cautious optimism. When I announced the new economic measures of 12 November 1974 and in subsequent statements to the nation, I emphasised the figures, particularly on unemployment and inflation, would not be good for many months to come. This remains true.

The situation at present, however, is that some of the more serious aspects of decline in activity are now behind us. Liquidity is freely available and the demand for funds, particularly for housing, is high. Imports are declining and the balance of payments situation - particularly on current account - is strengthening. We are seeking the first real signs that unemployment and inflation may have peaked. With the large personal tax cuts, including the housing interest deductability scheme now being reflected in pay packets, disposable incomes are rising strongly. By past standards the Government has given a massive expansionary boost to the economy in the measures taken since the budget. These are, of course, not normal times and we cannot be absolutely assured of normal reactions. The response of the private sector is the key ingredient in economic revival in 1975. You can be assured that the Government will do all in its power to stimulate that revival, consistent with our overall goals of social advance and economic management.

At the recent conference of the Australian Labor Party we inserted in the platform a specific recognition of the role of the private sector and a specific commitment to the development of a healthy mixed economy. I think it should be recognised, however, that the present Australian Government itself has from its inception tried to establish machinery and set in train measures to give practical expression to the formal commitment now contained in the Party's platform. In December 1972 we established the Department of Manufacturing Industry. The first Minister was the present Treasurer and he set about establishing a network of industrial panels to provide channels for closer co-operation and consultation. Against much opposition we have sought to develop the role of the Australian Industry Development Corporation. In our first budget we provided funds to establish the National Management School within the University of New South Wales. We have set up the Small Business Bureau to provide advice and assistance for this very important but long neglected sector. We have sought to enhance profitability - by reduction in company tax, by requesting the Prices Justification Tribunal to give particular consideration to the adequacy of return on capital and by urgently investigating the implications of rapid inflation for the taxation paid by companies. The report of the Mathews Committee is expected soon and actions on its recommendations will be prompt. We recognise the extraordinary impact of rapid inflation on corporate tax rules, particularly with respect to stock valuation and appreciation.

Perhaps most important of all in its long term implications will be the report of the Committee of Inquiry under the Chairmanship of Mr Gordon Jackson, General Manager of C.S.R. The Jackson Committee's terms of reference are to advise on the future role of manufacturing industry, the role of foreign companies in the Australian economy, the long term balance between exports and imports, better communication between Government, industry, the States and employees' organisations. I am quite determined that the report of the Jackson Committee will not suffer the fate of the Vernon Committee. We will not stall it or pigeon-hole it and we will not set out deliberately to rubbish it or bucket it. One of the sorriest aspects of the Vernon Report was that the treatment meted out to it acted as a discouragement to highly qualified, busy and public spirited persons in serving the nation in similar roles. One of the most gratifying experiences I have had as Prime Minister has been the readiness of distinguished Australians, in business, the professions and the Universities to serve on the many commissions and committees of inquiry which we have established. I believe that a big factor contributing to this readiness to serve has been the positive acceptance by the Government of their work. Men and women called upon to serve Australia in this way know that they are not wasting their time.

Our major piece of current legislation concerning the private sector is, of course, the Corporations and Securities Industry Bill. I am sure that members of C.E.D.A. are too sophisticated to give the Pavlovian response we've had from some quarters that this is an attack on freedom of private enterprise. The fact is that without the establishment of the Corporations and Exchange Commission as the National Regulatory Authority to supervise the securities industry in Australia, the future prosperity of Australia cannot be assured because the economic development of any nation is directly determined by its efficiency in raising new capital. During the mining boom, vast sums of money were raised which was wasted and never found its way into mining.

The efficient mobilization and allocation of capital through the medium of the stock exchanges can only be optimised if the exchanges provide and, just as significantly are seen to provide, a fair and orderly market. The market must be one in which both the financially sophisticated investor - and also the unsophisticated investor with the aid of his investment adviser - can invest his capital. However large or small an amount it may be, with the knowledge that the risk he assumes can be evaluated on accurate information disclosed to him and that his risk will be subject only to the usual commercial hazards.

The self-regulating activities of the Stock exchanges during the mining boom period were abysmally lax. Even formal rules, which were and are still minimal, were - as the RAE Report recounts - seldom enforced and were viewed with contempt by some members who continued with their practices in blatant disregard of the stock exchange regulations and of their fiduciary duties, on the assumption that their abuses would go undetected or unpunished; an assumption by no means unreasonable in the absence of adequate surveillance by some independent authority.

The genuine difficulties which have been encountered by self-regulatory bodies and the State authorities in dealing with the securities industry have been partly due to the failure of some of the States to recognise the national character of the securities markets and of the securities industry. If one recognises that each stock exchange functions only as part of an Australia-wide network and that to a very large degree, listed public companies carry on their businesses on an Australia-wide or national basis, then it should be obvious that the problem of attaining effective, coherent and efficient securities regulation can be solved only if there is one nationally uniform body of law and a national authority which will eliminate the variation of administrative practice and interpretation and which will standardise the quality of administrative action and investigation.

I mentioned the Terrigal Conference's statement on the mixed economy. Equally important for business is the decision to express a firmer commitment to economic planning. Planning is really about institutionalising foresight. It is a process which tempers expertise with judgment. We believe that the Australian Government should contain a department with the prime responsibility for planning the long term future of the economy. It should be staffed with experts, but advised by representatives of various community groups - especially workers, employers and consumers. We considered, but rejected, the notion of a National Economic Council because although we believe that the views of community groups are an essential part of the planning process, we believe that ultimate power of decision must rest with the Parliament. The planning machinery we are creating is therefore advisory.

Market forces, alone, are not good enough as indicators of the direction in which resources should flow. The market mechanism is there to be used, but it must not become the only influence determining how and where we allocate our resources.

We envisage a broadly based planning mechanism - at its centre, the planning department with its advisory machinery; around it the other departments, but especially the industry departments, each with its own network of advisory bodies and panels. From this mixture of expertise, judgment, subjective opinion, and self-interest will come, I believe, the sort of advise which, when combined with the more objective data from the planning department, will enable the Government to appraise its long term goals with more certainty, more humanity and more efficiency than is possible at present.

Our commitment to planning is not simply based on ideology - not simply due to any mistrust of market forces. It stems from the interdependent nature of a good deal of economic decision-making. Much public investment has long lead time and it is difficult to undertake major development projects unless there is some certainty about the continued supply of funds and avoidance of 'stop-go' economic policies.

The private sector, too, needs some clear view of the Government's long term operations with confidence. I envisage a fruitful, interactive planning environment with both public and private sectors playing their part.

When we speak of Australia's "mixed economy" let's be clear what we mean. Public and private sectors are mainly complementary, not competitive with each other. The aim of the major initiatives my Government has taken has been to build better structures, more modern structures upon which the whole community can prosper.

The private sector has a definite interest in the development of public infrastructure and the rational public regulation of private activity. Important initiatives in public investment will prove of great advantage to the private sector. I refer to our assumption of responsibility for national highways which are of such great importance in facilitating the movement of goods among our major markets. Another area of great long term interest for the private sector, is the improvement of the quality of our education system as a whole and particular major initiatives in areas of direct concern to private industry, such as the development of technical education. The private sector will also see advantages from the re-organisation of some major areas of public investment. I refer particularly to the establishment of two Commissions to conduct postal and telecommunication services.

The Government has taken new initiatives to facilitate trade relations with other countries. A large number of new trade agreements have been signed. We have extended the charter of the Old Export Payments Insurance Corporation to create the Export Finance Insurance Corporation and we shall proceed to establish an Overseas Trade Corporation, to promote trade with centrally planned economies in particular. We have established new institutions to assist firms to adjust to the continuing pressures of change. Our Structural Adjustment Assistance Scheme is the first systematic effort to help industry adjust to changes of economic policy. The NEAT scheme is the first step in our continuing development of longer-run manpower policy. In a more specific area of housing, we have established a Housing Standards Advisory Council to eliminate the extraordinary cost disabilities of the multiplicity of housing codes.

In all these ways I believe that public initiative is laying the foundations for the future balanced development for the private sector.

Far from these programs being antagonistic to the success of private endeavour or incompatible with private prosperity they are essential to it. A skilled, healthy, efficient community - that is both our national goal and an economic necessity. In a speech last December Mr Gordon Jackson had this to say:

"We should perhaps speculate that in a turbulent and uncertain world, a principal role of government should be to articulate a set of values that will find acceptance in the community. Acceptance will help to constrain the parts from antisocial and maladaptive behaviour and will encourage progress towards common ideals. The role of government also should be to simplify the business environment enough for people to understand the situation and the prospects, so they can plan with confidence."

I endorse those remarks.

Effective planning needs new structures and new machinery. We are building them. To articulate a set of values which will find acceptance in the community requires consultation. We are eager to have it. In the present situation of rapid change and uncertainty it is urgent that we should be able to apply ourselves - all of us, government and business alike to these tasks. I won't labour the point - I'll just leave you with this thought:

In this critical time it would be tragic for Australia if over the next six months, our national preoccupations were to be purely political, if the national debate were to be conducted, not in terms of our greater goals and long term needs, but were to be forced into the narrow focus of yet another election.