



PRIME MINISTER

SPEECH BY THE PRIME MINISTER

DECISION-MAKERS' LUNCHEON

PERTH

19 APRIL 1984

CHECK AGAINST DELIVERY

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I am very pleased to be back once again on my home ground - even if the circumstances aren't quite as memorable as they were last time I was here.

One year ago at the time of the National Economic Summit Conference Australia was in the worst recession since the Great Depression.

For the first time in 30 years there was negative economic growth.

And unemployment had exploded by more than a quarter of a million over the previous year.

You only have to recall that period of virtual crisis 12 months ago to realize just how much the economic outlook has changed in one short year.

Twelve months ago at the Summit Conference there was really only one challenge facing Australia - to reverse the tragic slide deeper and deeper into recession.

Twelve months later one thing is clear - we have met that challenge.

In the second half of last year economic growth began again - with a vengeance.

Today employment is growing once more, profits have increased strongly, inflation is falling, interest rates are down and confidence is returning.

The economic recovery has begun.

But Australia now faces a new and very different challenge.

That challenge is to sustain the momentum of the recovery that is now underway - and to sustain it not just for 6 months or 12 months but year after year.

We have to make economic growth and prosperity a permanent feature of our way of life.

Of course, nobody in this audience needs to be told just how difficult that is going to be.

But provided we as a Government, and as a nation, approach it in the right way, that challenge can be met and will be met.

Role of Private Sector

However, in facing this challenge we need to remember one fundamental point.

There is no way there will be a sustained economy recovery, there is no way there will be a return to prosperity without a healthy, vigorous, profitable private sector.

That is beyond question.

So I have no hesitation in reiterating here my fundamental commitment, and that of this Government, to the private sector's central role in our mixed economy.

We as a Government recognize the inescapable fact that the key to sustaining the economic recovery lies in the potential contribution a strong and dynamic private sector can make - given the support and backing of the national government.

A related commitment is also vital.

This is our commitment to sustained economic growth.

Growth allows us to make provision for Australians in need.

Growth enables governments to ease the burden of taxation.

Growth means an expanding cake with workers and employers able to meet their legitimate aspirations without turning on each other.

Growth means rising productivity, allowing wage earners' living standards to rise without fuelling inflation or creating unemployment.

And above all growth creates jobs for Australians young and old.

These were the fundamental realities recognised in the communique issued at the end of the historic National Economic Summit last year.

But it's one thing to be committed to sustained, non-inflationary economic growth and a revitalized private sector.

It's quite another to have the framework and policies for that to occur.

The Federal Government is squarely addressing the challenge of sustaining non-inflationary economic growth.

Our policies are geared, above all, to maintaining the momentum of the recovery.

We recognise that to do this will require a sustained improvement in private sector investment.

Private investment is normally the last component of demand to pick up in an economic recovery.

But it is an essential component of sustained recovery.

There are three matters as important as any for a long-term investment improvement and a sustained recovery.

These are : first, a balanced fiscal policy; second, a workable wages policy; and third, a forward-looking industry policy.

Let me address them in turn.

Fiscal Policy

In the case of the first matter - fiscal policy - the Government must put together its Budgets with a careful view to the impact they will have on private sector activity.

This impact will vary with the circumstances of the time.

Last year, for example, the economy was in the depths of recession.

A contractionary Budget would only have aggravated the recession and so hurt the private sector.

What was needed was a reasonably expansionary Budget to provide a floor for demand and so enable private sector activity to pick up.

But it had to be a responsible expansion kept within the limits necessary to allow moderation of the high interest rates prevailing when we took office.

That's what our last Budget was about - and that strategy is working.

Within that Budget strategy, inflation is falling.

The Consumer Price Index rose by 8.6 per cent in the year to the December Quarter - the lowest increase for over 4 years.

And further reductions in inflation are in the pipeline.

Within that Budget strategy also, the economy is now growing remarkably.

Growth in non-farm product is expected to be a stunning 8 per cent through this financial year - compared with negative growth in the previous year.

In addition employment has risen by 210,000 since April of last year.

And within that Budget strategy, the deficit financing task has been achieved in the context of very significant falls in interest rates.

So last year's Budget is clearly working.

But in drawing up this year's Budget we face very different circumstances.

The economy is on the move again and the private sector is starting to increase its demands on capital markets.

We now need a Budget that maintains a degree of fiscal stimulus to keep growth moving but which ensures that government financing demands do not place upward pressure on interest rates as private investment strengthens in the course of economic recovery.

Accordingly we will significantly reduce the deficit in this year's Budget.

At the same time we will make sure the deficit reduction is not so large as to pull the rug from under domestic demand and choke off growth.

We struck exactly the right balance in 1983/84.

We will strike the right balance again in the coming financial year.

The hallmark of the Government's fiscal policy will continue to be: balance, flexibility, responsibility.

Wages Policy

A second area crucial to sustained economic recovery is wages policy.

Australia needs a wages policy that is coherent, that is equitable and, above all, that is workable.

That's exactly what the Federal Government has put in place for Australia.

The Government's wages policy is centred around a disciplined centralised wages system and is underpinned by the Prices and Incomes Accord.

Our policy gives Australia the assurance of long-term wage moderation.

Furthermore, wage rises in the short term will be very small.

Because of the effects of Medicare on the Consumer Price Index, the National Wage Case increase later this year will only be about 1 to 2 per cent.

The following National Wage Case decision won't occur until March or April of next year.

Business can therefore look ahead to almost a year of minimal wage rises.

Of course, the business community would have preferred lower wage increases than occurred in the last two National Wage Cases.

This is understandable.

However, what Australia needs is a wages policy geared to the requirements of long-term economic recovery - not a wages policy for recession.

What we have put in place will serve Australia well in the period of economic recovery and growth that is ahead of us.

Against that background the wage rises that have so far occurred are very much an investment in the future - a future of wage moderation and therefore a future that will bring immense long-term benefits to business.

Already we are seeing the benefits. The latest national accounts figures show that in the second half of last year, the profits share of GDP was the highest since the first half of the 1970s.

Unit labour costs, after being way out of line for several years, are now close to the levels of the late 1960s and early 1970s.

A year of continued wage moderation within the Prices and Incomes Accord will take unit labour costs back to those earlier levels.

The last thing Australia needs is a wages surge that will choke off the economic recovery.

However, that's what the Opposition has effectively proposed for Australia with their wages policy.

That wages policy - and I use the term 'wages policy' advisedly - would hardly be put into effect before it came crashing down - and brought the economic recovery crashing down with it.

The Opposition's wages policy would be a recipe for a wages explosion led by the most highly organised sections of the industrial movement.

At the same time it would threaten the living standards of more vulnerable workers.

The Opposition's wages policy would divide Australia.

It would return this country to the politics of confrontation, the politics of division.

Australia has had enough of confrontation.

We've had enough of divisiveness.

What Australia needs is co-operation and consensus and a wages policy that embodies those elements - a wages policy that puts the mistakes of the past behind us and looks to the future.

That's what this Government alone can offer.

All the Opposition can offer is a wages explosion, an upsurge in strikes and an end to the recovery.

Industry Policy

As well as fiscal policy and wages policy, a third area of policy vital to sustaining the recovery is industry policy.

Over the years successive Australian Governments have been unable to come to terms with the requirements of a forward-looking industry policy.

This has undoubtedly contributed to Australia's relatively poor economic growth performance.

The Australian economy over the past two or three decades has registered economic growth rates on average well below those countries with which we normally compare ourselves.

We have squandered our national opportunities.

Perhaps the heart of the problem has been our incapacity to adapt to change and to take advantage of the opportunities provided by change.

What Australia needs is a more constructive, forward-looking industry policy, one which encourages Australian industry to respond positively to change and to become more dynamic, flexible and outward-looking.

At the same time the Government needs to ensure that the pace of change is gradual and that no one group is asked to bear an undue share of the burden of adjustment.

The Federal Government is already laying the groundwork for this new approach to industry policy.

Earlier this year, at my instigation, the Government established a Special Group of Ministers, chaired by Senator Button, to coordinate work in areas relevant to structural change.

These areas include trade, education, training and retraining, science and technology, employment and industrial relations and defence support.

The Group is receiving strong back-up from a study group of senior officials established to facilitate its work.

Those officers have been chosen not as departmental representatives but because of their special skills and experience.

I believe the work of the Group of Ministers will make an important contribution to developing a more positive industry policy.

The Government has also initiated very useful discussions of industry policy in the Economic Planning Advisory Council (EPAC).

Following its March meeting EPAC issued a very constructive statement calling for an active industry development strategy for Australia.

In the steel industry the Government has introduced policies which I believe are a model for how Australia should go about industry restructuring.

Our historic Steel Industry Plan puts the industry firmly on the path of higher productivity, lower protection and greater international competitiveness.

Both sides of industry - unions and employers - support the Plan and are committed to making it work.

This approach to industry policy, which we are fostering, will help ensure that Australia takes advantage of the opportunities for economic growth that lie before us.

So in each of these areas I have spoken about - fiscal policy, wages policy and industry policy - the Federal Government has policies which will help to sustain the economic recovery.

We have a balanced fiscal policy, a workable wages policy and a forward-looking industry policy.

These policies are helping to revitalize the private sector.

They are laying the basis for recovery through the Eighties and beyond.

Continuity in Policy

But there is a further matter just as important as the ones I've mentioned.

This concerns the way economic policy is put together.

This Government has brought back stability and continuity to economic policy.

Our policies are following a clear path. They have a clear purpose, a clear direction.

This means the business community knows where it stands.

Business can be confident about our management of the economy in the short-term.

It can also be confident we are addressing the issues vital for medium and long-term growth.

Business knows what our policies are and where we're going.

And it can plan for the future confidently with that knowledge.

I believe that is a very significant achievement.

It distinguishes our performance dramatically from our predecessors.

The previous Government was totally confused on economic policy. It was hopelessly divided and it chopped and changed incessantly.

Business didn't know where the Government was going and the Government didn't even know itself.

Worse still, business was ignored more and more by the previous Government and eventually frozen out altogether from any positive role in economic policy.

This Government, however, has brought business back in from the cold.

Business played a key role in the Economic Summit Conference.

Business is now playing a key role in the Economic Planning Advisory Council.

We've gone to great lengths to talk to business, to listen to business, to consult with business.

That's as it should be.

In this spirit of cooperation, I am pleased to announce that the Government has decided to appoint a Business Advisory Group to advise the Federal Government on the special needs of Western Australia's employers and its economy generally. This will complement moves we are taking to improve our consultations with the trade union movement in Western Australia.

I have asked the Minister for Finance to announce the details of this significant development later next week.

I can, however, say to you that the tyranny of distance and the costs that this imposes are well understood by us.

By appointing an exclusively Western Australian group to advise us on your special problems, we will ensure that your voice is heard in Cabinet and your problems attended to.

What this Government is about is harnessing the talents, the capacities, the imagination of all Australians for our national advancement.

I have said consistently that we do not believe that we have a monopoly of wisdom and experience.

We look to advice from the whole community in developing policies to take Australia forward.

And this applies very much to the business community.

We greatly welcome the contribution that you have been making.

Ultimately, this Government is a partner with the trade union movement and with business in the one enterprise - the creation of a long term national recovery for Australia.

Both Government and business have a common vital interest in the recovery.

We must succeed in that enterprise.

And, working together, we will succeed.
