



# PRIME MINISTER

FOR MEDIA

FRIDAY, 9 OCTOBER 1981

ADDRESS TO SYDNEY CHAMBER OF COMMERCE,  
MENZIES HOTEL, SYDNEY

Organisations such as the Sydney Chamber of Commerce with strong traditions of support for the free enterprise system have a significant role in maintaining the freedom and prosperity that Australians can so easily take for granted. I am very pleased to be here tonight and I want to discuss the Government's economic approach and also take a look at some wider aspects of the market economy and the free society. But first, let me emphasise something we must never forget or take lightly - that freedom needs to be defended at home as well as abroad and that freedom is the only way to secure prosperity, and the way of life that Australians want.

This is why chambers of commerce are so important. Some people might say that the defence of freedom in commercial life by chambers of commerce gives expression to their members' commercial interests. No doubt it does. But it also plays an important role in preserving political democracy, for I know of no free state which has survived without a significant measure of freedom in economic life. There is an important message here for politicians too, because so many politicians fall into the trap of thinking they know best when in fact the regulations and restrictions they seek to impose, the boards and bureaucracy they set up, are often utterly counter-productive.

Excessive regulation has been one of the West's great problems in recent decades. It shackles trade, and ultimately destroys freedom and it must never be allowed to regain a grip in Australia. There have never been many free states in this world, and there are few enough now. There are fewer still with the level of economic buoyancy and prospects which Australia is currently achieving or with the confidence and dynamism that are so plain to see in our private sector. So while we need to be watchful, Australia also has cause to be proud of its achievements.

Nearly 300,000 new private sector jobs were created in the two years to June, and the unemployment rate throughout this year, on a month on month basis, has been the lowest for four years and this includes the September figure released yesterday. Let me add that there is no doubt whatever that if it was not for the enormous degree of industrial unrest this year and the absurd wage claims that are being made, the unemployment position would be a great deal better than it is.

Australia's inflation rate is continuing below the O.E.C.D. average and confidence is obvious in the widespread investment in the mining and manufacturing industries that is now taking place.

The latest figures show that retail sales were up by 14% in the year to August and the latest survey indicates that private investment in 1981-82 is expected to increase by 32% which will be a massive increase indeed especially following last year's comparable increase, which was the highest for 30 years.

The benefits to the whole community from last year's growth are also worth underlining because the increase in average weekly earnings of more than 4% in real terms during 1980-81 has meant an aggregate increase in real disposable household income of \$2.7 billion after tax.

I want to say two things about this increase. One is that our policies are aimed precisely at making possible improvements in the standards of living of Australia's families and while living standards of some people need direct protection through the Budget, most Australians should be looking to a healthy economy for real improvements.

But at the same time it is crucial that increases in incomes reflect real improvements in productivity; otherwise they will be short-lived and will undermine the capacity of the economy to grow in the future. I don't need to say to you that economic success of the kind Australia has achieved does not come about by chance, especially in times of sluggish world trade.

Good economic management is a discipline which calls for deliberate and determined policies. And by the same token, sustained economic success and prosperity will continue to depend upon constant attention by the Government to economic management. Obviously no government policy can be a substitute for the drive of individual initiative and private enterprise. But a sound and responsible economic policy, which gives proper weight and balance to every economic factor, to monetary as well as fiscal policy, to foreign exchange and the balance of payments, to the requirements of a strong manufacturing sector as well as the needs of resource development and thriving primary industries - a policy which has the full weight and conviction of the government behind it - is indispensable to economic success.

The Government has been in the forefront in attacking the basic causes of the economic downturn which still plagues so much of the industrialised world, and our consistent approach has been based on the view that sustained prosperity requires lower inflation, less government spending, less bureaucracy, and a private sector which can compete efficiently in world markets.

We have stuck to the task with urgency and purpose and a landmark in this year's budget is the virtual elimination of the deficit. The \$3.5 billion deficit which the Government inherited which would have been even higher without the expenditure reductions which we made as soon as we came to office would now be almost \$7.5 billion if we had persisted with deficit financing at the previous government's rate of almost 5 per cent of G.D.P.

The Government has consistently rejected deficit financing as totally inappropriate for Australia's circumstances through the 1970's and into the 1980's, for these circumstances are quite different from those which existed in the 1930's, as Keynes himself would unquestionably have recognised. Deficit financing is nothing more than a way of making the future pay for the spending schemes of the past, either through inflation, or through higher taxes, or both. Deficit financing encourages expectations that are unreal and it means dishonesty about the real level of taxation. With the deficit virtually eliminated in this year's Budget, we will have greater freedom in future budgets and obviously an enhanced potential for tax cuts.

The Government has got rid of the massive Labor deficit partly by an honest approach to taxation and partly by rigorous restraint on its spending. We have worked at the problem from both ends.

Our more honest approach to taxation, which has involved lifting Commonwealth revenue by 2.4 percentage points as a proportion of Gross Domestic Product, has gone into getting rid of the deficit. The Government's view has been that our children should not have to pay the costs of the Government programmes of today. I reject utterly any claim that this is a high tax approach. It plainly is not. And if we look at the sales tax increases and the Government's objectives in connection with them, objectives of deficit elimination, of reduced pressure on interest rates, of a better balance in the tax mix, and of enhanced potential for personal income tax reductions, the Government's overriding concern with reducing the burden on the community of taxation and of the high costs of government is again apparent.

But it is expenditure restraint which has been the major ingredient of this Government's approach to getting rid of the deficit and to making room for the private sector growth on which the future prosperity of Australia so fundamentally depends. In 1975-76, the Commonwealth Government spent over 30 cents of every dollar that Australia produced. In 1981-82, the Commonwealth Government will be spending 2½ cents less than in 1975-76 of every dollar produced in Australia. This reduction, which would be nearly 3 cents but for the extra payday which comes at twelve year intervals, means that the Government will be spending \$3.7 billion less than if the 1975-76 proportion had, in fact, continued. If this economy can keep growing and if at the same time real growth in budget outlays can be held down, the consequences, especially in terms of an enhanced potential for income tax reductions, and of further reductions in the cents of each dollar spent by governments, must be obvious to everyone.

The average real growth in budget outlays between 1975-76 and 1980-81 has in fact been 1.2% and when that is placed against the demands on the budget of increased defence expenditure, of an aging population, and of our commitment to increased allocations in priority areas of need, our expenditure restraint is impressive by any standards.

A comparison with the performance of other countries who have shared our objective of restraint shows that while Britain has matched Australia's achievement, the Australian figure of 1.2% stands in stark contrast to the comparable figures of nearly 3 per cent for West Germany, about 5 per cent for the United States of America, and over 10 per cent for Japan.

The Government's steady progress in reducing its expenditure requirements has resulted from a resolute commitment to the cause of restraint and more limited government and from consistency in its basic economic approach.

But while a sound economy requires a consistent policy approach there is also need for flexibility - for flexibility permits better management of the changes that must inevitably take place in matters such as interest and exchange rates, in expenditure priorities, in aspects of taxation and indeed in levels and forms of protection. We have recognised that change is better made in small steps as illustrated by our handling of exchange rates and better introduced progressively and gradually as illustrated in our handling of protection.

Australians also need to recognise that we live in an inter-dependent world which is a major reason for us to be concerned about the needs of the developing countries. More than 40% of the United States trade is with the developing countries, and in the case of Japan, the figure is more than 50%. Something like one quarter of the entire trade of the West is with developing countries, and this means that hundreds of thousands of jobs in Western countries would disappear if this trade were to cease, whether through instability, or through an inability on the part of developing countries to continue to import Western goods.

This issue, which was highlighted during the Commonwealth Meeting, is of vast importance to Australia. And when we realise that exports from developed to developing countries increased by over 25% on average in each of the years between 1973 and 1978, it is very plain indeed that our continuing trade with these countries must depend on their capacity to build up their economies and increase their exports - and one of the problems is that the imports of developed from developing countries have only been growing by 10%.

The world must develop the will to confront problems such as these head on, just as we in Australia have attempted to tackle the particular economic problems which we have experienced over recent years.

But while I have stressed the importance of economic policy, it is equally important to realise that economic management is not an end in itself. In fact, by providing the preconditions for so many other individual and community aspirations, economic success inevitably calls for broader policies covering every sphere of governmental concern.

And I believe that people have responded with tremendous enthusiasm to the encouragement and efforts that have been made to enable all Australians to feel they are a vital part of a vibrant, diverse and unified society and I think we are entitled to pride ourselves on the fact that our self-confidence as a nation has been so widely noticed by so many of the distinguished overseas leaders who attended the Commonwealth meeting.

Pierre Trudeau in fact went so far as to say that some words of his predecessors, namely that the twentieth century belongs to Canada, have been translated into "Australian", because, as Trudeau himself put it, these words have a real meaning here in Australia "because this country, with its tremendous economic potential, with its exciting technological and natural resources, with its intense and vibrant culture, seems to be very much part of the definition and formulation of the twentieth century as it's meant to be".

I have picked out Trudeau's particular words, but lots of other leaders and journalists said very similar things.

Let me just say that whatever the twentieth century may be for the rest of the world, this kind of vision of an intense and vibrant culture, flourishing in a free and prospering society, is certainly my vision of Australia through the twentieth and into the twenty-first century. We must look far ahead, because we have so much going for us in this country, because we have so much to offer other countries by way of inspiration and example as well as in other ways, and because we owe it to our children to keep building the kind of Australia in which there will be opportunities and freedom in a secure and stable environment.

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