



## PRIME MINISTER

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SPEECH BY THE PRIME MINISTER  
CEDA ECONOMIC AND POLITICAL OVERVIEW  
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I appreciate this opportunity, at the outset of the 1990s, to present my overview of the Australian political and economic scene.

CEDA of course has for many years taken a close interest in both domestic and international policy. I recall with particular pleasure your conference in Sydney last May at which I launched the CEDA publication Towards Freer Trade Between Nations - a book which made a significant contribution to the understanding of an issue vital to our national future.

This is a timely gathering.

Internationally, the past twelve months have seen profound and, in modern experience, unprecedented change - spectacularly in Eastern Europe, and very encouragingly, too, in relations between the superpowers, but from Australia's vantage point even more powerfully felt in the continuing explosion of economic activity in our own region.

Domestically, we witnessed the further steady emergence of an Australia that, though still grappling with shorter-term economic problems that are causing hardship, is becoming equipped as never before to tackle and conquer the challenges of the 1990s and the 21st Century.

So against this background of change, the overview provided by a forum such as this is not merely useful but necessary.

As we approach the next century I want to see the evolution of an Australia that is attuned to, and conscious of, these tremendous changes - an Australia with several distinctive, deeply interrelated characteristics.

Late last year, in a speech to the National Press Club, I outlined my ideas as to what these necessary characteristics of an emerging Australia must be.

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I said, first, that I want to see us become a modern, growing Australian economy, shaken out of the old complacent dependence on commodity exports, re-equipped and restructured in its attitudes, institutions and technology to be fully competitive in the world.

Second, I want an Australia self confidently and vigorously engaged with the world economy, and in particular enmeshed with the dynamism of Asia and the Pacific - an outward looking country capable of contributing to and drawing enduring prosperity from the region - a country which others wish to have as a partner because they see that we have got our own act together and are able to contribute.

Third, I want an Australia committed to maintaining and enhancing the quality of life, not merely the quantity of our economic output. We must not be panicked into a strategy of industrialisation at any cost. We must enlarge our commitment to social justice; to the preservation of our natural environment; to the creation of a tolerant, multicultural, egalitarian society - a society immensely vigorous because of its diversity yet uniquely harmonious because of the deep and genuine mutual respect each component group holds for all others.

And fourth I want a self-reliant Australia, drawing strength from its traditional attachments to other countries but attuned to and pursuing in a hard headed way its own interests in a changing world; speaking with an independent voice; not merely fitting in with the world as we find it but helping shape it.

When you look around Australia today you see abundant evidence that the attainment of these goals - ambitious as they are - is well within our grasp.

After virtually three decades of conservative inertia, neglect and distorted priorities our vision is starting to be realised. Australians have turned the national tide, from ebb to flow.

So, today, you see factories and offices infused with a greater capacity and a greater determination to modernise, to look outward, to compete. You appreciate what our creation of 1.6 million new jobs really means for Australians and for Australia.

You see schools where the kids are staying on to Year 12. You see universities, technical colleges, research labs, where that most vital of resources, human knowledge, is being fostered and put to use.

You see ethnic clubs, child care centres, environmental societies - crucibles all of them for a big-hearted, decent, secure Australian community.

You see prosperity being shared, on the basis of fair and efficient systems of taxation and social justice. You see investment for productive purposes rather than the manipulation of the tax system to accrue untaxed capital gains; and you see unprecedented social assistance targeted to the people who need it, instead of the allocation of pensions to millionaires.

You see Australia more actively and creatively involved in international affairs than ever, including the affairs of our region - as witness for instance our initiatives on Cambodia and on new arrangements for Asia-Pacific Economic Co-operation.

And let me say that as part of this transformation underway in Australia you see now a united Labor movement maturely and constructively responding to the challenges of our time.

Now, none of this gives cause for complacency. This is not a time for deluding ourselves about the magnitude of either the challenges still ahead of us or the opportunities. It is certainly not a time for listening to those among us who are prepared to sacrifice our hard won gains on the altar of ideology, be it that of the New Right or, let me say, the Old Left.

As I said at the National Press Club, I am perfectly open to debate about the pace of our progress towards these goals. But I shall fiercely resist those who would impede or jeopardise or reverse this progress.

Nowhere is this more important than in the crucial area of industrial relations.

I appreciate that your organisation is not involved in party politics but exists to conduct research and education on public affairs in a non-partisan, objective fashion.

But I think you will understand that my responsibility is not merely for the analysis of good public policy but also for its implementation and, in a pre-election period, its advocacy against those who would reverse it.

My concern is with the welfare of the Australian economy and people and it is with those interests that I want today to outline the dimensions, including the political dimensions, of this issue of industrial relations.

As we enter the 1990s, industrial relations stands at the heart of the profound differences between the two main political parties.

On this issue - of whether the way forward lies with consensus or confrontation in the workplace - the two parties have been divided for more than a decade more consistently, more sharply and more profoundly than on any other issue.

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Evidence for how this critical question will be resolved in the 1990s is provided by the dramatic events of the 1980s.

At the start of the decade, the Fraser Government was grandstanding over the impending resources boom, with its chimerical promise of massive investment and higher living standards which would give all Australians a bigger slice of a bigger cake.

At the same time, that Government deliberately abandoned attempts to control aggregate wages outcomes.

The combined effect of such measures would be obvious to any first year economics student. In effect the Government was saying that in an impending period of demand growth, those with power in the economy should exercise it in their own interests, and let prices be determined accordingly.

That was certainly a message heard clearly by the metal trades and transport unionists who, responding to those signals being emitted by the Government, sparked the wages explosion of 1981/82.

In that way, the simultaneous double digit inflation and unemployment that followed in 1983 - an achievement unequalled by any other Government in the history of Federation - was an achievement directly and explicitly the result of the irresponsible economic management of the Fraser Government.

The nation's well-being as a whole was retarded and corroded by the selfish pursuit of short-term interests in the poisonous atmosphere of confrontation fostered by the Commonwealth.

I have said this before on many occasions, but its truth has not been eroded by time or by repetition: effective industrial relations is the result of making workers understand that their legitimate aspirations for improved standards, and employers' equally legitimate aspirations for growth, are not likely to be achieved by confrontationalist, tunnel visioned pursuit of their individual aspirations.

The early 1980s proved that.

Effective industrial relations requires both sides to understand that their legitimate aspirations can best be met by constructive co-operation.

The rest of the 1980s proved that.

Because under the Accord with the trade union movement, this Government has given life to that philosophy.

The Accord has been the crucial instrument of economic and social policy under this Government.

The fact that under the Accord, the trade union movement has accepted smaller pay packets has led to two massively important and genuinely beneficial processes:

- first, it has allowed social wage increases such as the restoration of Medicare, the opening up of superannuation, the trebling of childcare places, increases in Family Allowances, and the inauguration of the Family Allowance Supplement; and
- second, real wage restraint has started a dynamic process in which the resultant record profits have led to record investment and sustained record employment growth. I repeat: record profits, record investment and record job growth.

At the same time the consensus model of industrial relations is allowing the restructuring of craft based unions and union awards so as to lay the basis for greater flexibility in wages and working conditions across industries. And all this with a reduction of some 60 per cent in industrial disputes under this Government.

Here then is the essence of the industrial relations lesson of the 1980s.

At the start of the decade, a confrontationist, selfish approach led to recession. By the end of the decade, the co-operative approach had produced new jobs, a stronger safety net of social welfare, a fairer taxation system, steady economic growth, and a durable and genuine investment boom.

Such achievements are not just helping Australians of today. Just as importantly, they are providing building blocks for the future - critical elements in the achievement of those four goals I outlined earlier.

Now all this would be the stuff of the history books if it were not that the industrial relations prejudices and self-delusions of the Coalition that were so decisively exploded by the trauma of the early 1980s were threatening to return, in new garb, in the 1990s.

Industrial relations is still at the heart of the differences between the two parties. The Peacock conservatives have failed to learn the lesson so dramatically taught by their Fraser predecessors - that lifting the lid off wages for a few will spell disaster for the nation as a whole.

We saw this most clearly during the pilots' efforts, supported by the Coalition, to overthrow the centralised wage fixing system.

What the pilots sought to do - extract a massive and unjustified wage increase, with all that this would mean for industry and economy wide employment and productivity levels - would be replicated any number of times whenever a powerful union believed it could get away with it.

Saying "let `em rip" to the powerful few would mean the weaker many are trampled in the rush.

Is that the kind of Australia that the Opposition Leader wanted when he promised a fairer and more compassionate Australia?

The fact is simple: do away with a mechanism to control aggregate wages outcomes and you will do away with effective management of the entire economy.

Do away with consensus and you will remove from the hand of public policy the means to achieve

- national wage outcomes that will restore and improve our international competitiveness;
- the wage protection of employees whose bargaining position is weaker than a metal worker or a pilot;
- the capacity to bring to bear other elements of public policy - such as taxation, superannuation, training, social welfare policies - to the key task of wage fixing;
- the means to achieve productivity improvements through award restructuring and union amalgamation.

Do away with consensus and you do away with the system that is delivering those record levels of profits, investment and jobs.

But doing away with consensus is precisely what the Opposition proposes.

A deeper difficulty lies in the process under which the Coalition's system would be established - the transitional phase in any immediate post-Accord years - and the effect of the Opposition's industrial relations policies on aggregate wage outcomes.

It was when he was questioned about this that the Opposition Leader produced his now famous "who's to know" comment - a shrug of the shoulders that conveyed so eloquently his lack of understanding on this key issue.

Andrew Peacock may not understand the implications of his own policy. But Australians can be assured that the real architects of the policy - those such as John Stone, John Elliott, Ian McLachlan - understand clearly.

What they clearly foresee, because they have coldbloodedly planned it, is the chaos of industrial confrontation - a bonfire which would consume in flames the progress we have achieved in the past seven and a half years.

Australians are now by and large well informed about the nature of the national economic challenge; they have experienced, in their workplaces, their homes, their schools and communities, the impact of money wage restraint and social wage improvement; they understand the need for international competitiveness through micro-economic productivity improvements - even if they skip the economic jargon.

They are not going to be satisfied with strategies for the future that fail to address the fundamentals.

So what we need to do is carefully to appraise the progress we have made; clear-sightedly to understand the reasons for that progress; and deliberately to chart a course for the future that will ensure continued progress.

Ladies and gentlemen,

Your invitation to address this seminar reminded me of an invitation to address another January conference seven years ago - the 1983 Summer School of the Australian Institute of Political Science.

The title of that conference is today an evocative relic of the era: "Industrial Confrontation - Can we Survive It?"

In my address, I summed up the essential malaise of the Fraser Government's period of office as being, "an increasing erosion of any sense of common national purpose".

That same phrase could apply with equal relevance and accuracy to the conservative parties today.

Because a determination to put the private interest of a few ahead of the public interest of the many is the touchstone of all they are offering for the 1990s.

It is the philosophy underlining John Elliott's infamous statement that the Liberals would take from the 'bludgers' and give to the 'workers'.

It is the key to their determination to undo the fair and efficient Capital Gains Tax in favour of the privileged minority.

It is the basis for the callous determination to pull the carpet from under the sick, the elderly, the Aboriginal, the newly arrived migrant, as seen in the cuts outlined in the so-called Economic Action Plan.

It is the *raison d'etre* for their short-sighted stubbornness to develop policies for the genuine protection of the natural environment.

But most critically, this absence of a sense of common national purpose is the essence of their proposals for industrial relations. Their proposals will see once again the triumph of sectoral interest over the public good - the triumph of the strong over the weak - the triumph of blind ideology over rational common sense.

It would also, let me add, be a triumph of the John Stones and the other ideologues of the Coalition parties over Andrew Peacock who, though he nominally leads that Coalition, utterly lacks the weight to control it.

Australians cannot afford - and I believe, will not choose - a Coalition that deliberately, consistently and blatantly seeks to put the interests of the few ahead of the interests of the nation as a whole.

Ladies and gentlemen,

My theme today has been change within Australia, and how it can be effectively managed by consultation.

But I began by mentioning the spectacular transformation sweeping Eastern Europe.

In closing I want to return to those historic developments, as they are relevant to that theme of the management of change.

There is of course an intimate connection these days between the future character of Australia and of the world in which Australia must operate. Foreign and domestic policy are increasingly two sides of the same coin.

The lesson of Eastern Europe is that a society that turns its face against change, and that tells its people that the received wisdom of 40 years ago remains relevant and valid today, will fail.

Even the harshest surveillance and repression will in the end provide inadequate shields against a people determined to claim their birthrights of freedom and well-being.

Australia of course will never experience the depths of official corruption and depravity represented so vividly by the fallen despots of Eastern Europe.

But the lesson is valid nevertheless: societies that are successful and that best fulfil the aspirations of their people are societies capable of anticipating and responding to change, of taking advantage of opportunities as they arise and of eschewing the comfortable temptations of habit and entrenched interests.



On the threshold of the 1990s, Australia would do well to take that lesson to heart.

I feel that I can stand before you and say with complete conviction, backed up by seven years of achievement in both domestic and foreign policy, that ours has been a Government attuned to change.

We have shown the capacity to anticipate change and to devise effective strategies which are not merely reactive but look to the future and to shaping that future for the benefit of the Australian people.

And therefore over-arching every particular proposition and message which I will be putting in coming months is the critical commitment that, while my Government is deeply proud of its record, we will never be a Government that shirks the challenge of capturing the benefits of further change for the Australian people.

Let me say finally that I have deeply appreciated the positive response of so many in the business community to our consultative approach to governing for change. And over the whole of my period of leadership, no organisation has been more consistently co-operative in facilitating the process of consultation and exposition than CEDA. I thank you most sincerely for that.

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