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PRIME MINISTER

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**SPEECH BY THE PRIME MINISTER
1988 BOYER LECTURE**

It is one of the features of Australian public life that those people who comment on politics and who proffer their suggestions on how to run the country rarely get the chance to put their money where their mouth is.

In this regard I count myself fortunate indeed. In 1979 when I was President of the Australian Council of Trade Unions, I became the first person actively involved in politics to be invited to deliver the Boyer Lectures. Since then, during nearly eight years as a Member of Parliament and the most part of six as Prime Minister, I have had the opportunity to put my money where my mouth was. They have been years of profound change in Australia, as well as, in a personal sense, years which have given me the unique and precious privilege of national leadership. So I am grateful to be able to return to the Boyer microphone and to address once more the theme I discussed nine years ago - The Resolution of Conflict.

I speak now with a firmer note of optimism for I said then: "Australia stands poised on the threshold of the 1980s more divided within itself, more uncertain of the future, more prone to internal conflict, than at any other period in its history."

Few then could have argued with that assessment, ever fewer today would deny that we face the 1990s in better shape.

And this cause for greater optimism within Australia is also true of the broader international environment. I believe that at no point in post-war history has there been greater legitimate reason for optimism that the world is entering an era of constructively peaceful relations between the super-powers.

What I would like to do in this lecture is to ask - and analyse - why are these things so? - and to examine the question of what are the tasks and challenges confronting Australia in this new domestic and international environment.

The first, and I think perhaps not obvious, thing to say is that there is a common theme to the explanation of changes in both environments. It is this. As for individuals and groups, so with nations, there is an infinitely greater likelihood that their legitimate aspirations will be achieved in an atmosphere of constructive co-operation than of antagonistic confrontation. And within Australia and between the two major super-powers this fact has, increasingly, come to be recognised and acted upon.

Let us look, first, at how this process has worked out in Australia. In the 1979 Boyer Lectures I had said that a National Economic Summit should be convened at which employers, trade unions and other relevant community groups could be given the facts about the national economy "to create a general understanding of the dimensions of the economic problems confronting our country." I said that "this understanding is an essential pre-condition for creating the greater degree of positive co-operation which will be necessary for us to meet these challenges and the conflict they are already generating."

I convened such a summit immediately on becoming Prime Minister in 1983. It is my very proud claim that the Summit set the tone and initiated the processes for the consultative way in which the Government, with the support of these groups, has continued, successfully, to manage the economy over the succeeding years.

In a sense the Summit represented an extension of the Accord - reached between the trade unions and the Government - to the business sector and other relevant community organisations. I say this, not in terms of there being some formalised commitment as with the Accord, but rather in the common acceptance by all these groups both of the economic challenge facing the country and the need to work constructively together to meet and overcome that challenge.

This spirit of the Summit was then translated into permanent practice in two ways.

First, we confirmed by legislation the continuing processes of input from and consultation with the major Summit participants. We did this by establishing the Economic Planning Advisory Council, comprising representatives of the Commonwealth, State and Local governments, trade unions, large and small business, and consumer and welfare organisations. I chair the meetings of EPAC and am joined by the Treasurer and the Minister for Industrial Relations. The importance we thus attach to the meetings is reflected in the high level of representation from the constituent groups.

Second, every Minister replicates in their individual portfolio areas of responsibility the same consultative processes that characterise the broad aspects of economic and social policy making.

The concept of the Accord, the Summit and these permanent post-summit processes was radical and like all radical ideas attracted a considerable degree of cynicism. It was new and for some that was enough - it wouldn't work. While I received tremendous, enthusiastic support from the great majority of the bureaucracy, there were some at senior levels who were appalled at the suggestion of disclosing all the information, laying all the cards on the Summit table. Mystery and secrecy were for them the handmaidens of power. To remove from the realm of the esoteric and to render simple, material which was in essence simple, was little short of heretical.

The mandarins, alarmed by this new heresy, found themselves with strange bed-fellows. The extreme Left with their vested interest in the total collapse of a competitive economic system viewed with concern an approach calculated to make that system work effectively and with compassion. The extreme Right were equally appalled that comfortable coteries of power and influence could be modified or called into question.

And pervading all the cynics was an ungenerous view of their fellow Australians - that they would have neither the guts and good sense to face up to unpalatable truths about the economic challenge nor the spirit of co-operation to face the challenge. In my judgement this view was not only ungenerous but profoundly mistaken.

And so it has proved. Australians, working together, have triumphantly demonstrated that they are much better than the cynics would ever give them credit for. And the opponents have been left with, on the one extreme, the parrot cries of "sell-out" and, on the other, the meaningless nonsense about the emergence of the corporate state.

Just let us look with justifiable pride, at our achievements, together, over the last five and a half years. The story cannot be told, or even properly understood, simply in economic terms. But rescuing the country from its worst recession in fifty years, and restructuring the economy to make it more diversified and viable, and capable of providing more employment has inevitably been central to the achievement of all else.

Perhaps the best independent assessment in this respect has been provided by the Managing Director of the International Monetary Fund Mr Michel Camdessus. Describing the IMF as the "financial co-operative between 151 countries in the world" Mr Camdessus said on the 24th May this year: "I think the world has a good deal to learn from what is taking place in Australia now ... What is a crucial feature of the

economic policy in this country is the way in which the so-called accord adds an additional dimension to these macro-economic policies ... This good co-operation between the Government and the trade unions has allowed wage restraint to be maintained, unit level cost to be reduced ... these last five years but simultaneously employment to rise at (an) exceptional rate of growth ... all of these (while) having the Public Sector Borrowing Requirement progressively reduced and the balance of payments improved ... All of (this) is finally a very impressive result ... I think that this is a good lesson to learn because there is no wonder in seeing that policy of dialogue ... and the acceptance (by) all the community (of) a common objective ... I hope many countries would be as well inspired ... to enjoy the same result Australia is enjoying."

What are the results that Australia is enjoying because this country has accepted a common objective?

First, a spectacular growth in employment. With well over a million new jobs in this period Australia has experienced employment growth at four times the rate of the previous seven years and more than twice as fast as the rest of the industrialised world.

Second, this has been accompanied by a significant fall in the rate of inflation which by the end of this financial year will be in line with the rest of the world and well under half that of 1983.

Third, we have together wiped out an enormous Budget deficit and moved into surplus for the first time in thirty five years thus removing an accumulating source of debt burden on this and subsequent generations.

Fourth, we have together begun to transform the manufacturing sector of Australia from one of declining to rising employment. We now have manufacturing enterprises in Australia which are exporting sophisticated products into the most competitive markets in the world.

These indicators tell the story of dramatic recovery but they do not convey the commitment we as Australians have made to, and the processes of, the restructuring of the national economy.

Nowhere is this change, and the change of attitude that has made it possible, better illustrated than in the area of protection. In the early 70s the 25% tariff cut provoked a response bordering on hysteria. The ready, almost welcoming, acceptance of the 30% reduction in protection represented by the May Statement and associated measures provided a dramatic contrast.

Today, as part of the new atmosphere, it is recognised that advantaging one industry by imposing costs on others must eventually impoverish the economy as a whole. There is a much greater willingness to accept that each industry best serves the interests of its own participants and those in other industries by becoming as efficient as possible.

And I believe that when the history of this period is written nothing will be seen as more significant than the fundamental restructuring of the industrial award system that is now under way. In the critically important Metal Trades Award, the 350 odd classifications that represent the accumulated irrelevant ossification of some 60 years will by early next year be replaced by eight. These changes, reflected in other awards, will be profoundly important in helping to create a more flexible, better trained and appropriately remunerated workforce. They demonstrate the conviction of business and union leaders of the benefits of abandoning conflict-based industrial strategies and will be of immeasurable benefit to the future competitive strength of the Australian economy.

None of these achievements would have been possible without the magnificent co-operation of the Australian trade union movement. The achievements flesh out in positive form the dramatic improvement in the industrial relations climate reflected in the traditional measure of time lost in industrial disputes where there has been a 62% reduction in the post-March 1983 period.

That co-operation which has given vibrant and effective life to the forms of the Accord has been based upon the acceptance of two fundamental and inter-related truths. They are not esoteric, nor are they normally stressed in your standard economic text-books - yet they are indispensable to the understanding and achievement of effective economic management.

First, wages and salaries are two-dimensional in character. They are, at one and the same time, a cost to employers and an income, usually the sole source of income, to the recipient. The unions, and I would add employers to an increasing extent, in responding positively to Government policy-making based upon this reality have appropriately modified positions previously shaped solely from their own single perspective.

Second, real standards of living can be affected not only by movement in money wages but by what happens to taxation and the social wage.

Another way of putting this truth is that economic reform and social progress are, and must be seen to be, equal partners. It is simply impossible to maintain the momentum for economic reform without the degree of social cohesiveness engendered by a fair distribution of the benefits of that reform.

At the beginning of the decade tax avoidance was still one of Australia's fastest growing industries. Public funds were generated overwhelmingly from PAYE taxpayers least able to sort the system. And fairness was by no means the predominant criterion in determining the redistribution of taxpayers funds.

Australia today has a fairer tax and welfare system. Gone are the tax free company cars, the untaxed capital gains, the free lunches, the pensions for millionaires. And the wholesale plundering of the welfare system by those not entitled to payments has been squashed.

Tax morality, or at least prudence, is returning. The restoration of fairness in the tax system and the cleaning up of welfare abuse is creating the financial capacity to provide increased real assistance to those most in need. As just one indication of this the new Family Allowance Supplement will provide for a low income family with three children the equivalent of a wage increase of over \$100 a week. Pensioners have received an increase of over eight per cent in the purchasing power of their pensions.

One of the most fundamental elements of social justice is about giving children from relatively disadvantaged families a chance in life by offering them a decent education. One of the greatest blights on our society at the time of my last Boyer lecture was an appallingly low school retention rate. Even in 1982 only 36% of our school children stayed on to Year 12. Through assured substantial real increases in funding for schools, a doubling of financial assistance to children from low to moderate income families and removal of the financial incentive to opt for the dole in preference to high school or training, the school retention rate is now 57%. It will be 65% by the early 1990s.

And at the other end of life experience, superannuation, which at the beginning of the 1980s had been the preserve of a privileged minority, will as we go into the 1990s be the right of virtually every wage and salary earner in Australia.

This is by no means an exhaustive statement of achievements in the area of the social wage nor, although I put it with understandable pride as Prime Minister, is it essentially advanced as a listing of Government achievements.

Rather it is a proud assertion about our increasing maturity as Australians. It is a statement of proof that we are learning about the resolution of conflict in our nation. It is evidence that we are coming to understand that all of us as individuals and as groups are more likely to achieve our legitimate aspirations if we take due account of the aspirations of others. It is a statement about time-scales - that present restraint can achieve substantial and enduring future benefit.

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In sum, it is proof that the "fair go" can be more than an Australian slogan - it can be a real statement of what we are about as a people and a guiding principle of where we are going as a nation.

The international environment in which I delivered the 1979 Boyer Lecture was one of bitterness, tension and anxiety.

By that time the high expectations aroused by the earlier East-West detente had collapsed. There was genuine apprehension of super-power conflict and the possibility of nuclear war. The oil price shocks, the fall of the Shah and, later, the Soviet move into Afghanistan combined to raise grave doubts in many minds about the strategic and economic foundations of Western security and prosperity in the face of unreconstructed Brezhnevian intransigence.

As we stood on the threshold of the eighties our world, accelerating as it was the accumulation of the armaments of annihilation, was fraught with danger and uncertainty.

A decade later the world looks a much safer and more stable place.

In 1979 I spoke of the stupifying amounts being spent on armaments. In 1988, television brings us extraordinary scenes of the voluntary mutual destruction for the first time of an entire class of nuclear weapons, the intermediate nuclear forces of the two super-powers. Negotiations are well in train for a 50% cut in long range strategic weapons.

How has this happened? New leadership has given new meaning and content to the concept of interdependence. In a fascinating conjunction of circumstances we have seen President Reagan and Secretary General Gorbachev - probably perceived initially as unlikely agents for creating a more peaceful world - provide us with greater grounds for optimism than at any other point in the nuclear age.

Reagan removed any thought that may have lingered in the Soviet mind from the Brezhnev-Carter era that the United States would negotiate from a position of relative weakness. Gorbachev for his part realised, in his own words, that the Soviet economy was in "a pre-crisis condition".

Before saying a little more about these changes in and between the two super-powers let me remind you, as I did in 1979, of the profound significance of change in China. I said then that "any discussion about the future international context is obviously incomplete without reference to China". I referred to the radical change of direction adopted by the Chinese leadership in 1978 and to the serious suggestions being raised in the West that this commitment to change was substantially in question.

I said in 1979: "I believe it is not, for the very simple reason that there will be no significant locus of power within China which will seek to divert the basic thrust of this policy ... There will, of course, be modifications, but the concept and course are irreversible."

Since writing that I have had the opportunity of spending more time with the Chinese leadership than probably any other Western leader. In one conversation with Premier Zhao in 1986 I observed that when the history of this period is written the changes of economic direction in China would be seen as important not just for China itself, but in some senses even more so perhaps for the influence it would inevitably have upon the Soviet Union.

Premier Zhao agreed and said to me: "Each day ten thousand Soviet citizens cross the border into China and buy their farm products from us. They see the enormous increases in output and in the incomes of the peasants that have come with our changes in economic policy. They go back into the Soviet Union and the story is spread."

Gorbachev, Prime Minister Ryzhkov and Foreign Minister Shevardnadze have each confirmed in discussion with me both the profound interest in, and the impact of, the revolution in Chinese economic policy.

China confirmed for Gorbachev the evidence by which he was surrounded in the Soviet Union. A system founded on irrelevant ideology and bureaucratic diktat involving literally hundreds of thousands of centralised pricing decisions had produced an economy which could neither feed itself nor match the West in the broad range of technological developments that are determining standards and quality of living. Nor could the resources of the community, even if untangled from this ideological and bureaucratic nightmare, be adequately directed to improving those standards and that quality while some seventeen per cent of the Soviet's gross domestic product was devoted to defence. The gap between the private and public standard and quality of life in the Soviet Union and the West was huge and it was increasing.

For Gorbachev, the program of internal reforms calculated to deal with this economic disaster posed certain external imperatives. He had to engender a climate of confidence which over time would do two things - first, allow some diversion of resources from the military/defence complex towards the needs of the civilian sector and, second, attract the technology and entrepreneurial expertise of the West into the Soviet economy including joint ventures across a broad range of activities.

The central message from my long hours of conversation with Gorbachev and Ryzhkov in Moscow last December was this: "We want to see the Soviet economy organically integrated as part of the international division of labour." The implications of this for change within the Soviet Union are enormous. Certainly to achieve this objective there will have to be a revolution in resource allocation and pricing to produce an internal pricing structure which is relevant to and compatible with international price movements.

You can well understand why I noted in my recent address to the joint session of the United States Congress that the changes underway in the Soviet Union are amongst the most significant in our lifetime and offer opportunities too rare to ignore.

We should be cautious, we should look for deeds to reinforce the words of the new Soviet positions. But in this sense we in the West should be prepared to respond positively to Gorbachev for he is unquestionably committed to bringing about the most significant changes in his country since the 1917 Revolution. In this determination he is opposed by forces of inertia, ideology and indolence represented by so many of the eighteen million Soviet bureaucrats who see the Gorbachev reforms as the dangerous heresy confronting their forms of privilege and power.

As I say, we should be cautiously co-operative. A Soviet Union more dedicated and directed to feeding and lifting the living standards of its own people will be a more congenial neighbour on this planet Earth than one devoting almost a fifth of its output to defence and the capacity to destroy the rest of mankind.

And without question we are seeing deeds and not just words. Apart from the area of arms negotiations we are witnessing the withdrawal from Afghanistan. The Soviet Union discovered - and to its credit has finally acted on the fact - that attempting to impose a military solution on a people against their will is a futile course which can only lead to more suffering and to new super-power tension. It also discovered in Afghanistan that you cannot present yourself as an international apostle of peace, disarmament and arms control while waging war outside your own borders.

In negotiations with the United States and involving South Africa it is conceded that the Soviet Union has played a positive role in creating the possibility of producing a more peaceable outcome in Namibia and Angola. And there are now some incipient signs that it is exerting more influence on Vietnam to accelerate a resolution of the continuing tragedy of the Cambodian people.

None of these things should make us unalert but all the evidence I believe calls for constructive caution rather than sterile cynicism. Nor should we be blind to the other great international challenges still confronting us - to name but two, the challenge of creating a substantially freer international trading system and the elimination of the abhorrent system of apartheid.

And what of the future? I believe that this analysis of what has happened over recent years in our own country and in the international arena, of itself essentially defines the tasks and the challenges ahead of us.

Within Australia we have together I think found the secret of a successful society. It is simple and it is powerful. It is to formulate policies with maximum input from those likely to be affected, to take account of the aspirations of all significant groups and to seek to harmonise as far as possible the actions of those groups.

We have come to understand that we will best perceive how to achieve those aspirations by adjusting the often distorting prism of self-interest. We have as a people put on our bifocals. We see what is in front of us and we have shown our capacity to adjust that immediate vision to the longer term perspectives.

And the task, the challenge is simply to keep doing that. It will require our application of that approach to many different issues and I have time only to mention, briefly, three which I regard as of particular importance.

First, we must continue to create a more efficient, diverse and competitive economy. The world does not owe us a living but we do have the human and material resources to compete successfully with the rest of the world and so create secure employment and rising standards of living for our people.

Second, we should, as I suggested at the end of last year, come to some treaty or compact of understanding with our fellow Australians, the Aboriginal people. We need have no collective sense of national guilt but simply an understanding that wrongs have been done in the past, that they are the most underprivileged people in our society. We should have no fear of this, but indeed strength and confidence knowing that if we the non-Aboriginal people accept our obligations and they accept our commitment and integrity, then this will be a stronger and more united country. I am certain that out of this bicentennial year we have acquired both the impetus and the inspiration to achieve this outcome.

Third, we must recognise and continue to build upon the strength in our nation that comes from our diversity of origins. We are a nation of immigrants enhanced by the flow of peoples, traditions and cultures from some 130 different homelands united by our common commitment to Australia, the sole determinant of who is an Australian. Twenty years ago we put behind us the ugly and divisive issue of race as an element of our immigration policy. On moral and economic grounds it must remain behind us.

Internationally, the same lessons are true. We should as a nation be proud that the Secretary General of the United Nations Conference on Disarmament, Mr Komatina, told me in Geneva in 1987 that the cause of international peace and disarmament would be further advanced if other nations had shown the same political commitment and technical expertise as Australia.

The task and the challenge before us is to continue to give our support to the new momentum, particularly on the part of the United States and the Soviet Union, towards achieving a more peaceful world where the resources of mankind will be more constructively deployed.

In 1979 I spoke of the asymmetry between the human genius as technical engineer and our capacity as social engineer. I think our experience since I spoke to you then gives us ground for believing, as Australians, and as citizens of the wider world, that we have made some progress in closing that frightening gap. We have learned something about the resolution of conflict.
