

ADDRESS BY THE PRIME MINISTER, HON R.J. HAWKE, AC, MP,
TO THE NATIONAL PRESS CLUB, CANBERRA

27 JUNE 1983

THE PRESIDENT'S INVITATION TO ADDRESS THE CLUB ON THIS OCCASION WAS PUT IN TERMS OF THE FIRST HUNDRED DAYS OF THE NEW GOVERNMENT.

BUT ANYTHING I HAVE TO SAY ABOUT THE WORK OF THE FIRST HUNDRED DAYS SHOULD BE PLACED FIRMLY IN THE CONTEXT OF THE FIRST THOUSAND DAYS - THAT IS, THE LONGER TERM OBJECTIVES THIS LABOR GOVERNMENT SEEKS TO ACHIEVE.

BECAUSE OUR MANDATE AND OUR COMMITMENT IS NOT ABOUT SOME SUPERFICIAL FLURRY OF ACTIVITY IN THE SHORT TERM.

IT IS A LONG TERM COMMITMENT TO RESTORING GROWTH TO OUR NATION'S ECONOMY, A COMMITMENT TO INCREASING EMPLOYMENT, TO TURNING THE TIDE OF UNEMPLOYMENT, AND A COMMITMENT TO ENSURING BOTH THAT THE BENEFITS OF RECOVERY ARE FAIRLY SHARED AND THAT THEY ARE NOT LOST IN A NEW BOUT OF INFLATION.

IT IS A COMMITMENT INTERNATIONALLY TO THE PURSUIT OF AN INDEPENDENT, REALISTIC, CONSTRUCTIVE AND COHERENT FOREIGN POLICY WITHIN THE FRAMEWORK OF OUR POSITION AS AN ALIGNED NATION.

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AND ABOVE ALL, IT IS A COMMITMENT -
AN UNSHAKEABLE COMMITMENT - TO THE PURSUIT OF THE GREAT
LABOR PRINCIPLES OF SOCIAL JUSTICE, SOCIAL, POLITICAL AND
ECONOMIC EQUITY, EQUALITY OF OPPORTUNITY, AND IN TIMES
OF CRISIS LIKE THE PRESENT, EQUALITY OF SACRIFICE.

AND ALL THAT WE HAVE DONE IN THIS FIRST
HUNDRED DAYS, HAS BEEN DIRECTED TO THE LAYING OF THE FIRM
FOUNDATIONS AND MAKING THE RIGHT DECISIONS, TO ENABLE
THOSE COMMITMENTS TO BE FULFILLED IN THE NEXT THOUSAND DAYS,
AND BEYOND.

AND JUST AS OUR WORK SINCE THE FIFTH OF MARCH
MUST BE PLACED IN THE FORWARD CONTEXT OF THE MONTHS AND
YEARS TO COME, EQUALLY IT HAS TO BE JUDGED IN RELATION TO
ALL THAT HAD HAPPENED IN THE MONTHS AND YEARS BEFORE -
IN TERMS OF OUR GRIM INHERITANCE OF AUSTRALIA'S WORST
ECONOMIC CRISIS FOR FIFTY YEARS.

WE DIDN'T START WITH A CLEAN SLATE ON THE
FIFTH OF MARCH, OR THE ELEVENTH OF MARCH WHEN WE WERE
SWORN IN. ON THE CONTRARY, WE INHERITED THE WORST
UNEMPLOYMENT, THE HIGHEST INTEREST RATES, ALMOST THE
HIGHEST INFLATION ON RECORD, AND A GROSSLY IRRESPONSIBLE
FISCAL SITUATION, AS REFLECTED IN THE PROJECTED BUDGET
DEFICIT FOR 1983-84.

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AND TO IGNORE THESE REALITIES - THE REALITIES OF THE PROBLEMS WE HAVE INHERITED, THE REALITIES WHICH WERE CONCEALED FROM THE PUBLIC BY OUR PREDECESSORS BEFORE AND DURING THE ELECTION CAMPAIGN, AND THE REALITIES OF THE DIMENSIONS OF THE TASK AHEAD - WOULD NOT ONLY HAVE JEOPARDISED AUSTRALIA'S CHANCES OF OVERCOMING ITS PROBLEMS, BUT WOULD HAVE COMPLETELY UNDERMINED OUR CAPACITY TO IMPLEMENT ANY OF THE MAJOR SOCIAL AND ECONOMIC REFORMS TO WHICH WE OF THE LABOR PARTY AND MOVEMENT, AND CERTAINLY THIS LABOR GOVERNMENT, ARE SO DEEPLY COMMITTED.

IN STRESSING THE BURDEN OF THE LIBERAL LEGACY AND THE CONSTRAINTS IT IMPOSES ON OUR DECISIONS, I DO NOT SEEK IN ANY WAY TO RETREAT FROM THE BASIC COMMITMENTS I MADE ON BEHALF OF THE AUSTRALIAN LABOR PARTY FOUR MONTHS AGO. ON THE CONTRARY, THE VERY SIZE OF THE PROBLEM, AS REVEALED WHEN WE TOOK OFFICE, MAKES ALL THE MORE URGENT AND RELEVANT OUR CALL FOR NEW DIRECTIONS, NEW ATTITUDES AND NEW POLICIES - AS ENCAPSULATED IN OUR THEME OF NATIONAL RECONCILIATION, NATIONAL RECOVERY AND NATIONAL RECONSTRUCTION.

BUT, IN ESTABLISHING OUR NEW DIRECTIONS, WE HAVE HAD TO ENSURE THAT THE PROCESSES OF CHANGE AND REFORM ARE NOT DISRUPTIVE AND INDEED, COUNTERPRODUCTIVE.

THAT WAS ONE OF THE FUNDAMENTAL CONCEPTS BEHIND THE NATIONAL ECONOMIC SUMMIT CONFERENCE - THE FIRST GREAT STEP THAT SIGNALLED TO THE PEOPLE OF AUSTRALIA THAT UNDER OUR GOVERNMENT THERE WOULD BE A NEW APPROACH, NEW POLICIES, NEW DIRECTIONS, AND A CONSENSUS FOR CHANGE AND REFORM.

BUT AS I SAID REPEATEDLY AT THE SUMMIT, POLICY CANNOT BE MADE IN A VACUUM. IN OUR SOCIETY, A REFORM GOVERNMENT LIKE OURS WILL ACHIEVE THE BEST RESULTS IF IN MOVING TO IMPLEMENT THE CHANGES OF DIRECTION INVOLVED IN OUR POLICIES - AS WE ARE - WE ALSO RECOGNISE THE ELEMENTS OF BASIC CONTINUITY WHICH CHARACTERISE OUR SOCIETY AND ITS EXPECTATIONS OF ANY GOVERNMENT.

THAT WAY, THE REFORMS ARE LIKELY TO ENDURE LONGER. SO IS THE ELECTED GOVERNMENT.

THE THEME OF CHANGE AND CONTINUITY WAS ONE I SOUGHT TO TAKE UP THROUGHOUT THE MISSION OVERSEAS FROM WHICH I AND MY COLLEAGUES, AND MANY OF YOURS, HAVE JUST RETURNED.

I WON'T TRESPASS MORE THAN NECESSARY ON YOUR QUESTION TIME BY GIVING YOU A COUNTRY-BY-COUNTRY ACCOUNT OF THE PLACES WE VISITED, OR BY SURVEYING MANKIND FROM CHINA TO PERU, WHICH WE DIDN'T VISIT.

BUT I BELIEVE THE MISSION'S OVERALL ACHIEVEMENT - AS WAS CERTAINLY ITS MAJOR PURPOSE - WAS TO ESTABLISH IN THE CAPITALS I VISITED, AND THE LEADERS WITH WHOM I SPOKE, THE PRIMACY WHICH THIS GOVERNMENT ATTACHES TO AUSTRALIA'S ROLE AND RELATIONS IN THIS REGION IN WHICH WE ARE PLACED FOREVER - THE WESTERN PACIFIC REGION - THE FASTEST-GROWING ECONOMIC REGION IN THE WORLD.

EVEN, OR RATHER ESPECIALLY, IN THE UNITED STATES WITH WHICH WE HAVE BILATERAL RELATIONS AND INTERESTS OF SUCH FUNDAMENTAL IMPORTANCE, I SOUGHT TO GIVE THIS FOCUS AND PRIMARY PERSPECTIVE TO ALL MY DISCUSSIONS.

LET ME EMPHASISE TWO POINTS.

OUR RELATIONS WITH THE UNITED STATES, WITH ITS MANY DIMENSIONS, ARE OF FUNDAMENTAL IMPORTANCE. BUT EQUALLY, I EMPHASISED THAT OUR FOREIGN POLICIES WOULD INEVITABLY HAVE DIFFERENCES OF EMPHASIS, AND AT TIMES DIFFERENCES OF VIEWS, AND THAT ON SUCH ISSUES WE WOULD PUT OUR VIEWS FRANKLY. ON SUCH ISSUES AS INDOCHINA, CHINA, JAPAN, AND CENTRAL AMERICA I DID SO, INCLUDING IN MY ADDRESS TO THE NATIONAL PRESS CLUB IN WASHINGTON.

AND SECOND, AS I PUT IT AT THE NATIONAL PRESS CLUB:

"...WE WILL PURSUE A REALISTIC AND RELEVANT FOREIGN POLICY, ONE WHICH RECOGNISES AND ACCEPTS THE CONSTRAINTS ON OUR CAPABILITY, AND THE LIMITATIONS OF OUR INFLUENCE. THAT MEANS, TO BE REALISTIC AND RELEVANT, THE FIRST PRIORITY SHOULD BE GIVEN TO OUR RELATIONS WITH OUR NEIGHBOURS OF THE ASIAN AND PACIFIC REGION, AND TO THE MAJOR INDUSTRIALISED COUNTRIES WITH WHICH WE SHARE SIGNIFICANT RELATIONSHIPS, ESPECIALLY THE UNITED STATES AND JAPAN."

I REPEAT AND EMPHASISE THE WORDS "REALISTIC AND RELEVANT". WHAT WE HAVE ALL GOT TO REALISE IS THAT OUR CONDUCT NOW, IN OUR RELATIONS WITH OUR NEIGHBOURHOOD, WILL DETERMINE OUR ROLE IN OUR REGION FOR THE REST OF THIS CENTURY AND FAR BEYOND.

AND IF WE CANNOT COME TO TERMS WITH OUR OWN REGION AS A CONSTRUCTIVE AND CO-OPERATIVE NEIGHBOUR, WE WOULD BE CONDEMNING OURSELVES TO THE WORST OF ALL POSSIBLE WORLDS. HAVING SHED OUR TRADITIONAL DEPENDENCE ON THE NORTH ATLANTIC, WE SHOULD HAVE FAILED TO FIND A TRULY INDEPENDENT, RELEVANT AND CONSTRUCTIVE ROLE IN THE WESTERN PACIFIC REGION TO WHICH WE BELONG.

LET ME HERE SHARE WITH YOU SOME BASIC ELEMENTS OF OUR THINKING ON THE QUESTION OF AUSTRALIA'S REGIONAL ROLE, PARTICULARLY AS THEY AFFECT OUR RELATIONS WITH INDONESIA, OUR NEAR NEIGHBOUR AND THE FIFTH MOST POPULOUS NATION ON EARTH.

WE HAVE A SPECIAL RESPONSIBILITY FOR PAPUA NEW GUINEA - NONE MORE SO THAN A LABOR GOVERNMENT. THERE CAN BE NO FOUNDATION FOR SOUND RELATIONS BETWEEN PAPUA NEW GUINEA AND INDONESIA UNLESS THERE ARE SOUND RELATIONS BETWEEN AUSTRALIA AND INDONESIA.

FURTHER, OUR REGIONAL ROLE ABSOLUTELY REQUIRES THAT WE HAVE PRODUCTIVE RELATIONS WITH THE MEMBER NATIONS OF ASEAN - ONE OF THE WORLD'S MOST VALUABLE, SUCCESSFUL AND VIABLE REGIONAL GROUPINGS. PRODUCTIVE RELATIONS WITH ASEAN ARE AN UTTER IMPOSSIBILITY WITHOUT SOUND RELATIONS WITH ITS MOST POWERFUL MEMBER.

WITHOUT SUCH RELATIONS, WE CAN HAVE NO INFLUENCE WHATSOEVER IN INDOCHINA, OR EFFECTIVENESS IN TRYING TO DO WHAT WE CAN TO ALLEVIATE THE HUMAN TRAGEDY IN THAT AREA.

IN SHORT, IF AUSTRALIA CANNOT ESTABLISH CONSTRUCTIVE RELATIONS WITH ITS NEAR AND MOST POPULOUS NEIGHBOUR, THE CREDIBILITY OF ITS WHOLE FOREIGN POLICY WOULD BE SERIOUSLY DIMINISHED.

THIS IS THE REALITY; AND IT IS THAT SENSE OF REALISM WHICH I SEEK TO ESTABLISH FOR AUSTRALIA BOTH AT HOME AND ABROAD.

BUT WHEN I SAY REALISM, I AM NOT ADVOCATING SOME SORT OF REALPOLITIK.

NO-ONE IS BEING ASKED TO SACRIFICE ANY FUNDAMENTAL PRINCIPLE.

BUT REALISM IS JUST ANOTHER WORD FOR LACK OF HYPOCRISY AND HUMBUG.

IN THE WHOLE FIELD OF OUR INTERNATIONAL RELATIONSHIPS, I WANT AUSTRALIAN POLICY TO BE FREE OF THE HYPOCRISY OF THE PAST, ESPECIALLY THE PAST SEVEN YEARS - THE SORT OF HYPOCRISY WHICH CHARACTERISED PREVIOUS LIBERAL GOVERNMENTS' CONDUCT OVER AFGHANISTAN AND THE SOVIET UNION, VIETNAM, AND, AT AN EARLIER PERIOD OF OUR HISTORY, THE PEOPLES REPUBLIC OF CHINA AND WEST IRIAN.

TRUE IT IS THAT THOSE WHO FORGET THE LESSONS AND ERRORS OF HISTORY ARE CONDEMNED TO REPEAT THEM.

AND IT IS AN ERROR FOR A GOVERNMENT IN FOREIGN POLICY MAKING, TO LOSE SIGHT OF THE ULTIMATE OBJECTIVES, OR, IN PURSUIT OF A DOCTRINE, TO FORGET WHAT IS ACTUALLY SOUGHT TO BE ACHIEVED. AND THE OBJECTIVES SET MUST BE REALISTIC AND ATTAINABLE.

FOR EXAMPLE, WHAT WE ARE ULTIMATELY CONCERNED WITH IN EAST TIMOR IS THE HUMANITARIAN INTERESTS OF THE PEOPLE OF THAT AREA.

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WE SINCERELY HOPE THAT THE CURRENT DISCUSSIONS BETWEEN THE INDONESIAN AUTHORITIES AND FRETILIN, WHICH HAVE ONLY NOW BEEN REPORTED PUBLICLY, WILL FURTHER IMPROVE THE SITUATION IN EAST TIMOR.

ON VIETNAM, WE WANT TO ENCOURAGE THAT COUNTRY TO PARTICIPATE IN THE MAINSTREAM OF THE LIFE OF THE REGION AND RETURN FROM ISOLATED DEPENDENCE ON THE SOVIET UNION, INTO THE COMMUNITY OF NATIONS.

AND WE WANT TO HELP BRING AN END TO THE SUFFERING AND HUMAN TRAGEDY IN CAMBODIA.

THESE ARE THE OBJECTIVES OF THE AUSTRALIAN LABOR PARTY. THERE WILL BE NO ABROGATION OF THEM.

AND BEYOND THE SPECIFIC CONCERNS OF OUR NEIGHBOURHOOD AND REGION, THERE IS A ROLE WE CAN PLAY AND SHOULD PLAY IN THE GREAT UNIVERSAL QUESTIONS - ARMS CONTROL AND DISARMAMENT - AND THE ULTIMATE QUESTION OF THE SURVIVAL OF HUMANITY.

I MADE IT VERY CLEAR IN PARIS AND WASHINGTON THAT THIS GOVERNMENT UNEQUIVOCALLY OPPOSES FRENCH NUCLEAR TESTING IN THE SOUTH PACIFIC.

ON THE QUESTION OF THE SOUTH WEST PACIFIC NUCLEAR FREE ZONE, WHICH I RAISED IN WASHINGTON, I CAN SAY THAT, WHILE IT IS AN INITIATIVE THAT THE UNITED STATES WOULD NOT TAKE ITSELF, THEY UNDERSTAND IT, AND RECOGNISE THAT OUR PROMOTION OF THE PROPOSAL IS COMPATIBLE WITH OUR MUTUAL OBLIGATIONS UNDER ANZUS.

BUT AGAIN, IT HAS TO BE RECOGNISED THAT IF AUSTRALIA IS TO BE EFFECTIVE IN MATTERS OF GLOBAL IMPORTANCE LIKE THESE, THEN WE MUST FIRST HAVE CREDIBILITY IN OUR OWN REGION.

I REPEAT: THERE IS TO BE NO SACRIFICE OF PRINCIPLE - BUT THE FOREIGN POLICY OF THIS GOVERNMENT WILL BE BASED ON REALISM AND RELEVANCE.

AND IT WAS IN THAT CONTEXT THAT I SOUGHT TO PLACE AUSTRALIA'S INTERNATIONAL ROLE UNDER THE NEW GOVERNMENT THROUGHOUT MY MISSION.

ANOTHER THEME I EXPRESSED WAS THE THEME OF INTERDEPENDENCE - THE BASIC INTERDEPENDENCE OF THE NATIONS, THEIR ECONOMIES AND THEIR SOCIETIES.

THAT THEME, AGAIN, I WAS INTENT TO RELATE TO OUR OWN REGION AND AUSTRALIA'S ROLE IN IT.

ONE IMPORTANT CONCLUSION FROM ALL MY DISCUSSIONS - FROM PORT MORESBY TO HONOLULU - WAS THAT THE INTERNATIONAL ECONOMIC PROBLEMS WHICH ARE MOST DAMAGING TO THE DEVELOPING COUNTRIES ARE PRECISELY THE SAME PROBLEMS MOST DAMAGING TO US ALL: PROLONGED INTERNATIONAL RECESSION; AND PARTLY AS A CAUSE OF RECESSION AND PARTLY AS A PROBLEM IN ITSELF FOR COUNTRIES WITH FOREIGN DEBT TO SERVICE, HIGH REAL INTEREST RATES.

NONE OF THE ADVANCED INDUSTRIAL COUNTRIES HAS FELT THESE PROBLEMS MORE ACUTELY THAN FRANCE. THE FRENCH EXPERIENCE IS INSTRUCTIVE.

FRANCE VIGOROUSLY IMPLEMENTED HIGHLY EXPANSIONARY ECONOMIC POLICIES WHEN THE REST OF THE WORLD WAS IN RECESSION. THERE WAS A MARGINAL AND TEMPORARY IMPROVEMENT IN GROWTH AND EMPLOYMENT. BUT SOON THERE WAS A MASSIVE CRISIS IN THE BALANCE OF PAYMENTS, WHICH HAS REQUIRED THE SUDDEN IMPOSITION OF CONTRACTIONARY POLICIES, WITH A SHARP RISE IN UNEMPLOYMENT. THE PRICE - AND THE INITIAL BENEFIT - WAS UNSUSTAINABLE.

I BELIEVE THAT THE FRENCH SOCIALIST GOVERNMENT, THROUGH ITS CURRENT ECONOMIC PROGRAM, WILL GET ON TOP OF ITS DIFFICULTIES. WE SHOULD DRAW THE RIGHT LESSONS FROM THE FRENCH EXPERIENCE. WE NEED NOT AND WILL NOT RETREAT FROM THE USE OF EXPANSIONARY FISCAL POLICIES AS PART OF OUR RESPONSE TO RECESSION. BUT THE EXPANSION MUST BE CAREFULLY CALCULATED, TO LIMIT PRESSURES ON FINANCIAL MARKETS AND THE BALANCE OF PAYMENTS. OTHERWISE ANY SHORT-TERM GAIN WILL BE WORSE THAN LOST.

AND THE DEGREE OF FISCAL EXPANSION WE PROPOSE CAN ONLY BE EFFECTIVE IF OUR PRICES AND INCOMES POLICY IS SUCCESSFUL.

ECONOMIC ISSUES WERE A MAJOR FOCUS OF THE VISIT TO THE UNITED STATES, WHERE I WAS JOINED BY THE TREASURER. IN OPEN AND INFORMATIVE DISCUSSIONS WITH KEY ECONOMIC OFFICIALS AND BUSINESS LEADERS WE WERE ABLE TO ASSESS THE PROSPECTS OF RECOVERY IN THE UNITED STATES AND ALSO EXPLAIN OUR APPROACH TO MANAGEMENT OF THE AUSTRALIAN ECONOMY. THE ECONOMIC NEWS WE RECEIVED IN THE U.S. WAS VERY POSITIVE FOR THE IMMEDIATE FUTURE.

THE RECOVERY IN THE U.S. WHICH FINALLY GOT UNDER WAY JUST BEFORE THE TURN OF LAST YEAR HAS GATHERED STRENGTH MUCH MORE RAPIDLY THAN MOST OBSERVERS IN THE U.S. OR AUSTRALIA ANTICIPATED.

THIS HAS SINCE BEEN CONFIRMED BY THE U.S. DEPARTMENT OF COMMERCE WITH THE ISSUE OF A PRELIMINARY ESTIMATE THAT REAL GNP WILL GROW AT AN ANNUAL RATE OF 6.6 PERCENT IN THE JUNE QUARTER FOLLOWING A RISE OF 2.6 PERCENT IN THE MARCH QUARTER.

THERE IS GROWING CONFIDENCE THAT THE RECOVERY WILL BROADEN AND CONTINUE INTO 1984.

NONETHELESS, THERE IS THE NEED FOR A CAVEAT OR TWO.

THERE ARE ALREADY SOME SIGNS OF EMERGING PRESSURES ON INTEREST RATES.

TO AN EXTENT, THIS IS TO BE EXPECTED IN THE COURSE OF AN ECONOMIC RECOVERY, PARTICULARLY ONE AS SHARP AS THAT APPARENT IN THE U.S.; AND CERTAINLY THE U.S. ECONOMY IS BETTER PLACED TO HANDLE INTEREST RATE INCREASES NOW THAN IT HAS BEEN FOR SOME TIME.

BUT THERE IS SOME RISK THAT WITHOUT CHANGES IN UNITED STATES FISCAL POLICY, LARGE INCREASES IN INTEREST RATES MIGHT THREATEN RECOVERY IN THE COURSE OF 1984. PRESIDENT MITTERRAND, PRIME MINISTER TRUDEAU AND THE CHAIRMAN OF THE FEDERAL RESERVE BANK, PAUL VOLCKER, ALL EMPHASISED THAT RECOVERY IN OTHER COUNTRIES WAS MORE VULNERABLE TO INTEREST RATE PRESSURES DERIVING FROM UNITED STATES BUDGET DEFICITS THAN WAS UNITED STATES RECOVERY ITSELF.

OUR OWN VIEW, WHICH I EXPRESSED PUBLICLY AT THE FOREIGN POLICY ASSOCIATION IN NEW YORK, IS THAT FINANCIAL PRESSURES ASSOCIATED WITH LARGE STRUCTURAL BUDGET DEFICITS DO REPRESENT A THREAT TO WORLDWIDE ECONOMIC RECOVERY IN THE ONE OR TWO YEARS AHEAD. HOWEVER, WE SEE RESPONSIBILITY FOR THE CORRECTION OF THIS PROBLEM AS LYING WITH THE WHOLE INTERNATIONAL COMMUNITY, AND NOT WITH THE UNITED STATES ALONE.

LET ME TURN NOW TO THE IMPLICATIONS OF THESE DEVELOPMENTS FOR THE AUSTRALIAN ECONOMY.

A SUSTAINED U.S. RECOVERY, PARTICULARLY IF IT IS REINFORCED BY THE PICK UP IN ACTIVITY NOW EXPECTED IN A NUMBER OF OTHER INDUSTRIAL COUNTRIES, WILL OF COURSE PROVIDE A BOOST TO WORLD TRADE VOLUMES, COMMODITY PRICES AND, ULTIMATELY, FOREIGN INVESTMENT FLOWS.

THAT EVENTUALLY SHOULD PROVIDE SOME ADDITIONAL DIRECT STIMULUS TO THE AUSTRALIAN ECONOMY, PRINCIPALLY BY WAY OF STRONGER DEMAND FOR OUR EXPORTS AND REDUCED EXTERNAL PRESSURE ON OUR IMPORT COMPETING SECTORS.

IN THE COURSE OF 1983-84, IT CAN BE EXPECTED TO CONTRIBUTE TO THE INCREASE IN ECONOMIC ACTIVITY AND EMPLOYMENT ASSOCIATED WITH OUR EXPANSIONARY FISCAL POLICIES, THE ENDING OF THE DROUGHT AND THE IMPROVEMENT IN CONSUMER AND BUSINESS CONFIDENCE APPARENT SINCE THE SUMMIT.

ALL THIS STRENGTHENS OUR VIEW THAT THE FINANCIAL YEAR WHICH BEGINS THIS WEEK WILL MARK A DECISIVE WATERSHED BETWEEN PAST YEARS OF STAGNATION AND FUTURE YEARS OF GROWTH IN THE AUSTRALIAN ECONOMY.

IT CONFIRMS OUR CONFIDENCE THAT WE ARE WELL ON TRACK TOWARDS ACHIEVING OUR KEY ELECTION COMMITMENTS TO ARREST THE EXPLOSION IN UNEMPLOYMENT; THEN TO REDUCE THE RATE OF UNEMPLOYMENT OVER THE LIFE OF OUR FIRST GOVERNMENT; AND ALONG THE WAY, TO CREATE HALF A MILLION NEW JOBS OVER THE NEXT THREE YEARS.

IN AUSTRALIA, AS IN THE WORLD AS A WHOLE, THE BIG QUESTION IS WHETHER GROWTH CAN BE SUSTAINED FOR THE LONG PERIOD NECESSARY TO RESTORE ACCEPTABLE LEVELS OF EMPLOYMENT.

OUR PRIVATE INVESTMENT NEXT YEAR IS EXPECTED TO REPRESENT ONLY ABOUT 13.4 PERCENT OF GDP. THAT'S MORE THAN ONE PERCENTAGE POINT BELOW THE AVERAGE OF THE LAST DECADE. THIS HELPS US TO RUN LARGER FISCAL DEFICITS THAN NORMAL WITHOUT PLACING UNDUE PRESSURES ON FINANCIAL MARKETS. WE HAVE INDICATED THAT WE HAVE BEEN PREPARED TO CONSIDER A DEFICIT TO ABOUT \$8.5 BILLION IN 1983-84. THIS WOULD REPRESENT ABOUT 5 PERCENT OF GDP, WHICH WOULD BE THE HIGHEST RATIO EVER. THIS HIGH LEVEL OF COMMONWEALTH BORROWING WOULD COINCIDE WITH UNUSUALLY HIGH LEVELS OF BORROWING BY THE STATES AND OTHER PUBLIC AUTHORITIES.

WE BELIEVE THAT EXPANSIONARY FISCAL POLICY ALONG THESE LINES CAN BE CONTEMPLATED WITHOUT DISASTROUS CONSEQUENCES IN FINANCIAL MARKETS WHILE PRIVATE INVESTMENT REMAINS SO LOW. BUT THE BUILDING OF STRONG AND DURABLE RECOVERY - THE SORT OF SUSTAINED RECOVERY THAT WILL DELIVER HALF A MILLION NEW JOBS OVER THREE YEARS IN AUSTRALIA - WILL REQUIRE THE RESTORATION OF HIGH LEVELS OF PRIVATE INVESTMENT. THAT GROWTH WILL BE DIFFICULT TO ACHIEVE

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IF THERE ARE FURTHER INCREASES IN REAL INTEREST RATES; AND THIS WILL OCCUR IF BUDGET DEFICITS REMAIN AT PRESENT LEVELS AS PRIVATE INVESTMENT STRENGTHENS IN RECOVERY. THUS WE BELIEVE THAT SUBSTANTIAL FISCAL STIMULUS IN THE NEAR FUTURE MUST BE ACCOMPANIED BY MEASURES TO HAUL IN THE STRUCTURAL BUDGET DEFICIT AS RECOVERY PROCEEDS IN THE YEARS AHEAD.

AUSTRALIA WILL BE AFFECTED BY PRESSURES IN INTERNATIONAL FINANCIAL MARKETS, WHATEVER HAPPENS AT HOME. AUSTRALIAN REAL INTEREST RATES WILL TEND TO RISE IF UNITED STATES REAL INTEREST RATES RISE. BUT CONDITIONS WITHIN OUR OWN FINANCIAL MARKETS CAN EXACERBATE OR AMELIORATE THE PRESSURES COMING FROM OVERSEAS. GIVEN THE CONSIDERABLE PROSPECT THAT INTERNATIONAL DEVELOPMENTS WILL EXERT UPWARD PRESSURE ON AUSTRALIAN INTEREST RATES OVER THE NEXT ONE OR TWO YEARS, IT IS IMPORTANT THAT WE DO NOT COMPOUND THE THREAT TO THE RECOVERY OF PRIVATE INVESTMENT.

THE FISCAL STANCE THAT HAS BEEN DESCRIBED BY THE TREASURER AND MYSELF IN RECENT MONTHS IS EXPANSIONARY BY ANY REASONABLE STANDARDS. MORE RAPID FISCAL EXPANSION MIGHT POSSIBLY LEAD TO SLIGHTLY FASTER GROWTH IN ACTIVITY AND EMPLOYMENT IN THE IMMEDIATE FUTURE. BUT WE WOULD BUY THIS POSSIBLE IMPROVEMENT AT THE COST OF SUBSTANTIAL RISK TO THE DURABILITY OF RECOVERY.

WE OWE IT TO AUSTRALIANS WITHOUT JOBS -
AND WE OWE IT TO OUR COMMITMENT TO CREATE HALF A MILLION
JOBS OVER THREE YEARS - TO REMAIN WITHIN THE BOUNDS
OF RESPONSIBILITY.

I MAY SAY THAT IN EUROPE AND THE UNITED
STATES, THE TREASURER'S MAY STATEMENT WAS WIDELY SEEN
AS MAKING A MAJOR EFFORT TOWARDS REDUCING THE STRUCTURAL
BUDGET DEFICIT IN 1984-85 AND 1985-86.

BUT THE MAY STATEMENT DID MUCH MORE THAN ADDRESS
THE STRUCTURAL DEFICIT WE INHERITED. IT PUT INTO EFFECT
MEASURES DESIGNED TO REDUCE UNEMPLOYMENT AND INFLATION
SIMULTANEOUSLY. IT MADE A START TO REVERSE THE SYSTEMATIC
BIAS AGAINST LOWER-INCOME AUSTRALIANS THE FRASER YEARS
HAD INTRODUCED INTO OUR FISCAL SYSTEM. OUR ECONOMIC
CIRCUMSTANCES REQUIRE RESTRAINT; AND THE MAY STATEMENT
PLACED THAT RESTRAINT ON AUSTRALIANS WHO WERE IN A RELATIVELY
GOOD POSITION TO ACCEPT IT. THIS IS WHY WE FOUND IT NECESSARY
TO REMOVE CERTAIN BENEFITS ON HOUSING, PENSIONS AND
SUPERANNUATION FOR RELATIVELY WELL-OFF AUSTRALIANS.
IT IS WHY WE MOVED SO QUICKLY TO IMPLEMENT OUR COMMUNITY
EMPLOYMENT PROGRAM AND HOUSING POLICY. NOT ONLY WERE
WE PREPARED TO TAKE HARD DECISIONS IN THE INTERESTS OF
FINANCIAL STABILITY AND DURABLE ECONOMIC RECOVERY, BUT WE
DID THIS IN A WAY WHICH EXPRESSED LABOR'S COMMITMENT TO
SOCIAL EQUITY.

RECENTLY WE HAVE HEARD SOME EXTRAORDINARY NONSENSE ABOUT OUR FISCAL POLICIES BEING DOMINATED BY TREASURY AND INDISTINGUISHABLE FROM THOSE OF OUR PREDECESSORS. MAY I JUST POINT OUT THE DECISIVE CHANGES IN AT LEAST FOUR AREAS. FIRST, THE OVERALL STANCE OF POLICY IS CLEARLY EXPANSIONARY - UNLIKE ALL BUT THE LAST OF THE FRASER YEARS. SECOND, WE HAVE INTRODUCED FISCAL POLICY CHANGES TO REDISTRIBUTE THE BURDEN OF RESTRAINT, FROM THE NEEDY IN OUR SOCIETY, TO THOSE WHO ARE BEST ABLE TO BEAR IT. THIRD, THE TIRED OLD DOCTRINE - OR AT LEAST ITS RHETORICAL FLOURISHES - ABOUT FIGHTING INFLATION FIRST HAS BEEN REPLACED BY A GENUINE AND STRONG COMMITMENT TO FIGHTING INFLATION AND UNEMPLOYMENT SIMULTANEOUSLY. AND FOURTH, THIS GOVERNMENT MEANS WHAT IT SAYS: WHEN WE SAY THAT WE WILL HAUL BACK THE BUDGET DEFICIT IN THE COURSE OF ECONOMIC RECOVERY WE MEAN EXACTLY THAT.

THE FIRST OF THESE POINTS SHOULD BE OBVIOUS TO INTELLIGENT OBSERVERS. LAST FINANCIAL YEAR THE BUDGET DEFICIT WAS HALF A BILLION DOLLARS. ONE YEAR AGO, IN THE AUGUST BUDGET, IT WAS ESTIMATED THAT THIS FINANCIAL YEAR'S DEFICIT WOULD BE \$1.7 BILLION. THAT FIGURE HAS SINCE BLOWN OUT TO ABOUT \$4.6 BILLION. AND YET SOME PEOPLE ARGUE THAT A FURTHER INCREASE IN THE DEFICIT TO LEVELS SUGGESTED IN SCENARIO A AT THE SUMMIT, THAT IS TO \$8.5 BILLION, WOULD NOT BE EXPANSIONARY. IF THE DEFICIT WERE INCREASED TO \$8.5 BILLION NEXT YEAR, THE INCREASES OVER TWO YEARS WOULD REPRESENT ALMOST 5 PER CENT OF GDP. THIS WOULD BE AN EXTRAORDINARY SHIFT TOWARDS EXPANSIONARY POLICIES. FURTHERMORE, AROUND HALF OF THE INCREASE IN THE DEFICIT WOULD REPRESENT DISCRETIONARY ADJUSTMENTS IN FISCAL POLICY, AND NOT MERELY THE CYCLICAL EFFECTS OF RECESSION ON SOCIAL SECURITY PAYMENTS AND TAXATION RECEIPTS.

DURING THE ELECTION CAMPAIGN THE LIBERAL GOVERNMENT TOLD THE AUSTRALIAN PEOPLE THAT THE AUSTRALIAN GOVERNMENT WAS FACING A DEFICIT OF \$6 BILLION IN 1983-84. ON THAT BASIS, WE SAID THAT WE COULD SAFELY COTEMPLATE A DEFICIT OF \$7.5 BILLION. NO-ONE CONTESTED THAT THIS WOULD BE EXPANSIONARY. AS YOU KNOW, ON COMING TO OFFICE, WE RECEIVED ADVICE THAT ON UNCHANGED LIBERAL POLICIES THE DEFICIT WOULD HAVE BEEN \$9.6 BILLION IN

1983-84. THIS FIGURE REMAINS BROADLY RELEVANT DESPITE THE INEVITABLE UPWARD AND DOWNWARD ADJUSTMENTS TO THE ESTIMATES. IN RESPONSE TO THIS AND TO FURTHER ASSESSMENT OF THE ECONOMIC ENVIRONMENT, WE HAVE INDICATED THAT WE MAY SETTLE FOR A 1983-84 DEFICIT THAT IS HIGHER THAN \$7.5 BILLION. FACTS DON'T MATTER TO SOME PEOPLE. THROUGH SOME INTELLECTUAL CONTORTION, A \$7.5 BILLION DEFICIT CAN BE EXPANSIONARY IN MARCH WHILE A HIGHER DEFICIT IS CONTRACTIONARY IN APRIL.

THIS WEEK OF COURSE, WE ARE HAVING OUR FIRST PREMIERS' CONFERENCE AND LOAN COUNCIL MEETING.

FOR OUR PART, WE ARE APPROACHING THAT CONFERENCE WITH A DETERMINATION TO MAKE IT, NOT AS IT HAS BEEN FOR SO MANY YEARS, AN OCCASION FOR CONFRONTATION AND CONFLICT, BUT FOR GENUINE CO-OPERATION AND CONSTRUCTIVENESS TO THE MUTUAL BENEFIT OF THE NATION AND THE STATES WHICH CONSTITUTE THE NATION.

THE STATES, LIKE THE COMMONWEALTH, ARE GRAPPLING WITH SEVERE BUDGETARY PROBLEMS. WE WILL DO OUR BEST TO HELP OUT, WITHIN THE OVERALL LIMITS OF FISCAL RESPONSIBILITY. WE CERTAINLY DO NOT INTEND TO PASS OUR OWN BUDGETARY PROBLEMS ON TO THE STATES BY AN UNBALANCED APPROACH TO THIS WEEK'S MEETINGS. BUT WE SHOULD ALL BE CLEAR THAT THE TOTAL RESOURCES AVAILABLE TO US CANNOT BE INCREASED TO ACCOMMODATE INCREASED PAYMENTS TO THE STATES. AN EXTRA DOLLAR IN RESOURCES MADE AVAILABLE TO THE STATES MEANS A DOLLAR LESS FOR OUR OWN PROGRAMS, OR A DOLLAR INCREASE IN COMMONWEALTH TAXATION.

LET ME CONCLUDE IN THIS WAY.

THE EXPERIENCE OF THESE FIRST HUNDRED DAYS, AND THE EXPERIENCE OF MY FIRST OFFICIAL MISSION OVERSEAS AS PRIME MINISTER OF AUSTRALIA, HAVE AMPLY REINFORCED TWO FUNDAMENTAL CONVICTIONS I HELD LONG BEFORE THE ELECTIONS.

THEY BOTH CONCERN THE ROLE AND FUTURE OF THE AUSTRALIAN LABOR PARTY.

FIRST, I HAVE LONG HELD THE VIEW THAT THE ELECTIONS FOR THE 33RD PARLIAMENT OF AUSTRALIA - THAT IS, THE ELECTION FOR THIS PRESENT PARLIAMENT, THE ELECTION SO PRECIPITATELY FORCED ON THE FIFTH OF MARCH - WOULD DETERMINE THE POSSIBILITY OF FORMING A FEDERAL LABOR GOVERNMENT COMMITTED TO GENUINE SOCIAL, ECONOMIC, AND POLITICAL REFORM IN AUSTRALIA, FOR LONG, LONG YEARS TO COME.

AND SECOND; AND SURELY RECENT EXPERIENCES IN BRITAIN AND FRANCE - THE ROUT IN BRITAIN AND THE REVISION OF POLICY IN FRANCE - CAN ONLY CONFIRM THIS, I PROFOUNDLY BELIEVE THAT THE WORK AND EFFORTS, THE EXPERIENCE AND THE EXPERIMENTS, THE SUCCESS OR FAILURE OF THIS AUSTRALIAN LABOR GOVERNMENT, ARE CRITICALLY IMPORTANT TO THE WHOLE FUTURE OF THE LABOR CAUSE, THE CAUSE OF SOCIAL DEMOCRACY, THROUGHOUT THE INDUSTRIALISED WORLD. I DO BELIEVE THAT, IN TERMS OF A CONTEMPORARY PARTY, GRAPPLING WITH CONTEMPORARY PROBLEMS IN A CONTEMPORARY WAY, WE REPRESENT, IN A VERY REAL SENSE, THE BEST HOPE OF SOCIAL DEMOCRACY IN THE WORLD TODAY. THAT IS ANOTHER REASON WHY WE DARE NOT FAIL.

THAT AT LEAST IS MY UNDERSTANDING OF THE ROLE OF THE AUSTRALIAN LABOR PARTY IN THESE CRITICAL 1980s. IT IS BASED ON MY UNDERSTANDING - SUCH AS I HAVE - OF THE LABOR PARTY'S NATURE AND PURPOSE. AND PERHAPS AFTER AN ACTIVE MEMBERSHIP OF THIRTY-SIX YEARS, AFTER FIVE YEARS AS NATIONAL PRESIDENT, AND TEN YEARS AS LEADER OF THE INDUSTRIAL LABOR MOVEMENT IN THIS NATION, IT MAY EVEN BE ACKNOWLEDGED THAT I HAVE SOME GLIMMER OF UNDERSTANDING OF THE PARTY AND THE MOVEMENT.

BE THAT AS IT MAY, MY UNDERSTANDING OF THE PARTY AND ITS ASPIRATIONS CANNOT BE SEPARATED FROM MY UNDERSTANDING OF THE NATION AND ITS ASPIRATIONS. IT IS PRECISELY BECAUSE THE AUSTRALIAN LABOR PARTY IS SO INTEGRAL TO THE WHOLE LIFE AND FABRIC OF THIS NATION, THAT YOU CANNOT UNDERSTAND THE ONE WITHOUT UNDERSTANDING THE OTHER. AND WHILE THE HISTORIC ROLE OF THE AUSTRALIAN LABOR PARTY - IN GOVERNMENT OR OPPOSITION - HAS BEEN TO SET THE NATIONAL AGENDA FOR CHANGE AND REFORM, THE PEOPLE THEMSELVES WILL ALWAYS ASSERT THEIR ULTIMATE RIGHT TO DETERMINE THE PACE.

AND IT IS UPON THAT UNDERSTANDING - OF BOTH THE PARTY AND THE COUNTRY - THAT WE HAVE PROCEEDED IN THESE FIRST ONE HUNDRED DAYS; AND IT IS ON THAT UNDERSTANDING WE SHALL CONTINUE TO PROCEED. I BELIEVE IT CAN ALREADY BE SAID THAT NO PEACE-TIME GOVERNMENT OF AUSTRALIA HAS IN SUCH A SHORT TIME MORE DEFINITELY ESTABLISHED ITS STANCE IN THE FUNDAMENTAL MATTERS OF NATIONAL ECONOMIC POLICY AND INTERNATIONAL POLICY.

AND IN MAKING THAT SUSTAINABLE CLAIM I ASSERT WITH EQUAL CONVINCION THAT WE HAVE BEEN ASSISTED BY THE FACT THAT WE HAVE A MINISTRY WHICH IN TERMS OF TALENT AND APPLICATION MORE THAN MATCHES ANY OTHER IN THAT PERIOD.

I BELIEVE WE HAVE ESTABLISHED STRONG FOUNDATIONS
TO ENABLE THE GOVERNMENT TO FULFIL THE GREAT RESPONSIBILITIES
ENTRUSTED TO IT BY THE PEOPLE OF AUSTRALIA ON THE FIFTH OF
MARCH 1983.