



EMBARGO: 9.30 p.m.

PRIME MINISTER

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ADDRESS TO THE INSTITUTE OF DIRECTORS MELBOURNE

On a relaxed occasion like this, it is not the time for talk about deflators, deficits or delineating trends, seasonally adjusted or otherwise. I would like to stand back a pace or two from day-to-day economic issues, and look at the part Government should - or should not - play in our economy.

During the nineteenth century it was generally accepted that government intervention in economic life should be extremely limited. Its job was to provide the bare essentials for the conduct of commerce and industry. Some people regard this epoch as a kind of director's paradise, when the enjoyment of boardroom lunches was unhindered by such trivial considerations as cost. But what vast changes have taken place since that time. Even the most anti-business elements would recognise that today directorships are no longer a sinecure. Companies and their directors now have heavy responsibilities and obligations imposed on them by law. Responsible directors have overwhelmingly welcomed their increased obligations. They recognise they have responsibilities to the community as well as to their shareholders. And organisations such as this Institute have played a key role in fostering these changes.

Since the heyday of laissez-faire, the role of Government in the economy has increased immensely. Governments cannot avoid involvement in the economy. Since the 1930's it has been accepted that governments can, through their expenditure, taxation and monetary policies, manage or guide the overall level of activity in the economy. But the nature and extent of government involvement is a matter of choice - a matter of philosophy.

The Depression was the great watershed. It became clear then that market forces alone were incapable of resolving the great crisis of the 1930's, that government action was imperative if countries were to survive. Keynes' theories, formulated to cope with periods of unemployment, low interest rates, and low inflation were appropriate for that time. They helped our system to survive.

It is unfortunate that since then, the theories of that great liberal economist have far too often been wrenched out of context and used as a justification for uncontrolled government expenditure.

Government must involve itself in the economy because there are cases in which the unfettered market fails, or does not take account of important social considerations. The most obvious case is when a monopoly exploits its position to harm other companies or the community, or where an essential community service must be provided by government as no entrepreneur would be prepared to fill that need.

In other cases, the government's rôle is to make sure that in commercial arrangements, the interests of the general community and employees are adequately protected. Hence the need for industrial laws, environment and packaging laws.

Beyond this, there is a vastly increased expectation of government action in all areas of social life. Politicians have themselves fostered these expectations by bidding for support through promises of greater government action. They have raised the community's expectations without always pointing out that increased activity must be paid for either in much higher taxes, or in much higher inflation, or much greater regulation and a larger and larger public sector. Of course, it's always difficult to gauge opinion about the desirable size of the public sector.

When people are asked they generally say they will settle for more government spending and less taxation. I was reminded of this by the recent White House conference on balanced national growth and economic development. The conference ended with a call for less government interference. At the same time however, the five hundred participants called for incentives to create new jobs, total Federal financing of welfare and medic-aid, and more Federal funds for deprived areas.

Clearly, it is not only politicians who have the happy knack of holding two conflicting views at the same time. There will always be vocal groups pressing for more expenditure of other people's taxes in their own particular areas of interest. But in the last few years it has become perfectly clear that Australians have had enough of Governments that grow bigger at the public expense, and I take great heart at the general support shown for the Government's policy of overall restraint and its provision of tax cuts.

The question of electoral popularity aside, I am convinced that our policies of restraint and transferring more of the nation's resources from government to people are right for Australia. Each one of you in this room knows why this Government seeks to transfer more of our country's resources back to private enterprise. You know what we stand for: the elimination of unnecessary government interference, and a creative involvement to provide the best conditions for business profitability, employment opportunities, job satisfaction and consumer satisfaction.

It is obviously not possible tonight to discuss all the ways in which government decisions affect business. Clearly almost every government decision has its effect on the private sector, particularly decisions on such matters as interest rates, the exchange rate, taxation and so on. But the Government's specific policies for industry fall into two broad groups.

There are those regulating the business community to ensure fair competition and protect the public interest, and there are those that provide incentives for industry. I am well aware that the first group of regulatory policies often cause inconvenience and irritation, and according to a recent survey, significant costs to businessmen. But, I believe that few businessmen would reject totally the need for some sort of regulation. The regulating of banking, insurance, aviation, foreign investment and unfair trade practices are all essential to protect businessmen, employees, consumers and the general public. In the same way, I firmly believe that a comprehensive cooperative scheme with the States to regulate company law and the securities industry, and which is uniform throughout Australia, must have a high priority.

The impartial regulation of business activities need not be seen as purely restrictive. On the contrary, properly devised regulation expands areas of freedom. By establishing rules of fair behaviour, the strongest are debarred from abusing their position in an anti-social fashion, harmful to other businessmen and to the community at large. I do not suggest that all Commonwealth regulatory procedures measure up to this ideal. I do not imagine many here would think so either, but it is the Government's objective to make them measure up.

Since coming to office, we have been undertaking a systematic review of such procedures, and in many cases unwarranted and harmful restrictions have been lifted. The Trade Practices legislation has been simplified to reduce business uncertainty and to streamline its operations. We have limited the number of businesses covered by the Prices Justification Tribunal, provided wider grounds for exemptions, and have markedly reduced the emphasis on compulsory prices justification. The emphasis is now on selective prices surveillance in areas of apparent monopoly, and in particular industries where consumers or producers claim to suffer under inequitable pricing practices. The role of the PJT continues to be under review.

We are also studying, as a matter of urgency, all those matters which might inhibit foreign investment in Australia.

The other side of the coin is the Government's many incentives to industry. In the past such assistance has overwhelmingly comprised tariffs and other trade protection devices. This form of assistance is inevitable in Australia with its small domestic market and great distance from export markets. There are definite limitations on the rate at which changes in this area can be effected, particularly during periods of economic difficulty and unemployment, and governments must help formulate a coordinated approach for longer-term development of industry.

Apart from tariffs and bounties, the government provides incentives to a wide range of activities which it believes must be encouraged in the national interest. We provide, for example, an investment allowance, tax incentives for oil and mineral exploration to protect our energy supplies, and assistance to encourage decentralisation.

These policies also are continually under review to ensure that they are justified and cost effective. For example, legislation will be introduced to promote exports by establishing an effective export incentive scheme, and an Australian Overseas Projects Corporation to help Australian exporters compete for large scale development projects overseas.

Incentives to promote industrial research and development are also under urgent review. This is a field of vital importance to our long-term future. Australia has the potential to be the technological leader and supplier for our entire region. But for this potential to be realised, more emphasis must be given to developing more original and innovative technology of our own.

These two groups of policies for industry - regulation and incentives - are complementary, and are both equally essential for the health and vigour of our economy. I should say that from time to time I receive unkind remarks about our regulatory policies. But businessmen are even handed in these matters - they rarely say no to our incentives.

Our policies on the role of government in the economy - and the relationship between government and the private sector stem from the strongest possible philosophical commitment to the fundamental role of private enterprise in our society.

In all these policy areas, the government seeks the fullest consultation with industry leaders, and in this respect we receive most practical and useful views from this Institute. Governments of themselves can only strive to create the conditions in which the creative energies of the private sector can find their fullest expression. It is only if the private sector recognises and takes these opportunities that we can confidently look forward to a return to full economic health.
