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PRIME MINISTER

CHECK AGAINST DELIVERY

**SPEECH BY THE PRIME MINISTER, THE HON P.J. KEATING, MP
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It's nice to be back.

You may have picked up a comment the other day to the effect that Australian politics was becoming risk-averse - even gutless.

You will understand my outrage at this slur upon my profession.

Keen to defend its reputation, a couple of lively issues notwithstanding, I decided to come down to the National Press Club and deliver a speech.

Not one of these headland speeches you've been hearing - being decidedly non risk-averse, I am more inclined to the headlong speech.

Or to put it another way, I would like to share with you some thoughts on where our country is going. What is good and what needs to be improved. How we might retain the good and make the improvements.

There are several places I could start: with those economic data in the back pages of *The Economist*, for instance, where Australia continues to outshine many of our OECD counterparts in economic fundamentals and is placed among the top brigade in forecasts for growth.

It is easy to take comfort from the data, notwithstanding the current account deficit which we must and will correct. The data shows that Australia is doing very well.

And we should draw satisfaction from that.

Our initiatives have generally been effective. We have got the economic settings pretty well right. And our approach to the economic and social equation has been, I think, largely vindicated.

But to draw a sense of satisfaction is not the same as drawing a sense of complacency.

If I have learned one big thing in the past decade, it is that reform never stops - you never entirely get out of the woods, there is always one thing more - or two, or three or even four things.

You never really get to the last chapter. You might sometimes imagine that you are approaching it and that when you get over the next hill you'll see the words, "The End", emblazoned in a clear blue sky.

But it doesn't happen. I said up in Roma the other day - it's a bit like farming.

You fix the tractor and the generator goes on the blink. You get through a drought and you have to deal with a flood.

Sometimes it does boil down to simple endurance.

The modern economic contest is a long distance race - a very long distance race. It is like the modern marathon, it gets faster and faster. But unlike the marathon, it has no finish line.

I agree with what John Prescott had to say on Tuesday. I wish I didn't. I wish I could say all the reform was over and that we don't need to change any more. But we do. We need the culture of "continuous initiative" which John Prescott talks about.

We need it in government, our education system, our public service and in our businesses.

It is a condition of success in the modern world.

But we should remember that it is also a measure of our success.

The reason we have to go on is that we have come so far already. Far enough to be a player. Far enough to enjoy some of the rewards and get within view of greater ones. Far enough to know our potential - and our strengths and weaknesses.

I mentioned marathons: I think there's a lesson to be learned from watching marathons, and listening to former marathon runners.

They all talk about not losing rhythm - up hills and down, over cobblestones, round corners, through the pain, through the drinks station - you have to keep the same steady stride and your eyes fixed.

You have to keep mind and body and soul together.

When they are together, keeping up is almost mechanical. When they begin to fall apart, the consequences are rapid and dramatic.

In no time you drop out of the leading pack. And very few ever make up the ground again.

I think this is something like the position we are in. On our own initiative, talents and hard work, we have joined the leaders.

And we have to stay there. If they go faster we have to go faster.

We have to keep our stride.

If we are to keep up, we need to continuously improve.

If we are to continuously improve, we have to keep everything together.

The basics which have got us this far have to stay in tune.

And by this rather circuitous route I come back to the last time I spoke at the Press Club. You will remember it was in connection with Working Nation - the Government's White Paper on Employment, Industry and Regional Development.

I remember copping a bit of criticism for comparing it with the White Paper of the 1940s - it was a shameful boast in the eyes of some people.

But it was a more than fair comparison. In fact, if only because contemporary Australia is a more complex place, Working Nation had to be a statement of broader dimensions and far greater detail than its counterpart of fifty years ago.

And it was as much a defining document. It was as much a statement of this Government's philosophy as the White Paper of 1944 was to the Governments of reconstruction which Curtin and Chifley led. I hope it will be as much a stamp of our ambition and achievement.

Working Nation was about keeping mind, body and soul together. I think I said at the time that it addressed the great issue of unemployment with a cool head and a warm heart.

It addressed problems which were both specific to Australia and endemic in contemporary western economies and societies. It addressed them with a view to maintaining the balance in this country between economic efficiency and social justice - indeed we sought the means to make those two goals complementary.

As Australian policy had been right through the eighties, Working Nation was different to the orthodox model of economic liberalisation - the model adopted in a number of other countries and by our opponents.

It took the view that we could be competitive and still look after those on the margins. We could compete with the best in the region and the world, and yet maintain our egalitarian values and preserve our social cohesion.

Working Nation was a document for its time, and it was a very good one, I believe. It has made life easier and opportunity greater for countless Australians. It will make Australia both more productive and fairer. It will help preserve the fabric of our communities and families. It is serving hundreds of thousands of Australians now, and it will still be serving them for a long time.

Working Nation did not suddenly drop from the clouds. Its provenance was the whole period of reform from 1983. It addressed the imperatives facing us in the 1990s, yet it was part of a policy story which includes financial deregulation and tariff reform, reforms in training and education, the progressive introduction of a sophisticated social wage, the Accords - in summary, a policy record which reflects Australia's dual commitment to economic liberalisation and social fairness.

Working Nation built on this story and the philosophy underlying it.

It took a position on long term unemployment which not everyone shared, but which was logical, moral and consistent with Australia's traditional values. For all these reasons it will make Australia stronger.

With Working Nation we were not ahead of our time, but we were ahead of most other countries; among them the United States, where Robert Reich and many commentators these days complain of a destructive imbalance between economic and social goals.

Working Nation now seems like a long time ago. You might ask why I'm reviving it today.

Particularly as one of the weekend columnists wrote that there is no value in these big policy statements any more? No political value at least.

But of course Working Nation is still operating. It's out there in Australian communities now.

And there is profound value in major policy statements, including political value.

Policy is the means by which the lives of individuals, families and communities are shaped. It is the means by which we shape the character and the future of the nation.

It is the purpose of political life, the only worthwhile measure of political success, and by far the most significant measure of the worth of politicians and parties.

It is also the best way to get elected.

I remain in no doubt that, however long they might suspend their judgement, Australians always make policy their principal measure.

When they judge the Government sometime next year, they will judge it on the basis of policy. Whatever you the media or we the politicians might think about our ability to read or influence their views, one way or another the ultimate test Australians apply will be a policy test.

It is essential to good democratic government that we explain our actions, that we listen to what people are thinking, that we understand what they are going through.

And that we are prepared to adjust our strategies when the interests of the people demand it.

But it's equally essential that we don't confuse the product with the marketing of it.

Of course we can be criticised for failing to "sell" policies as well as we might - I've no doubt that the criticism is often justified. But don't tell me that what Australians want most in their lives is another salesman. Don't tell me that's what they want in their Prime Ministers.

We can also be criticised for not hearing the complaints of large numbers of Australians - and I think very often that criticism is justified too. But don't tell me that all Australians want from their Government is a good listener.

I've said it a few times - good governments listen, but so do bad governments.

In our modern political culture I think we should resist what might well be a real temptation to confuse good government with good radio and television. They are not the same.

The essence of good government is not in the listening - or in the talking - but in the thinking and the doing.

It was not public relations or spin doctoring which caused total employment to rise by 380,000 in the year to June, by 680,000 since April 1993. Primarily it was policy. It was thinking and doing.

It was not PR which provided nearly 400,000 Australians with case managed assistance to get employment or training, or a 20 per cent fall in the number of long term unemployed; or a fall of more than 25 per cent among young long term unemployed. It was policy. It was thinking and doing.

When Working Nation was delivered, all of us here were in no doubt about what was the most important issue facing the country - it was unemployment.

No one needed reminding about the devastating effects of unemployment on individuals, families and communities.

None of our imaginations needed prompting when we thought about the difference between having a job and not having a job.

We all knew that jobs are far and away the best means of distributing wealth and opportunity; that they are the best defence against alienation and delinquency; the best measure and the best source of family and community prosperity and cohesion; the best form of crime prevention; the best investment a government can make.

I don't think we've forgotten. Even though we've had unprecedented job growth and a fall in the unemployment rate among the highest in the OECD, I don't think we have decided that the problem has gone away. I think we still know that nothing counts as much as jobs.

Yet there has been a shift. Not in those communities where unemployment is still very high, or in the families where breadwinners or children are still unemployed. Not among those administering programs or dealing with the consequences of unemployment.

But in the places where opinion is made, jobs have dropped down a rung or two on the ladder of what matters. They should stay on top.

As long as jobs stay at the peak of our national ambitions we will know that we are keeping body and soul together.

We will know that as a community we have kept faith with the spirit of change in the past decade, and indeed with what we think of as our national character and traditions.

And that is the best way to succeed.

The effort to marry economic efficiency to social justice and cohesion has been the means by which we have reached the leading group of nations.

You have to ask - why change it?

If a consensual incomes policy, a partnership between the union movement and the Government is delivering progressive economic, social and industrial relations reform - if it is a vehicle of our progress - why would you ditch it in favour of a conflict model?

Why change stride?

If the Accords have helped substantially deliver sustained productivity increases since 1983; a 60 per cent decrease in working days lost in strikes compared to the previous period and, in the last 12 months, the lowest number of strikes since records were first collected in 1942; employment growth of 4.8 per cent in the past year and 2.3 per cent on average since 1983; economic growth which, at 3.7 per cent, one of the highest in the OECD; and an inflation rate currently less than 3 per cent - why would you be ditching the Accord?

Why, when the Accord has helped create the culture in which change can take place, in which the imperatives of competitiveness have been recognised, in which enterprise-based agreements are becoming the norm and worker superannuation is laying the foundations of a national savings program - why would you ditch it?

The essential contribution of the Accord has been as an inflation mechanism in which the union movement has delivered wage restraint to help ensure buoyant employment outcomes and, through this, sustained increased in household incomes. The effect has been an increase in per capita real disposable household income of 19.7 per cent since 1983.

Each employment target has been met, underlying inflation has been reduced, and at the same time Australia has been opened up to international trade and regional growth.

All of this without industrial disputes and with protection for the most economically and socially vulnerable.

Why, when you have an effective inflation mechanism in the form of the Accord, would you ditch it and leave yourself with only monetary policy to control prices?

You keep the monarchy and you ditch the Accord! It is an amazing perspective on contemporary Australia.

If we accept that social cohesion and social justice are desirable ends in themselves, traditional national ambitions and essential aids in the economic progress we have been making - why would you be threatening cuts of between 5 and 10 billion dollars in government outlays?

It is also reasonable to ask why you would expect anyone to believe that cuts of this magnitude will not include cuts in government programs - in income support, health, education, and transport for instance.

And why, when the evidence is plain that globalisation and new technology is tending to increase earnings inequality everywhere, would you compound the problem in Australia by cutting into the social wage we have built over the past decade?

In the United States over the 1980s, 70 per cent of the rise in average family incomes has gone to the top 1 per cent of families; and in the same period the average real income of the bottom 20 per cent of income distribution has fallen by 10 per cent.

In Australia very substantial increases in income support broadening the tax base, introducing fringe benefits and capital gains taxes, reducing the lowest marginal tax rate to 20 per cent and increasing the tax-free threshold have all mitigated the tendency towards unequal income distribution. As a result, the gap is nowhere near as wide in Australia as it is in the United States.

At the same time, the introduction of Medicare, large increases in funded educational participation, the expansion of child care, targeted public sector housing and, now, improved income in retirement through superannuation - none of which are taken into account by the usual studies or international comparisons - all narrow the gap in income distribution.

If a sophisticated social safety net is keeping Australian society together through a period of profound and pervasive change - why would you tear holes in it?

Why would you make the US labour market model Australia's model, even as the US Labour Secretary is lamenting its inadequacy?

To fix the Current Account? To make an impact on our external debt?

Because they are doing it in New Zealand?

But in New Zealand since they introduced individual contracts in 1991, productivity has increased by only 1 per cent per annum. In Australia, it has increased by over two and a half per cent per annum in the same period.

No one in the Government believes that every step we have taken has been the right step, any more than we believe that all our problems as a nation are behind us.

We know that the figures indicating that Australia has moved beyond the realms of recovery into a sustained period of growth do not translate into ease and comfort for every household and community.

We know that the confidence in Australian sharemarkets, and among commentators like Chris Caton and Don Stammer, is not felt generally around the country at the moment.

Don Stammer has been reported as saying that he expected "a long lasting upswing" that "will take us through to at least...2000".

The Australian said recently that we may be experiencing "the healthiest recovery the nation has had". But we know that it does not feel that healthy in a lot of Australian homes.

We know that there is a lot of uncertainty around. And that there are a lot of people preying on this uncertainty.

Perhaps this is where we need that capacity for endurance I mentioned.

The Government could do with it to deal with the modicum of frustration anyone feels when hard won and long sought after success is interpreted as something much less.

Much more importantly, Australians need it as we all come to terms with an essentially new kind of Australian economy: an economy in which we have sustained growth without inflation - not a boom, not an environment in which we substitute inflation for savings, but low inflation sustainable growth.

The uncertainties which people feel are not unique to Australia. In the US and elsewhere, there appears to be wide concern about the income distribution gap; about frustrated personal aspirations and inadequate personal security.

I have talked about the income gap in Australia and I might add the observation that in Australia the rich are not yet building private roads for themselves, or employing private police forces and establishing, for all intents and purposes, a new species of feudalism.

They have not had a government in the past 10 years willing to encourage the growth of an exclusive and exclusivist oligarchy and an underclass condemned to permanent and increasing impoverishment.

We have liberalised the economy to encourage opportunity and create wealth. But we have also pursued a fair social equation - and kept alive the sense of commonwealth.

International comparisons create a context in which our problems can be better understood, but I know they are small comfort for real insecurities.

Nevertheless, I think that with each successive quarter of growth confidence will slowly return. We can also reasonably expect a steady improvement in confidence as the current account begins to improve.

It will take a while for the real and lasting benefits of the reforms to superannuation to be appreciated, but they will be. And there is genuine reassurance for all Australians in them - they mean greater comfort and security in retirement and they mean a savings base, and in due course a savings culture, for the nation.

That sense that the recovery will be short lived can only be laid to rest by time. The fears about the current account and our external debt will start to fade as the deficit declines and Australians become aware that solving the problem is within our reach.

And of course it is.

It is within our reach because of the action we have taken on both the public and private savings.

We have taken the decisions to restore the Budget to surplus.

As Treasury has shown, the changes to superannuation will lift private savings by around 4 per cent of GDP over time.

Together, these initiatives mean less reliance on foreign borrowing - in fact, considerably less.

I would very much like to see develop a new phase in the economic consciousness of Australians. I know it has undergone a remarkable transformation in the past decade, but I would like to see another one. And I think it will happen.

Over the next two or three years I believe Australians will not only recognise that we have entered a period of prolonged growth, but rapidly come to insist that we stay on this sustainable low inflation path.

I believe we will see a savings culture quickly emerge. And among the elements of that culture will be a recognition that we will only succeed by saving and investing wisely, making maximum sustainable use of our resources, continuing to work hard and committing ourselves to the path of continuous improvement.

I think John Prescott can feel confident about Australia's capacity to reach what he calls "champion" status.

The fact is, Australia has already embarked on a process of continuous improvement at a national level.

There are a multitude of new, well-managed quality firms in Australia which were born and have thrived because of the internationalisation of the Australian economy. They were raised in the knowledge that no matter how good they are today in their product and their process, they must be better tomorrow.

And the Government is keeping pace. We know we have to both encourage innovation in the private sector and practice it ourselves. We also know that the public is understandably cynical when governments talk about their achievements and their work practices.

But we have kept up the pace of reform and we will maintain it.

This year we negotiated the eighth Accord. Each Accord has built on the preceding one. Each one has been designed to meet contemporary needs.

We have maintained the progress in opening Australia to international and regional economies - and improving those environments for trade. From those first financial reforms of long ago, through the tariff reductions, APEC and the vision of free trade in the Asia-Pacific - we have kept up the pace.

We have progressed from protectionism and industry assistance, through the adjustment plans for particular industry sectors we have today; to the notions of innovation, investment facilitation and seeding growth through assistance to small and medium-sized enterprises which govern our modern industry policy.

Above all, we are developing the skills of our people which is the foundation of all successful industry.

One Nation was a great leap forward. Working Nation, and to no small extent, the cultural policy, Creative Nation, consolidated the gains. The statement on innovation in industry that we will deliver later this year will maintain the pace.

We will continue to back our judgment. We will continue to follow an Australian path to international success.

We take the view that government needs to put a marker out beyond current best practice, so we are not playing catch-up.

It is a rare government that meets with total private sector approval - and we don't go seeking it.

But we do seek partnerships, common goals, a cooperative spirit. We talk to business a great deal. We exchange ideas.

But governments have independent roles and capacities. If they do their job diligently and with a passion, and have no hang-ups about their role, they can help industry build its competitiveness, they can help it enter international market places, they can help it win.

Our worst critics will concede that this Government has done a great deal to translate regional free trade from economic fantasy into a real political prospect. I think industries therefore, have reason to feel confident that we count their interests as our own - which is to say as part of the national interest.

I began by talking about policy and I will end by it.

I don't mean I will give you the full checklist since 1983. I won't even give you a resume since 1992.

But I want to say this much.

The big policy statements - those big, non risk-averse statements from One Nation through to this year's Budget, have at their heart something more than meeting the interests of the sectors of the economy and population which they specifically address.

I think there is more to them than the effect they have in, say, kick-starting the economy and creating new national infrastructure as One Nation did; or creating a stimulus for regional development, as Working Nation did; or a new deal for Australia's creative artists and industries as the cultural statement did.

I think, beyond the practical effects we seek from them, good policy developments pick up on forces at work within the country: I mean things as intangible as collective needs and ambitions, emerging ideas and perspectives - and they give them concrete force. They give them expression in the life of the nation.

And the life of the nation should be healthier for it.

I see policy as a process of national reinvigoration and reinvention. I see it as a process of national character building.

Among the many things One Nation did, I hope, was give expression to the sentiment that is always there in hard times - the fellow feeling, the sense that we are stronger when we stick together. And in so far as it succeeded in doing this, I hope the feeling will last us right through the decade.

Working Nation, I believe, gave expression to an Australian sensibility as old as the nation itself - that employment is a birthright and the unemployed should not be left behind. That this is a fair country and properly a pioneer of social democracy.

I hope Creative Nation will prove to have tapped a vein of creativity and national pride; that the Native Title Act will be seen in time as an expression, not of our collective guilt, but our collective sense of justice and responsibility; and that before the end of the century the initiative that we have taken with the Republic will give voice to an Australian spirit and identity.

John Prescott said on Tuesday night "A country must be able to constantly renew itself if it is to offer its people rising standards of living and larger opportunities." He said he wanted "A culture of continuous initiative".

I have never welcomed a speech by an Australian business leader more than this one.

Especially after all the talk about risk-averseness.