



PRIME MINISTER

FOR PRESS

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ADDRESS TO INTERNATIONAL PRESS INSTITUTE

I am delighted to be with you this morning and Australia is privileged to host the 27th Assembly of the International Press Institute.

I understand this is the first meeting of the Institute south of the Equator. Of course, it is the largest press gathering of its kind Australia has ever seen.

I'm particularly pleased to talk with an audience of editors, proprietors and publishers under full public gaze.

I make that point because I am occasionally accused -- unkindly accused -- of spending too much time in private conversations with Australian newspaper editors and proprietors.

Some people -- not, of course, reporters from the press gallery here in Canberra -- have the notion that I have a great influence over what the press say about my Government's actions and policies.

Of course, one only has to look at the exceptionally flattering political cartoons or read editorial writers' fulsome praise to understand exactly what influence I have on a newspaper's stance.

Newspapers are not in business to keep Prime Ministers and politicians happy.

Editors and proprietors owe no debt to any politician.

Governments need a free press just as they need opposition parties.

Without press freedom, the standards set by any government will decline, the worth and quality of government policies will deteriorate.

With this freedom comes responsibility.

A responsibility to expose; to criticise; to distinguish fact from opinion; to be honest and fairminded in the presentation of opinion.

But the responsibility is greater than this.

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There is now a responsibility to examine the effects of the press on the fibre of the nation, whether it fosters dispute or division, whether it enhances community spirit and pride.

It is the ability to fuse criticism with this equally important sense of responsibility that is the hallmark of a free press at its best.

The freedom of the press is of course the great ideal for which your Institute stands and among you here are many who have taken heroic stands for freedom of speech.

Australia's association with I.P.I. goes back to its infant days when the late H.A.M. Campbell of the Melbourne AGE was one of the 35 editors who gathered in the office of the New York Times.

This was in the early post-war years - a time of reconstruction and reform, when the leaders of the free world were establishing a new framework for international cooperation in many fields.

The new institutions were set up and new rules were established for the conduct of trade and payments between nations.

These rules were directed at avoiding a reversion to the "beggar thy neighbour" policies that exacerbated the 1930 economic recession.

These new rules and institutions provided a framework by which international trade and payments could develop without restriction: that recognised the potential increase in wealth and welfare that can result through the international division of labour.

The fact that total world trade has grown at a faster rate than the world economy during the post-war period indicates the success of this approach.

Regrettably, however, the post-war international co-operative effort to reduce trade barriers has not been applied uniformly and there have recently been signs of regression in areas where progress had previously been made.

The continued failure to deal with agricultural protectionism, and the yielding to pressures for increased protection in other areas pose one of the most important and testing challenges to world leaders today.

That challenge is all the greater because it comes at a time when the western world continues to be plagued with the twin problems of inflation and unemployment.

To understand these problems and reach towards their solutions, I believe we need to stand back a little and view recent development in historical perspective.

Immediately after the depression, there was some optimism that new economic theories held the answer to steady economic growth and the end of cyclical booms and recessions.

The economic policies of the New Deal, after some initial successes, were beginning to lose steam with the Second World War suddenly providing a huge boost to demand.

The period since the Second World War has almost certainly seen a rate of economic development unprecedented in history.

In the past quarter of a century, average incomes in both developed and developing countries increased by about 3% per annum in real terms. In a relatively short time, there has been a "doubling" of the average standard of living.

Many factors have contributed to this remarkable growth, but there can be little doubt that maintenance of a continued strong consumer demand has been a vital element.

This has been so since the time of the generous and necessary Marshall Plan to rebuild post-war Europe and the widespread adoption of "full employment" policies in the immediate post-war period.

Our economies have responded to meet the vastly increasing demand for cars, washing machines, T.V. sets and all other multifarious trappings of the consumer society.

It seems just yesterday when, in my own home, our Coolgardie safe was replaced by a new-fangled kerosene refrigerator. Today we demand automatic defrosting - and complain when it doesn't work.

As in the other developed countries, strong consumer demand has been a major driving force in Australia's economic growth during the last thirty years.

Our development has, of course, also been spurred on by other factors: a great immigration programme - the discovery and exploitation of our great mineral resources.

Essentially, however, the Australian economy in the post-war period has been geared to trying to fulfil the expectations of the Australian consumer or, through overseas trade, his international counterpart.

The slow down in personal consumption expenditure since 1973 in Australia and other O.E.C.D. countries has inevitably raised the questions whether we are approaching consumer satiation.

But while consumer spending patterns may have changed in recent years, we need to look elsewhere for the underlying explanation of this slackening.

What seems to have happened is that the increased rate of inflation in recent years has led consumers to reduce their spending rates and increase their savings rates.

In one or two instances - most notably the United Kingdom - the absolute level of personal consumption has actually fallen since 1973.

These developments have reflected the effects of inflation in increasing uncertainty and pessimism about the future as well as the desire to maintain real values of personal assets through saving.

It is worthwhile asking why we got into this situation, because it might help us in overcoming our present difficulties.

There is of course no single simple explanation. You are all however aware of overnment's ready acceptance of the theory that it is possible to trade off between inflation and unemployment - the enticing idea that if governments allow just a little bit more inflation we can reduce unemployment a little.

That has been described as a "Keynesian" theory, although I am told that Keynes himself believed that there were serious limitations to the use of demand management policies to reduce unemployment.

Unfortunately, too many people forget that Keynes wrote in a period when unemployment was high but inflation and interest rates were low: his prescriptions were fundamentally designed for those circumstances and it is not necessarily appropriate to transpose them into another time.

But the misuse of Keynes theories provided too many governments with the rationale for telling their people "we can afford it all". Political leaders sought to out-bid each other in promises to their electors, and government expenditure began to run out of control.

It was inevitable that sooner or later this would give rise to rapid inflation.

And this is exactly what happened in the early 1970s: at a time when oil producers were extracting very large price increases for their product, the irresponsibility of massive government spending was compounded by the irresponsibility of trade unions.

Unions exploited their growing power to extract higher wages and reduce profits.

In retrospect, we can now see that the trade-off for higher inflation was increased, not lowered, by unemployment.

Moreover, higher inflation has left many countries an unfortunate legacy of distortions in key economic relationships, most notably that between profits and wages.

Against this background, it is not surprising perhaps that we are only now emerging, slowly and painfully, from some of the worst manifestations of this recession.

Such growth as there has been in the world economy over the last two years has been underpinned by policies of those countries which have done most to overcome inflation - the United States, Japan and Germany.

They have demonstrated that a reduction in inflation is a vital pre-condition for the expansion of economic activity, that there is no instant solution for reducing unemployment and no alternative to policies which further reduce inflation if sustainable growth is to be restored.

This Government's policies are based on the firm conviction that beating inflation and restoring economic confidence are the keys to economic health.

In Australia, it has been a hard struggle, but inflation is now below ten per cent, and expected to fall further this year.

With the conditions being set for a further fall in interest rates, pick up in consumption and investment expenditure we expect continued moderate growth in output and a decline in unemployment.

Because our economic policies have emphasised controlling government expenditure we have been able to introduce substantial personal income tax cuts.

These have been in operation since the beginning of February, and are adding about one billion dollars a year to after-tax earnings.

We have noted with interest that the U.S. administration has recently proposed tax cuts which would have a broadly similar effect - in relative terms - in that country.

We would, of course, like to see a faster growth in demand for our exports. But we do not seek to achieve that through advocating precipitate stimulatory action overseas.

Australia's interests lie in sustained growth in world activity and trade: too often in the past we have suffered from boom and then bust commodity cycles.

What we do seek, however, is a fairer deal in treatment of our exports.

Australia is a substantial world trading nation.

Notwithstanding this, we are faced with increasing difficulty in getting access to overseas markets for some of our major exports.

In the past thirty years or so the institutional framework and rules which governed world trade, have benefitted all trading countries.

But the benefits have not been equitably shared, and the rules have not been equally applied.

we have found all too often that the rules have been interpreted to suit the purposes of the major developed countries.

They have manipulated or ignored the rules to build special trade barriers to protect the high cost agricultural sectors, and under the multilateral negotiating procedures of G.A.T.T., agricultural products have been placed in a special position, far less amenable to clear cut negotiations than industrial products.

In fact, it largely exempts them from the rules of trade.

As a result, the upward trend in protection for agricultural products in industrial countries has continued.

In addition, the agricultural policies of the E.E.C. have thrown surpluses on to the available world markets almost at any price.

The result has been to shift the burden of adjustment on to efficient producers in other countries - not least Australia.

By interesting contrast, the rules have ensured that in industrial products, where the more powerful nations have a comparative advantage, there is a largely unfettered access to expanding markets. Despite this, when the industrialised nations find the going difficult in the areas where they should be most successful, they have been adept at devising new protectionist mechanisms.

For example, demands are now being made for voluntary export restraints on goods as diverse as colour television sets and steel. Australia's position in the world trading network is a distinctive one. We are a relatively rich country yet, unlike other developed countries the bulk of our exports - 75 percent of them - comprise primary products, largely agricultural products.

We have found that our agricultural exports to overseas markets are subject to a variety of restrictive measures, such as variable levies, quantitative restrictions, state trading practices.

The E.E.C's variable levy is an imaginative device to ensure that no product subject to it can compete on the community market other than on the price the community chooses. The E.E.C. claims that the variable levy is not a tariff, is not subject to any international rules, is not negotiable at the MTN. The only thing about the variable levy that the E.E.C. would concede is that it is in practice infinitely variable, on an almost daily basis, if necessary. But not even this wonderful device is always adequate. It has to be supplemented at times with other devices: tying imports to local purchases, minimum import prices and surveillance licencing.

In common with the developing nations, most of our major exports have received unfavourable treatment under the policies of the largest developed trading nations.

Australia's trading problems in the European Economic Community and elsewhere form part of an emerging pattern of trade which has greatly affected the developing countries. Many of the problems they face have arisen from their inability to generate markets for their commodities. There is much to support their argument that this situation has arisen because the world trading system operates unfairly in relation to the commodities on which they depend. In all these regions there is still great poverty. Unless the developed world moves to assist their search for a fairer share of world trade and access to trade, this poverty and suffering will not be alleviated.

The developed countries will have an early chance to demonstrate their good intentions. At the MTN negotiations in Geneva there is an opportunity for them to make greater efforts to provide an equitable international trading framework. Will those negotiations show the way to an increase in world trade? An opening up of markets for commodities? The creation of new trading conditions providing a real equality of opportunity for developing and smaller countries? If that were to be done, it could lift the world trade and assist in establishing a sustained economic recovery.

A further test of the intentions of the major developed countries will be provided when negotiations resume on the Common Fund, first amongst Commonwealth Ministers, probably in April then afterwards in UNCTAD. We can only hope that all countries, but particularly the rich developed nations, will see the need to reject rigid positions and enter meaningful negotiations. Certainly it does not augur well that the EEC refuses to be a party to the International Sugar Agreement, a matter of vital importance to developed and developing countries alike. We believe that agreements for individual commodities with assistance available from a Common Fund, could introduce greater stability into world trade and to the incomes of developing countries.

In the hope that other developed countries will see the need for movement, Australia has recently made certain proposals which could speed the establishment of a Common Fund./

We must all approach the coming international discussions with a genuine commitment and in good faith. If growth in developing countries is not to be inhibited we must establish a trading system that allows scope for development, instead of putting up barriers against it.

Developing countries are beginning to realise their industrial potential and they must be allowed to continue to do so, Australia stands ready to participate in this process, but we cannot undertake it alone. The problem needs to be treated as a global issue if it is to be resolved. It is a challenge that the developed world must face if we are not to revert to the inward looking policies of the 1930's. That way would spell economic and social disaster.

The opportunity now exists on a multilateral basis to agree on mechanisms to open world markets and to keep them open in ways which benefit all the trading nations. The contribution that freer trade can make to an economic revival in the developing countries, if it can be achieved, will not only lift the standard of living in developing countries, it will also stimulate trade and markets around the world. This will be of direct benefit to all nations, developing and developed alike.

Thus my appeal to you today is not more unfettered idealism: it is embedded in the self-interest of the whole world.
