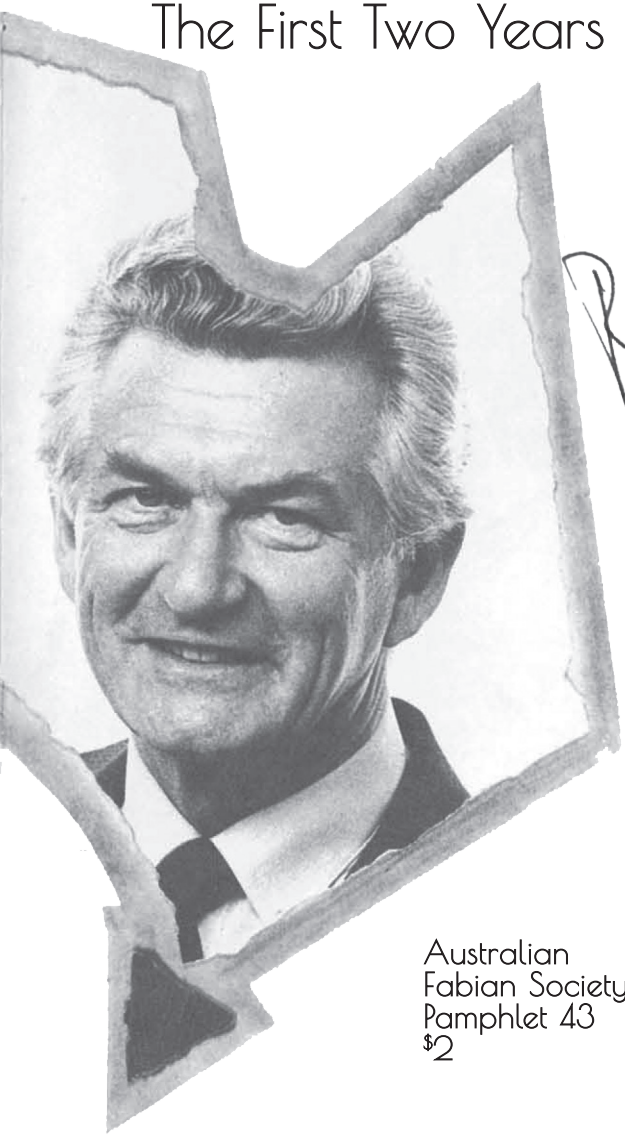
R. J. Hawke

PRINCIPLES IN PRACTICE

The First Two Years



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ABOUT THE AUSTRALIAN FABIAN SOCIETY

The Fabian tradition is one of achieving social progress through research and education. Bernard Shaw and Sydney Webb began it in 1883, and generations of Fabians have placed its stamp on every facet of British and Australian society. Gough Whitlam adopted the Fabian approach from the day he entered Parliament, and the seminal 1972 Whitlam policy speech was a drawing together of the threads of twenty years of systematic Fabian research and planning. Arthur Calwell before him was always proud to call himself a Fabian, and the tradition has been carried on through Bill Hayden, Bob Hawke, John Bannon, John Cain and Neville Wran. The present Leader of the British Labour Party, Neil Kinnock, is a Fabian, as were Michael Foot, Harold Wilson, Hugh Gaitskell and Clement Attlee before him. Australia had its first Fabian Society as early as 1895, and 1947 saw the establishment of the Victorian Fabian Society, which became the Australian Fabian Society in 1984. The Australian Fabian Society is the largest Fabian body ever to exist outside Britain itself. It operates nationally, with members in every state and territory.

The Society has no policy beyond that implied in a general commitment to democratic socialism, and it issues its publications as the opinions of their authors and not of the organisation. It does not admit members of parties other than the ALP. Its aim is to promote education and discussion on policies designed to further the goals of democratic socialism. In carrying out this aim, the Society has published books such as *Policies for Progress, Look Here* and *Towards a New Australia*, and pamphlets such as Whitlam's *Labor and the Constitution*, Hayden's *The Implications of Democratic Socialism* and Hawke's *Principles in Practice: The First Two Years* together with a periodical *Fabian Newsletter*. It also holds quarterly dinners, weekend conferences and public forums.

If you believe that reason, education and ideas should play a larger part in Australian politics, if you care about the quality of the society we live in and the direction it is taking and if you share the ethic of democratic socialism, the Australian Fabian Society would welcome you as a member.

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PRINCIPLES IN PRACTICE: THE FIRST TWO YEARS

Bob Hawke

Australian Fabian Society Pamphlet Number 43

Bob Hawke

FOREWORD

In my Fabian centenary address, I developed the point that the famous Fabian dictum of "the inevitability of gradualness" is not an excuse for opportunism but a principle of a necessity.

It is not possible to make a serious assessment of the work of the Labor Government since March 1983 without bearing this distinction in mind — the distinction between mere political expediency and the steady application of principles to achieve stated objectives in a way relevant to political and economic reality. I have never seen any reason to reject the word "pragmatic" as a description of my Government's approach. But to the extent that it is used accurately (and few words in the English language are more frequently misused) it is only one definition of the many-sided approach involved in the work of a Labor Government in the 1980s. But I do reject out of hand any attempt to confuse the genuinely pragmatic element with mere expediency.

The answer to any such charge must be found in the record; and consistency is the test in this matter.

The record shows, I believe, a deep and remarkable consistency between the policies and proposals developed in Opposition and their practical implementation, under the pressures and necessities of the realities of government.

Consistency may not be absolutely the highest virtue in politics, although I would not dismiss it, with Carlyle, as "the hobgoblin of little minds." However that may be, the underlying consistency and coherence of approach we have demonstrated throughout 1983 and 1984 is surely the complete answer to superficial criticisms that this has been a government of expediency and opportunism.

The consolidation of these addresses in a single Fabian pamphlet — perhaps surprisingly, my first under the Society's auspices — provides part of the record which confirms that consistency of approach. It is, I believe, of special significance that the first of the two Australian Institute of Political Science addresses published here was delivered almost on the eve of the remarkable events which were about to unfold, and certainly before those events could be foreseen. It could not be said that the fall of the Fraser Government was an example of the inevitability of gradualness. It was more an example of the suddenness of inevitability.

The secondary theme in my Fabian lecture is the need for relevance — to be effective, Labor policies must be relevant to the needs and realities of the time and circumstances in which they are to be implemented.

It is this standard of relevance to the Australian condition in the 1980s by which I should wish these papers to be judged; and by which I believe the policies they attempt to explain will be judged in the years to come.

BOB HAWKE
Canberra, August 1984

INDUSTRIAL CONFRONTATION: CAN WE SURVIVE IT?

Address to Australian Institute of Political Science Summer School, Canberra, January 30, 1983

The title of this Summer School, "Industrial Confrontation: Can We Survive It?" is instructive in itself. No other important aspect of our national life is so hyperbole ridden as industrial relations; and, true to this form, our good convenors are implying by this title that our very survival is at stake in the playing out of events in this area.

Good for business no doubt — I'm sure there are more of you here this weekend because of this created sense of the approaching cataclysm. Like so much of present day advertising, however, the words do much more to create atmosphere than tell you about the product. But do not let us be ungrateful to them for there is, as I say, instruction to be had from analysing and understanding the atmospherics.

To assist this process of understanding it is necessary to make a number of basic points at the outset. First, as I have had occasion to explain before, industrial relations have no life of their own. They reflect the society, and the values of the society, within which they occur. Second, despite the attempts of some practitioners to make it appear otherwise, industrial relations in a democratic society is not a complex subject. Essentially industrial relations are about the pursuit by the two sides of industry of the same objective, i.e. the maintenance, and through time, the improvement of real standards of living.

Third, a more general but nevertheless vitally important point. In industrial relations, as in other areas of human affairs, individuals and groups have their attitudes, assumptions and expectations conditioned by what they perceive to be their normal environment — which, for more than a generation in the

post-war period was characterised by steady growth, low inflation and full employment (indeed there were normally more jobs than people to fill them). There is always a time-lag in this perception process and herein lies one of the keys to understanding the industrial relations situation in Australia today. From the mid-1970s the above features have become decreasingly apparent to the point where now the chief characteristics of the economy are negative growth, high inflation and high — and rising — unemployment. But with a combination of failure and unwillingness to comprehend, elements in the industrial relations framework still seek in varying degree to apply those attitudes, assumptions and expectations of an earlier period to this drastically changed environment.

This is volatile enough but the situation becomes particularly dangerous when the fourth point is taken into account. Australia's largest employer, the federal government, is also responsible for the economic management of the country. The potential conflict of interest inherent in those two roles is exacerbated when the government introduces a third dimension into its conduct of industrial relations i.e. the deliberate manipulation of this area for the purpose of perceived electoral advantage.

Industrial relations under the Fraser government

Against this background let me examine with you just how the industrial relations scene has in fact developed under the Fraser government. This needs to be considered in two parts — if you like, the law and the atmospherics.

A dominant feature of this government's approach has been its preoccupation with punitive legislation. The Conciliation and Arbitration Act has been amended on average once a year during this century. But the Fraser government, during its seven years in office, has initiated amendments to this act no less than seventeen times. The central thrust of this mass of legislation has been to attack, in a particularly one-sided, and I believe hypocritical manner, the rights of Australian working men and women in both the public and private sectors.

The federal government enacted in 1977 the Commonwealth Employees (Employment Provisions) Act — CEEP — providing itself with sweeping arbitrary powers to stand down, suspend or dismiss Commonwealth public servants involved in, or affected by, industrial action. This provocative piece of legislation, going far beyond relevant private sector provisions, was condemned in 1978 by the Freedom of Association Committee of the ILO for the "serious risk" it posed to the rights of public sector workers and because the committee believed the use of such punitive sanctions was not

conducive to harmonious industrial relations. Despite the condemnation by this impeccably credentialed tripartite international authority, the government proclaimed the Act in 1979 and has used or threatened to use the legislation on several occasions since.

Another example from the public sector is the Commonwealth Employees (Dedeployment and Retirement) Act — or CEER Act — of 1979. This legislation enables the federal government to initiate the early retirement of public servants — not of itself objectionable — but has unsatisfactory safeguards against arbitrary dismissal.

This fact was recognised by a full bench of the Arbitration Commission. After considering the evidence and submissions from all parties — including that on behalf of the government — the Commission in December 1980 issued Determination No. 503 providing additional safeguards which were largely in accordance with ILO recommendations in this area.

The Fraser government's response was to disallow this determination of the Arbitration Commission. For a government which regularly trumpets the necessity of "abiding by the umpire's decision" this was a remarkably hypocritical and destabilising action.

Although lacking the same direct constitutional power it has in the public sector the Fraser government has relied on a range of weapons in its legislative armoury to direct punitive attacks against workers in the private sector.

It has used social services legislation to prevent the payment of benefits to persons engaged in or affected by industrial action. It has denied unemployment benefit payments to those workers who, through no fault of their own, have become unemployed as a result of industrial action by other workers. Consider the inhumane absurdity of this situation: workers strike over a safety issue after the refusal of management to take remedial action and the strike is found subsequently to be justified by the appropriate tribunal — members of that union in another establishment, perhaps in another state, entirely unconnected with the originating incident but rendered unemployed because of the dispute are denied unemployment benefits simply on the grounds of common union membership.

In 1981 the government initiated legislation to abolish altogether unemployment benefit payments to families of workers engaged in, or affected by, strike action. This particular inhuman and discriminatory abuse of the social welfare system to attempt to influence industrial relations has fortunately been blocked by the Senate.

Another example of the use of non-industrial legislation for industrial purposes was the 1977 Amendment to the Trade Practices Act. Section 45D and

45E were added to the Act to prohibit secondary boycotts or industrial action against employers which prevents or hinders a third party from engaging in trade or commerce. Many independent observers, and indeed many employers, have — branded this legislation for what it is — an industrial nuisance with no constructive part to play in promoting better industrial relations.

In March 1982 the government introduced amendments to the Conciliation and Arbitration Act relating to automatic stand downs, preference to unionists and industry unions. A major thrust of the legislation was to outlaw long-standing industrial policies based on preference to unionists and the promotion of trade union membership — from the inception of the jurisdiction in 1904 a cornerstone of the conciliation and arbitration system.

Under the legislation, employers in the private sector would also gain the automatic right to stand down workers who are directly engaged in industrial action and who cannot be usefully employed as a result of industrial action. To the extent that any dissatisfaction may have been felt by some employers with the long-standing system whereby the right to stand down was under the supervision of the Commission this could have been met adequately by providing for accelerated hearings by the Commission.

The proposed legislation would remove current safeguards against capricious treatment by employers and would almost certainly have the effect of increasing industrial disputation.

Not surprisingly, given all these considerations, this confrontationist package was strongly condemned last year by an all-party Select Committee, chaired by Senator Harradine, established by the Senate to investigate the legislation.

I would hope the present Minister for Employment and Industrial Relations takes the opportunity provided by the committee's report to have the government reverse its commitment to this monstrous brainchild of his unfortunate predecessor. Termination of the life support systems may be more difficult in the case of the Industrial Relations Bureau because pride of parentage here rests with the Prime Minister. Finding himself the victim of one of Billy Snedden's more whimsical decisions Malcolm laboured as shadow minister and, after consultation with some even less appropriately equipped than himself, brought forth this strange proposal. With the passage of events, what had been regarded by virtually everyone else as a fanciful irrelevancy — a product of inexperience and the ideology of an earlier day — became established fact in 1978.

The Industrial Relations Bureau embodies this government's whole futile, punitive, legislative approach to industrial relations. The Bureau has been universally condemned by employer organisations, the trade unions,

members of the Conciliation and Arbitration Commission and independent commentators. The Prime Minister should recognise the facts and now abolish this expensive, counter productive irritant so capriciously introduced by him into the body of industrial relations.

Given this legislative approach we should not be surprised at the unsavoury atmosphere of industrial relations in this country. That atmosphere has worsened in the past three years as a result of the cynical opportunism and double standards evident in the political conduct of the government. Consider, briefly, the pattern of events in that period in the crucial area of wage determination.

In the pre-election period at the end of 1980, against the expert advice available to them, Ministers ceaselessly talked up the coming "resources boom." The Prime Minister led the push. He said to the House of Representatives on 26th August, 1980:

> These developments will add greatly to our national product, to incomes and to wealth, and all Australians stand to benefit from being members of a wealthier society. The investment of many billions of dollars in resource-based development will stimulate economic growth and employment. This investment, the growth of great new industries and the expansion of others will mean increased incomes and higher living standards for all Australians. This exciting prospect has relevance for all of us; we all stand to participate in it.

It certainly had relevance for the organised trade unions. Higher real incomes meant increases in money incomes to cover movements in prices and productivity if their members were to match the expectations deliberately created for electoral purposes by the Prime Minister. And if he had brought the unions up to the starting blocks for the wages scramble by such statements he really fired the starting gun on the 30th April 1981 with another speech in the House.

In what I believe has been perhaps his most significant address as Prime Minister, Malcolm Fraser in this Razor Gang speech outlined his basic political philosophy and in part, gave practical effect to it. He argued the merits of deregulation and said:

> As a significant step in the necessary process of deregulation we will abolish the Prices Justification Tribunal. This body has outlived its usefulness as a regulatory mechanism and is placing an undue burden on industry...

The abolition of the Prices Justification Tribunal and the associated emasculation of the Trade Practices Commission was a quite specific reflection of this basic philosophy that those with power in the market should exercise that power in an untrammelled fashion to determine how resources would be used and what would be the prices of commodities emerging from the economic process.

It doesn't need the genius of an Einstein to understand that with the government saying that those with power should exercise it and let prices be determined accordingly, the trade unions would embrace that philosophy without inhibition.

At that point the Prime Minister did not extend the logic of his philosophy to the trade unions but within a matter of weeks the legitimising process was complete. On the weekend of 20th July, having dramatically involved himself in the transport workers' dispute, he dashed off to the royal wedding, in effect saying — let the settlement fall where it may. Just a few days later — on 31st July, the Commission, inevitably in that context, abandoned indexation.

And it was out of this context, inexorably created by the Prime Minister himself, that the metal trades agreement was negotiated in the latter half of 1981 and, what he was innocently pleased to call "the wages explosion" of 1982, grew.

And does the final irony escape your notice? The great deregulator of April 1981, the great unleasher of market forces, in November 1982 became the greatest interventionist of them all — the architect of the twelve months wages freeze.

The Labor alternative

I do not suggest Labor has all the answers: and this, for the simple reason that we are dealing with matters in which the central ingredient is that imperfectble element, human nature. But this very fact of itself is useful in setting the right directions.

It seems to me there are normally three conditions likely to produce sensible attitudes in individuals in their relations with others — first, as much knowledge as possible of the context of their relations; second, an opportunity for involvement in decisions affecting that context and the relationship; and third, a perception that there is a consistency or compatibility between the rules according to which the parties to the relationship conduct themselves.

Believing this to be true and that groups will tend to act according to the same impulses and responses as the individuals in them I have attempted to

ensure that these considerations provide the conceptual underpinning for the approach to industrial relations of the next Labor government.

Fundamental therefore to everything else we do, will be the attempt to create an understanding between the parties of the present and foreseeable economic environment within which the industrial relationship is to be conducted. There will be two steps in this process.

First, we will convene a national summit conference with representatives from the employers, the ACTU and the State governments. This will not be some half-day superficial point-scoring exercise but a completely honest attempt to expose all of us, together, to the realities of what is happening in the domestic and international economic scene and the problems, dangers, opportunities and challenges of what is involved in those development. The full resources of the federal government and its instrumentalities — the Treasury, the Reserve Bank, the IAC and other relevant departments would be utilised in this exposition and the parties and the States would also be requested to make the fullest contribution they considered appropriate. As a logical extension of that process of knowledge acquisition and sharing there would then be in that context an attempt to analyse the reciprocal implications of movements in wages, profits, patterns of work and industrial reconstruction. This conference would clearly occupy several days and provision would be made for an early follow-up if the parties considered it desirable to have further discussions after the opportunity to digest and analyse the breadth of information and views presented to them.

I have sufficient faith in the men and women of the trade union movement and the business community to believe they would respond positively to this process. It would be reasonable to expect two worthwhile results to follow. First, there would be a heightened appreciation of the need to work constructively together to meet the considerable challenges confronting our country; and second, there would be an increased likelihood of all parties tailoring their expectations and claims upon the community's resources to the capacities of the economy and the requirements for optimum development.

The second and permanent step will be to secure the participation of the trade unions and employers in the machinery which will give them continuing access to all relevant economic information. This will occur through their membership together with representatives of farmers, consumers and the States in an Economic Planning Advisory Council. This Council will be established to obtain the broadest community involvement in the drawing up and implementation of strategies appropriate for the most efficient and equitable development of Australia.

I have just referred in this regard to the relevance of the claims made by the parties upon the community resources whether by way of wages or profits, or in the case of governments by way of taxes or other charges. This leads us directly into what will be a major difference in the approach of the Labor government in this centrally important aspect of industrial relations.

The Labor government will acknowledge the general legitimacy of the parties' common objective I mentioned at the outset — the maintenance and through time the improvement of real living standards. Its economic policies will be directed towards making possible the achievement of that objective by creating the circumstances for real economic growth. The essential function of a prices and incomes policy is in turn to create the setting for this to occur without this growth blowing out in self-defeating pressures on inflation and the balance of payments.

We will therefore, after full consultation with the parties, put in place a prices and incomes policy based upon the central proposition that all significant claims made by sectoral interests will have to be subject to the surveillance of the public interest. The elements of this policy which is now in the stages of finalisation will include:

Centralised wage fixation with guidelines based upon sustainable adjustments for prices and, at longer intervals, for movements in national productivity which alternatively may be taken into account in regard to claims for reduced hours;

The achievement of corresponding surveillance over non-wage incomes;

Surveillance machinery to cover strategic price-setters with criteria balancing the needs of the enterprise for the maintenance and expansion of its activities, the interests of employees and the protection of the public against otherwise unwarranted price increases;

A positive taxation policy in terms of incidence, equity and the abolition of opportunities for avoidance;

The social wage maintained and improved through government expenditures on relevant elements of the social infrastructure, e.g. health and education.

I do not pretend that the implementation of this concept will be without difficulty. But with goodwill and an informed community I believe it can be made to work. What can be said with certainty is that it will be an infinite advance upon the inconsistent and opportunistic *ad hoc* nature of the present governments approach in this area.

The futility of the totally deregulated market power approach has been amply demonstrated. The winners are easily identified, for those with power on the side of business and organised labor exercise that power to strengthen further their positions. The losers are just as easily identified — those in employment with little or no bargaining power, the unemployed, those on fixed incomes, small business, farmers and, ultimately, the whole community.

The retreat from this absurdity to the paradox of total regulation of one side of the industrial relationship will be just as futile. It guarantees there will be no possibility of constructive co-operation between unions, employers and the government in addressing the country's grave economic problems and simply stores up potentially explosive situations for some later date. The ACTU and the Labor Party, it should be emphasised, have acknowledged that in current economic circumstances there is a case for wage moderation but only as part of a comprehensive package arrived at after full discussions with the parties and the State governments.

Our natural concern with these central issues should not preclude attention to other matters which, upon the same conceptual basis, will be regarded by the Labor government as significant in helping to create an efficient and equitable industrial relations framework. I turn now to discuss some of these briefly with you.

Like so many of the institutional structures in Australia today, that of the trade union movement reflects the conditions of an earlier age and is quite unsuited to the requirements of today, and certainly, of tomorrow. If we could start afresh, as the West Germans did after the last war, it would be unrecognisably different. Fortunately we have had neither that particular reason nor opportunity but what opportunity we have had, we squandered.

In 1980 after discussions extending over a lengthy period, employers, the trade unions and the government finally agreed on amendments to the Conciliation and Arbitration Act to facilitate union amalgamations. Essentially these provided, where there was "a community of interest" for a reduction from the current prohibitive requirement that at least fifty percent of all eligible members involved must record a vote. In the 1980 election the Prime Minister promised to legislate to give effect to these proposals. The legislation was actually prepared for introduction into the Parliament but was dropped after an outcry from some of the more extreme troglodytes in the government party room. The Labor government will introduce legislation in line with the NLCC agreement; in this way we will assist in the creation of a more efficient trade union structure and, importantly, make a contribution to the avoidance of those most objectionable of industrial disturbances — the demarcation dispute.

Labor sees industrial democracy as a natural extension of the democratic rights of working men and women in the political field. Our commitment to this concept has two bases. If people can be given a greater sense of involvement in the decisions affecting their working lives this will lead to greater human and job satisfaction; and this in turn will provide opportunities for greater productivity and the more efficient operation of enterprises. There is no one blueprint for a form of industrial democracy to be applied in all industries or enterprises. One form will be more appropriate than another according to different circumstances and historical backgrounds. In consultation with the trade unions and employers the Labor government will use whatever avenues are available to make the practice of industrial democracy a more characteristic feature of Australian industry.

As with industrial democracy the community as a whole has a vested interest in the calibre of trade union officials and the level of understanding amongst rank and file members. In this regard I pay tribute to the Prime Minister for maintaining the initiative of the Whitlam government in providing public funding for trade union education. Labor in government will seek to improve further the quality and accessibility of such training. On the side of business we will attempt by consultation with employer organisations and relevant training institutions to upgrade industrial relations to the point where it is regarded as one of the primary areas of responsibility of top management.

Although you would never realise it from the respective noise levels from politicians and the time and space in the media devoted to the two aspects of industrial relations, the community each year suffers a significantly greater loss of production from issues associated with occupational health and safety than from industrial disputes. The community therefore, as well as workers immediately affected, suffers from the inadequate and uncoordinated approach to this vital matter. The Labor government in consultation with the States, employers and trade unions will give high priority to establishing a coherent and effective national framework for ensuring acceptable standards of occupational health and safety throughout Australian industry.

A summary of the Labor government's approach to industrial relations would not be complete without reference to the difficulties created for everyone operating in this area by the complexity of the Conciliation and Arbitration Act and the confusion, overlap and dispute-creation that comes from having eight separate industrial relations systems in Australia. The current Act is a cumbersome, unwieldy piece of legislation bewildering to

practitioners and public alike. With the assistance of a tripartite committee Labor will undertake the considerable task of rationalising and consolidating this morass of the principal act, amendments and regulations. Substantial issues of policy will be addressed in this exercise with the major thrust being to establish the primacy of conciliation and the desirability of parties by agreement creating effective grievance procedures for the resolution of potential disputes.

Industrial relations systems should prevent disputes rather than create them. Australians have paid a very high price over the years — as the motorists of New South Wales will testify — for the existence of conflicting and competing Federal and State jurisdictions. Recognising the sensitivities of the States in this matter, as this government most certainly has, Labor will attempt through consultation with them, the trade unions and employers to secure an industrial relations system more national in character.

Conclusion

Let there be no polite euphemisms about what is happening at the political level in our country today. The Prime Minister is attempting to pull what is, even by his generous standards, a confidence trick of very substantial and dangerous proportions.

I have shown astringently, and very specifically, how by his own expressed philosophy, exhortation and decisions in the 1980-81 period he condoned and encouraged the wages boom which commenced, particularly with the metal trades negotiations, in the second half of 1981. He seemed quite relaxed with the results of his handiwork at the end of 198I. *The Australian* reported on the 14th December 1981:

> Mr. Fraser told journalists at his annual party at The Lodge that he was not unduly worried about the metal trades proposals or fear of a flow-on to the rest of the work-force.

I ask you to contrast that with his statement in last Friday's *Age* (28th January, 1983):

> ... we can't have any more of the madness that occurred during the wages explosion of a year to eighteen months ago.

The arsonist lit the fuse and now craves credibility in his fireman's uniform. This is indeed madness.

It is a madness which reflect the essential malaise of the Fraser government's period of office — an increasing erosion of any sense of common national purpose. Individuals and groups have been encouraged, explicitly and implicitly, to perceive and pursue their own self-interest. In some instances, as with the wages freeze, when the fingers of Adam Smith's "invisible hand" have been thought to poke in the public eye rather than direct the economic traffic efficiently, the "public interest" has been capriciously invoked to castigate and punish. The disharmonising effect on our society of this generally unbridled pursuit of self-interest has thus been exaggerated by the paradoxical invocation of the "public interest" against the trade unions for doing nothing more than fervently embracing and applying the Fraser philosophy.

What Australia needs is an end to this divisiveness, to this hypocrisy at the highest levels of government, and to this calculated use of industrial relations as an electoral plaything. The parties to the industrial relationship must believe there is a consistency in the attitude of government towards their respective claims upon the community's resources. They and the community as a whole must be convinced that the handling of industrial relations is integrated coherently and consistently into the general economic and social purposes of government.

If we don't want the undiluted pursuit of self-interest to dominate the industrial relationship then we should ensure that this does not characterise the general philosophy of government. If we want honesty in the industrial relationship there must be honesty in the government's approach to that relationship. If we want a preparedness by the parties to admit past inadequacies or short-sightedness in the pursuit of their objectives — and the parties, including the trade unions, have certainly been guilty of this at times — then the government must set this standard. It is a standard which has been sadly lacking in the conduct of the Fraser government. That conduct has been characterised by opportunism, double-standards and resort to gimmickry. The *Sydney Morning Herald* had good reason to observe in its editorial of December 8th 1982:

> If any further proof was needed that the wage freeze is more about politics than economics — more about appearance than reality — now we have it ... what started as gimmickry has now become farce.

The challenge facing Australia is just as real as that identified by Anthony Sampson in his very recent (1982) *The Changing Anatomy of Britain*:

> ... the British ... were still confused and divided; they still could not mobilise the sense of national purpose or unity, which had been so evident in wartime, to the more contemporary challenge of industrial survival.

On the evidence of seven years I do not believe it is possible for the Fraser government to meet the standards I have outlined so as to enable the Australian people to match that challenge.

I pledge that a Labor government *will* operate by those standards and in so doing will put Australia in a position to match the challenge successfully. We will provide government that will attempt to draw people and the parties to the industrial relationship constructively together; we will undertake the task of national reconciliation rather than the intensification of divisiveness. We will do that not as the handmaiden of the trade union movement nor any other particular section of society. If sacrifices are required to meet our economic problems we will ensure that they are shared equitably and in a manner best calculated to set the basis for future economic growth.

If I could conclude by picking up my opening point. Our "survival" is not at stake in the created industrial confrontation we have been witnessing. But certainly our capacity to undertake the optimum use of our resources and our capacity to provide better standards of living for all our fellow citizens is very much in question.

In this regard Australia still has greater opportunities than almost any country in the world. The issue is substantially in our own hands. This Prime Minister has not only failed to provide Australians with the appropriate philosophy, policies and leadership but has made the achievement of national consensus under his government well-nigh impossible.

Labor, I believe, is equipped and dedicated to meet the challenge of our time.

THE WAY AHEAD

John Curtin Memorial Lecture, Perth, September 28, 1983

There are certain rare occasions in a lifetime which are memorable, valuable and moving.

For me, this is such an occasion.

I thank the University Labor Club deeply for this invitation which allows me, once again, here in my home city and university, to add my tribute to John Curtin, a great Labor leader and a great Australian.

I believe deeply that John Curtin's leadership stands not only as a splendid example of Australian statesmanship at all times and for all times, but it is an example of special relevance — contemporary relevance — at this watershed of our nation's history.

At the National Economic Summit Conference on the 11th of April, I quoted part of a speech made in the House of Representatives by John Curtin on the 16th December 1941.

He said:

> Our Australian mode of life, our conditions, our seasons, all that go to make up the natural conditions of living, make us better equipped (for the purpose of meeting this crisis) than are the people of many other countries ... The qualitative capacity of our population compensates in large measure for the shortage of our numbers ... I, like each of you, have seen this country at work, engaged in pleasure, and experiencing adversity; I have seen it face good times and evil times, but I have never known a time in which the inherent quality of Australia has to be used so unstintingly as at this hour.

I then went on to say:

> I do not pretend to compare the scale of the crises through which John Curtin steered this nation to triumph with our task today. But I do believe that the essential elements which John Curtin defined as the key to victory are as relevant in 1983 as they were in 1941.

And there can be no doubt whatsoever that the overriding need, as John Curtin saw it, was to effect a national reconciliation and to forge a national consensus for the prosecution of the war effort.

It is now sometimes forgotten how deeply divided a national Australia was on the eve of World War II — politically, economically and socially. The effects of the Great Depression were still at work. Class and social divisions ran deep. The divisions in the Labor movement following the split of 1932 had by no means healed, and that healing task was John Curtin's first priority after he won the leadership in 1935.

He also saw that the conservatives represented, not a force for unity, but for division, and he saw with equal clarity that Labor alone could build the basis for conciliation and consensus.

And he saw that there was no basis for harmony in the climate of acrimony which had become endemic within the conservative parties, and to the extent they influenced the nation, within the nation itself.

But he also recognised that, in default of the possibility of a genuine national government, new machinery would have to be established and existing machinery strengthened in order to harness to the national effort the energies and the talents — and the patriotism — of all sections of the nation, labor and non-labor alike; including representatives of conservatism, both inside and outside the Parliament.

That is why, in Opposition and Government, he placed such emphasis on the advisory war council, whose membership included such old opponents as Menzies, Fadden and Hughes.

Further, although no Australian Labor leader had more incisively, more eloquently or for so long, exposed the gross deficiencies and exploitation of laissez-faire capitalism, as it existed in the pre-war decades, Curtin recognised the paramount need to secure the co-operation of business. He made no apology whatsoever for harnessing the ability and loyalty of great captains of industry like Essington-Lewis and W.S. Robinson, to the common cause — the cause of Australia itself.

But in the search for consensus — and sometimes, in the struggle for consensus — Curtin never lost sight of the limits upon consensus in a free and democratic society.

Nor did he fail to acknowledge the limits upon consensus within a free, open and democratic party like the Australian Labor Party.

And indeed it may be said that, in the final analysis, his finest achievement was the forging of a consensus in war-time, without impairing the freedoms of the Party and the nation.

The recognition of the limits of consensus becomes very evident, if one studies the skill, perseverance and persuasiveness with which he secured within the Labor Party a consensus — but nonetheless a limited consensus — on the need to introduce conscription for military service overseas.

It was a struggle that perhaps broke his heart, but certainly never his spirit.

But if anyone in the Australian Labor Party or outside it asserts that high national or party interests can never admit compromise, not on fundamental principles, but the implementation of principles, let them ponder the example of John Curtin.

But the most important truth of all about Curtin and Curtin's leadership, was that even in the darkest and most demanding days of the war, he never lost sight of Labor's peacetime objectives at home and abroad.

He did not seek to use the crisis of war as an alibi against reform.

And it is a distorted perception of the performance of the Curtin Labor Government from 1941 to 1945, to see it only in terms of war leadership, the war effort, or military survival and military victory.

The wider truth is that Curtin's was a great reform Labor government, not only for its own achievements in social reform, but for the foundations it laid for the massive program of post-war rehabilitation and reconstruction. Indeed the Department of Post-war Reconstruction became the focal point of Australia's administrative talent and dedication to the task of building a modern nation in the post-war years. Curtin and Chifley together set in train the great reform program by which the Chifley government itself transformed Australia.

Internationally, Curtin recognised the fundamental changes which had occurred in the balance of forces in the world and in Australia's strategic situation. One of his greatest achievements was to forge the relationship with the United States, which subsequent governments have seen as a keystone of Australia's security.

In short, the work of overcoming the crisis, profound as it was, and the work of rebuilding Australia, the work of reform and of preparing the nation

for fundamental changes in its international relations, continued side by side.

I have attempted to identify some of the characteristics of Curtin and his approach to the leadership of our nation during an unparalleled crisis. If we cannot learn from his shining example of vision, steadfastness and perseverance, then we should be just tearing out one of the most splendid chapters in our history — our Party's history, our nation's history — and forgetting the hardest-learned lesson in our annals.

The task of national reconciliation

I have taken as the central theme for this lecture: "Australia — The Way Ahead."

The course on which my government has embarked is one of reform within the framework of an essential continuity in Australian traditions and institutions.

Let me emphasise at the outset that there is nothing conservative, negative, or defeatist in this recognition of certain necessary elements of continuity in our democratic system.

On the contrary, prudent recognition of what can be preserved and continued, is the best basis for achieving the transition from a conservative era to an era of real reform and progress, and the best basis for ensuring that our reforms will endure, and will themselves be continued and maintained.

At the same time, the sheer weight of our inheritance, the size of the difficulties, not only but especially, the economic difficulties we inherited, can never be overstated.

And I do not refer just to the legacy of seven years of Fraser and Fraserism, or to specific matters such as the $9.6 billion deficit with which we were confronted on the day we took office.

It goes far beyond that.

In a very real sense, the backlog we have inherited, the dead weight we have to remove from this nation, goes back, not merely seven years, but nearly thirty-five years, to the end of the Chifley government in 1949.

In almost thirty-five years, Labor has formed federal governments for less than four.

The remarkable resurgence of Labor throughout Australia, — federal and state, crowned so splendidly by the victory here in February — the herald of the national victory on the 5th of March — cannot at once cancel out the deeply rooted legacy of thirty years and more of conservative hegemony throughout Australia.

The first part of our task has been to attempt to bring about changes in entrenched attitudes which themselves, if they persisted, would prevent or retard the successful implementation of these measures and policies of reform.

We have recognised that only an Australia united around great national goals of providing adequately for all Australians, is capable of economic recovery; a divided Australia — like the Australia of the seven years and five months preceding my government's acceptance of office on March 11, is destined for the swamps and shallows of a stagnant economy.

We have also recognised — as only a Labor Government can in Australia — that a united Australia must be built around widely shared values of equity and fairness. Our commitment to greater equity in the distribution of the opportunities provided to citizens of Australia stands in its own right in the front rank of our objectives; but it is also an essential precondition for the development of a sense of national purpose, and therefore of national economic recovery.

Neither do we lose sight of the reality that the great goals of equity in the distribution of income and power, and of national reconciliation, will be unattainable in the absence of a strong national economy. Thus our emphasis on sound economic management directed at sustaining growth in the value of our national production over long period, is part of our program of equity and national reconciliation.

Our efforts to bring Australians together should be seen alongside the traditional Labor concern for equity, and our concern for national economic recovery, each as an interdependent part of the one great program.

My 1979 Boyer lectures took as their theme: *The Resolution of Conflict*. I do not believe that I was overstating the case in any way, when I said in the third of those lectures:

> 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.

In the lectures, I sought to identify those aspects of our constitutional, political, economic and social system which created, or accentuated, the divisions and conflict in our society.

There can be little doubt that in the late seventies, there were exceptional factors of a political and indeed, personal, nature, which worked to exacerbate the divisions of the time. I refer particularly to the aftermath of the crisis of 1975, culminating in the infamy of the 11th November, 1975. It

is clear that those events radically changed the perspectives of a significant number of Australians, especially in the Labor movement, about the nature, use, and abuse of power in our system; and did inject an element of cynicism into the attitudes of many of those who had hitherto been foremost in upholding the system, and most committed to making it work. Indeed, it is testimony to the basic strength and resilience of the Australian Labor Party, and the strength of its commitment to parliamentary democracy, that it has come from the despair of 1975 to its present brilliant position in the states and the nation.

It did so against the background of a period during which attitudes of frustration, despair, bitterness and vindictiveness had come to characterise much of our national life. Across the spectrum — in the field of Commonwealth-State relations, in industrial relations, and over the whole range of the political and social processes — confrontation had become the dominant style, the line of first resort.

Before I outline briefly the approach our government has taken — our general attitudes and specific measures, to diminish the climate of confrontation, I enter this qualification. I said before that John Curtin recognised the limits on consensus, even in war-time.

In a free and democratic society, the legitimate conflict of interests, the open contests between competing claims, is not only inevitable, but intrinsically valuable.

But, I sought to point out in the Boyer lectures, Australian society, particularly in recent years, has been damaged by an excess of negative and destructive conflict and division — frequently artificially promoted for self-seeking purposes — which is in no sense creative and indeed can only hold back the achievement of Australia's great potential.

A particular area of concern is the potential distortion of the role of the Senate, which was essentially set up to protect the rights of States, but in recent years has too frequently acted on partisan grounds to frustrate the policies for which the government has had a mandate from the Australian people.

As a government what we have tried to do is to seek to identify ourselves, and, by the dissemination of knowledge and information, to assist the community to identify, the areas of conflict which are essentially artificial and the areas of common interest and shared purpose in which agreement is achievable, without any section or group being required to sacrifice their real interests or legitimate goals.

The first six months

I shall not take you in detail through the various events and measures by which we have sought to take Australia along this new road — away from confrontation towards reconciliation and co-operation.

There are certain clear landmarks — the Prices and Incomes Accord, the National Economic Summit Conference, the June Premiers Conference, which agreed, for the first time since the war, to a joint communique on national economic policy, the establishment of the Economic Planning Advisory Council, and the national wage case decision.

Indeed, as to the last, the decision handed down by Sir John Moore last Friday, it may be seen as setting the seal on a great deal of all the work of the past six months. But essential to the fulfilment of all that has been achieved, is that the spirit of the judgment be accepted by all parties. In particular, there should be no wage claims outside the centralised wage system we have now established. The successful implementation of this judgment, in company with our other policies, establishes a firm base for national economic recovery.

Now of course, the goal of economic recovery and the restoration of growth is not the exclusive property of a Labor government. There is presumably no government in the western world which does not claim it as an objective.

What is important for a Labor government, for this Australian Labor government, is the *quality* of the recovery — the degree to which it can be sustained without renewed inflation — and the *equality* of the recovery — the degree to which its benefits can be fairly shared by the whole community.

And it is on the basis of those twin objectives — quality and equality — that we have proceeded so far and will continue to proceed.

Accordingly, within an environment of greater co-operation, better consultation and more information-sharing, we have established a coherent and integrated framework for economic decision-making, unprecedented in Australia. We have sought to involve, on a continuing basis, the relevant sections of the community — other governments, business, including small business, the unions, and the rural sector, community groups — which all have such a high stake in the success of our policies, in both the short and longer term.

To match the improved quality of decision-making and economic planning, we have moved simultaneously to establish the basis for greater equality in the nation's social and economic fabric.

In this context — the contact of what has already been done in the past six months — I need no more than briefly mention:

We have moved rapidly to implement the Prices and Incomes Accord and put in place — through the Economic Summit and the Economic Planning and Advisory Council — a consultative apparatus and integrated basis for consistent long-term economic planning unprecedented in Australian experience;

We have directly assisted employment creation through CEP and by expanding government capital expenditure. As a matter of particular priority we have directed additional welfare payments to those most severely affected by the recession, notably single unemployed and pensioners with children. By May 1984 we shall have increased the benefit for the single unemployed by 22%. Assistance for the children of pensioners will be increased by 20% from November;

We have, through Medicare, introduced a fairer method of financing the health system based on ability to pay;

We have increased education allowances and funding, with a more equitable distribution of resources according to need;

We have abolished or reduced some of the more blatant handouts and tax in equities that were introduced or condoned by our predecessors. This included long overdue action on superannuation taxation, asset testing on pensions, restricting eligibility for the over seventies pension to those in most need. We have also tightened tax avoidance legislation, strengthened section 26A, so as to improve our ability to tax capital gains, and reduced a number of other sectional tax or spending concessions;

We have reformed the assistance provided to home buyers both to improve equity and to stimulate high activity;

We have taken firm steps to redress the disadvantaged status of some major groups of Australians, including women through a range of measures including the Sex Discrimination Bill, and Aborigines through new programs and a 28% increase in funding for Aboriginal Affairs.

All of this has been done within the framework of our seeking to establish a social security system which can meet the real needs of our people on the basis of justice and equity.

The international economic crisis of recent years — or rather, an inter-related series of crises going back to 1973 — have altered pre-existing patterns and prospects. In a way beyond our previous experience, domestic and international concerns now interlock. We can no longer put national policies and international policies in separate compartments. An understanding of our changed role in the world, especially in our region, and the challenges, and

opportunities which spring from that changed role, is essential to a proper understanding of our prospects at home.

This recognition of the linkage between domestic and international issues is reflected in the approach we have brought to Australia's international relations in the past six months.

We are also very much aware that in the conduct of our international relations it is not always possible to separate out the foreign policy, defence and security, and trade aspects. Indeed there are more occasions than not when this is the case, although we fully recognise the limitations of seeking trade-offs between the various elements of our bilateral relations with other countries.

We have exploded the myth, assiduously propagated by our political opponents, that a Labor government is somehow not able to maintain stable and productive relations with the United States. John Curtin would have ridiculed such a proposition. So do I.

There could be no more appropriate occasion than this for me to assert that we have reaffirmed and clarified that fundamentally important relationship, which has never been on a better or more balanced footing than it is now.

We have completed a review of the ANZUS treaty, first as a national act and then in association with Australia's alliance partners. As Bill Hayden put it to the House of Representatives on 15 September:

> The review had led us to a firm and unequivocal reaffirmation of the alliance as fundamental to Australia's national security and foreign and defence policies.

In reaching this conclusion, we in no way impinge on Australia's independence of attitude or action or surrender our basic responsibility to pull our full weight in ensuring our own security. On the contrary, we have identified the mutuality of our basic interests with the United States and at the same time emphasised our preparedness as a close but independent friend and ally to speak out and act where necessary in support of our own national interests.

While doing this we have made it clear to Australia and the rest of the world that our future must be seen as being predominantly with, and determined by events in, the region of Asia and the Pacific. We have established firm and constructive relations between our government and the ASEAN countries, China and Japan, while demonstrating a capacity for dialogue with Vietnam. We are using these virtually unique sets of relations to play a role in attempting to assist the process of a peaceful resolution of the problems in Indochina.

We have also strengthened the bonds between Australia and Papua New Guinea, while increasing Papua New Guinea's capacity for self-reliance in the longer term.

Our government has given a new dimension to the commitment to disarmament and arms control. In particular we have appointed an ambassador with special responsibility in this field and we are pressing in all relevant forums for the establishment of a South Pacific nuclear-free zone in a manner consistent with our ANZUS treaty commitments.

The changing environment

I have tried, so far, to bring together the key elements of our government's conduct over the past six months, because we cannot see where we are going without seeing where we have been. I also want to make it clear to you and to the Australian people that the whole range of and totality of our decisions over the past six months — each decision separately and each as part of the whole — are the foundations on which we propose to build Australia's future into the next century. The difficulty of some of the decisions we have had to take reflect not merely the toughness of the problems we inherited and the problems as they exist in 1983. Just as much, they reflect our perception of the difficulties, indeed the dangers that lie ahead for Australia, if we do not act now, with foresight and courage, to meet them. We do not intend, any more than Curtin did, to pass on insoluble problems to a future generation, just because we have inherited so many difficulties from the past.

Our central task, as we see it, can be fairly readily stated. And when I say "our" task, I do not mean the task of the Australian government alone; it is a task for us all. And that task is to shape an Australia which will be placed in the best possible position to grow economically in real terms, and so placed to give all its citizens the best opportunities for the fulfilment of their needs, for their personal development and self-fulfillment, in an atmosphere of freedom, security, tolerance, co-operation and goodwill.

To these great ends, we must all understand that the relatively easy years which characterised most of the fifties and sixties and early seventies, are behind us. The lotus years are over. If we have learned that lesson, the hardships of the past seven years may not, perhaps, have been entirely wasted.

There may be a certain paradox about the completeness of John Curtin's achievement in saving Australia and building its future. By his own supreme effort, he may have shielded Australians from a recognition of the reality of the peril in which they had stood. However that may be, this nation, unravaged on its home soil by the war itself, began during those years to build up a more

diverse economic base and a stronger workforce, including the beginnings of the revolution of the participation of women in the industrial workforce.

The common struggle of the war-time years, and the common concern to make a free post-war Australia an equitable society worthy of the sacrifices that had been made during the war, provided a moral basis for unprecedented economic growth in Australia. The innovations of the Curtin and Chifley governments in establishing the Australian welfare state and the instruments for effective national macro-economic policy allowed Australia to build on these hopes and opportunities, providing a broad framework for management of Australia for more than two decades. The democratisation of access to higher education, and to professional and managerial occupations, released huge energies for propelling Australian development in the immediate post-war period.

In the immediate post-war years, a devastated world needed, and paid high prices for, our primary products. Then as the frenetic pace of reconstruction in war-torn Europe and Japan gave way to two decades of sustained economic expansion unparalleled in the history of the world, international economic conditions continued to be highly favourable to economic progress in Australia. Within the new framework of monetary and fiscal policy, supported by the welfare state with its increased personal security for all Australians and its opportunity for greater unity of purpose, we saw rapid expansion of manufacturing and tertiary industry. For more than two decades our nation was able to provide full employment and increasing real wages for a rapidly-growing population. Despite an occasional hiccup, such as occurred in 1960-61, these features of our economy came to be regarded as part of the natural order in Australia, requiring little effort or planning, and no innovation, on the part of governments or business or unions.

But as I have said, those days are over and must now be understood to be over. If we are to harness our resources and optimise growth, employment and the opportunities for personal fulfilment, then governments have to prepare for it and people have to work, together, for it.

The end of the post-war era of easy prosperity in Australia and much of the world did not come suddenly with the first oil shock in 1973. The gradual transformation of the post-war world reflected a number of social, economic and technological changes that continue today.

Some signs of the changed circumstances were apparent from the late sixties, with tendencies toward higher inflation and monetary and economic instability. There were signs, too, of the corrosion of the post-war moral legacy of national cohesion around widely shared goals of increasing standards of

living for all Australians, accelerated by the terrible divisiveness of the war in Vietnam.

Over the last decade or so, the objective conditions of world economic progress have been changing in ways that have made it increasingly difficult to maintain the old prosperity by the old formulae. In our trading partners, unstable economic conditions, greatly reduced average rates of economic growth, and expectations about economic growth, have diminished our own opportunities for economic expansion in the post-war pattern.

Technological change has been progressing in ways that are creating dual labour markets in the advanced industrial economies, including Australia. While the new technologies provide opportunities for continued overall economic growth, and employment growth, and while their embrace is essential to both in the competitive modern world, they have great potential for increasing inequalities in the Australian workforce and society. Left to themselves, they tend to divide Australian's into those in "primary" jobs, with high wages, job security and satisfaction, and opportunities for promotion, and those in "secondary" jobs, with all of the opposite characteristics. Left to themselves, the new technologies would permanently reduce the relative standing of less advantaged groups of Australians, women particularly.

The huge shift in the centre of gravity of world industrial production towards the East Asian region over the past two decades, and towards developing countries in that region over the past decade, like the new technologies, provides vast opportunities for the growth of production and employment in Australia. But as with the new technologies, unconstrained use of these opportunities could lead to increased inequalities within Australia in the absence of deliberate policies to avoid them.

It has taken Australians a long time to comprehend the magnitude of the changes which have been accumulating since the late 1960s, and probably before, which have culminated in the world and Australian economic crises of recent years. But the growing community awareness that fundamentally changed circumstances require new approaches was an important factor behind the election of my government in March, and the success of the National Economic Summit Conference in April.

In the new circumstances, we all have to understand the need for changes in work patterns, industrial structures, and patterns of trade. And we all have to understand the need for deliberate measures to ensure that these changes do not reduce groups of Australians to permanently marginal positions in our society.

If we can achieve that kind of community understanding — an understanding of the inevitability of change, the need to adapt, and the need for the community to ensure that all Australians are able to benefit from general economic growth — then we shall have established the basis by which governments, business, unions and representative groups can co-operate on the wide range of decisions necessary to achieve the objectives of growth, employment, and an enhanced quality and equality of life for all.

You will have noticed that my stress on national cohesion, co-operation, equity and consultation — all great principles of social democracy — are the antithesis to the economically libertarian approach which has flourished in the stagnant, divided industrial world in recent years.

Such an approach offers no solution to the problems of modern Australia, any more than its earlier manifestation as laissez-faire capitalism offered solutions to a nineteenth century world in the torment of early industrialisation.

It was the libertarianism of Mr. Howard and his colleagues that invited Australian workers to do the best they could for themselves in the market place in 1981 and 1982, and which generated the wage explosion that is part of the cause of our current problems. It was the economic libertarianism of our predecessors that condoned a huge decline in taxation morality from the mid-1970s, until the sudden realisation in the life of the last Parliament that it threatened the stability of our fiscal system. The inroads of these values saw the growth of venality in the professions in recent years, with a damaging decline in their public standing.

Social democrats have no reason to deny the capacity of markets to allocate resources efficiently, or the great productive power that is associated with this capacity. I see no virtue in regulation of economic activity for its own sake, and believe that where markets are working efficiently they should be left to do their job unless there are clear reasons in equity for government intervention.

But it is pure naivety to believe that contemporary versions of laissez-faire can provide the main idea around which a successful modern society can be organised. Sustained social and economic progress require widespread agreement about broad national goals. And in today's economy and society, more than ever before in the history of humanity, this social cohesion requires effective action by government to ensure that economic progress does not leave a large part of society permanently behind.

What I have outlined to you are the general principles that have shaped our approaches and responses, as well as some of the immediate issues which we have had to face over the past half year. I would now like to define briefly

some of our approaches and a few of the more fundamental problems that the nation will face over the remainder of this century.

The economic policy framework

Fiscal and monetary policy are the stuff of short-term economic management — of annual budgets, and levels of economic activity from year to year. But they are at the heart of progress towards long-term goals as well, both because sustained growth is feasible only in the context of a reasonable degree of economic stability, and also because of the accumulated effects of decisions on taxation and expenditure, budget by budget over many years, have a decisive effect on the quality and equality of economic growth over long periods.

We have no sympathy with the monetarist panacea — the idea that tight control of the money supply alone can generate low inflation and low unemployment, without recourse to other instruments of economic policy, but within the overall framework of policies designed to achieve sustained growth with low inflation underpinned by the Prices and Incomes Accord, we see a role for monetary targets, so long as they are applied flexibly to take account of changed circumstances in the real economy.

Our approach is to allow steady expansion of the money supply, at a rate which facilitates the maximum sustainable rate of growth in real economic activity, without financing available inflation. Already we have established our credentials in the financial markets as being prepared to take the detailed policy decisions on the exchange rate, bond sales and the budget deficit that are necessary for our approach to succeed.

In our fiscal policy, we aim to provide an appropriate level of stimulus to economic activity, consistently with the avoidance of counter-productive pressures in financial markets associated with excessive budget deficits. In the current circumstances of deep recession, a high level of budgetary stimulus is judged to be appropriate — a budget deficit representing 4.7% of GDP, the second highest in our post-war history. But in future circumstances of increased economic activity and higher private sector demands on financial markets, we will take the steps that are necessary to reduce the deficit. While we can no longer have the confidence of the early post-war years in the efficacy of variations in the budget deficit to maintain economic activity on a steady upward path, we nevertheless believe that variations within carefully judged limits contribute to economic stability.

Ours is a disciplined approach to public expenditure — a commitment to new programs where they are necessary, within a hard framework of expenditure priorities. We see this as essential to the success of our reform

program. The Expenditure Review Committee, which worked so well in the preparation of the May Statement and the Budget, has become a permanent central feature of our decision-making processes. Its task is to ensure that substantial levels of new public expenditure on high priority activities are not blocked by the inertia of established programs.

Reform of the taxation system is also going to be crucial to the development of the Labor Government's objectives. The Australian taxation system has developed in a haphazard way over eight decades, until today it is at the same time both in equitable and inefficient. Some of the more straight forward weaknesses were removed this year. For the future, there will be a thorough review of the equity and efficiency of the tax base, to be followed by purposeful change.

Industry policy

Industry policy will be directed at putting Australian resources to their most economically productive uses, unless there is a clear case in equity for an alternative allocation of resources. This will require active policies to correct for failures in capital or other markets. It will also require the facilitation of structural change in the economy, to allow better use of new technology or opportunities for trade, and in response to high levels of investment from home and abroad.

We expect that the great rural and mining industries will prosper and expand. But they will not be large employers of labour, any more than they have been in the recent past.

If we are to arrest the decline of manufacturing industry as a source of employment, we must actively develop industries which have a potential not only to satisfy local requirements but to meet the increasingly varied demands of the strongly growing economies of our region. We must also make effective use of new technologies, whether developed in Australia or absorbed from abroad.

Some existing industries will decline and new ones must be encouraged. In this process, government will have a role in providing assistance, for example by way of assisting research and development, and by ensuring that the burdens of change which are necessary in the community interest, will in part be borne by the community itself, and not exclusively by capital and labour which are at the face of change.

The best way to maximise the positive social effects of new technology, and to reduce the negative, is through the full participation of all concerned in deliberations on how the new technology is introduced. A common thread running through the experience of those countries most successful in

handling the introduction of modern technologies has been the willingness of the social partners — of government, unions and employers — to consult with each other at the national, industry and enterprise level and to anticipate and resolve problems which seem to be of concern. The introduction of new technology must be accomplished in a manner which ensures that all participate in the long term benefit.

Education and training

Our education and training policies are crucial to our nation's ability to benefit from the profound revolution of technology.

It must be said of course, that our Party and our Government do not perceive education purely as a process of equipping people for employment. Our whole philosophy envisages education, not only as the key instrument towards achieving genuine equality of opportunity, but as a fundamental part of the process of enabling each person to develop his or her individuality, creativity, and enjoyment of the richness and diversity of life, in all the infinite variety of human needs and capacities. Not least it will open the doors to all that richness to those who are disadvantaged, handicapped, disabled, and underprivileged.

But, the first task of education must be to encourage a high degree of numeracy and literacy, including in our modern era, computer literacy, in all Australians. This is the case whether our aim is to prepare children for employment for their own sake, or for the sake of economic progress in Australia, or to prepare children for a rich life within our culture, or to promote equality of opportunity in Australia.

In a rapidly changing economic environment, the entire education, training and retraining system must be placed under constant review to ensure its maximum relevance to the requirements of a changing economic environment. The future pattern of employment will be one in which people in the workforce are likely to hold successively two, three or more, kinds of jobs in the course of their working lives. The structure and content of the education training and retraining systems must be shaped to take account of this fact. Again, proficiency in the basic skills will be the key to success of individual Australians, and of Australia.

Employment

The general question of education and training is closely linked to the question of unemployment itself.

The most important single goal of our fiscal policy, the Prices and Incomes Accord which underpins our economic policies, and our industrial

policies, as well as our education policies, is the reduction of unemployment, the explosion of which has been the main symbol of Australian failure in recent years.

However unpalatable it may be, we cannot reasonably expect in the foreseeable future, to return to the experience of the post-war generation where the conventional economy provided full employment, in the historical sense, for everybody who sought work. We cannot reduce the unpalatability of this fact by ignoring it or refusing to face up to it. Those of us who grew up, or made our careers, in a time when the definition of full employment was more conventional vacancies than conventional job-seekers, cannot rationally expect our children ever to enjoy that experience.

As a Government, we can and we will create more jobs by the employment of a co-ordinated range of economic policies including specific job creation programs, to lift the general level of economic activity from its present depressed levels.

But general policies for overall economic growth must now be supplemented by the use of public resources to assist the creation of alternative opportunities for the constructive development of the great human potential existing among this young generation of Australians — the best and brightest generation we have ever produced. Either that — or we drift along, continuing and condoning the totally negative nexus represented by the dole cheque.

We shall also have to face up to reducing the length of the working life of the average Australian. A substantial impact will be made by policies designed to encourage young people to remain in the education system longer, and by offering them a comprehensive youth policy, which offers the alternative of education or a range of employment outside the conventional labour force, providing opportunities for constructive community work, training and experience.

The plain fact is that no government in Australia will now, or in the foreseeable future, solve the problem of unemployment solely through the available methods of increasing the supply of jobs. At least equal attention must be paid to the question of reducing the demand for jobs by helping to provide socially constructive alter natives.

Social security system

These considerations lead us into the large question of the future of the social security system and its equity in our future society. Just as we

have to take account of the economic realities imposed on our younger people, so we have to pay close attention to the economic realities facing the older generation. We have to face the fact that we are going to live in a society with an ageing population. It is imperative, therefore, that we create concepts and mechanisms governing our social security system which will ensure that expenditures are more closely related to the real needs of the people.

Put bluntly, a smaller proportion of the population will be in employment and able to sustain those in retirement after their productive employment, and those without any employment at all.

If we are to raise significantly the general level of benefits to all who need them, then we have to reduce the special and unnecessary privilege of some.

That is a fact of life in these times of great economic difficulty. But it will remain a fact — indeed, its force will increase — as the number of Australians dependent on the pension grows as a proportion of those in the workforce.

Let me be more specific about the demographic facts. Over the next ten years the number of working-age Australians for each person over 65 will drop to about five. Looking further into the future, fifty years from now this number is expected to drop to about three.

So in the May 19 statement and in the Budget itself we set in train decisions whose real results will come not this financial year or even next, but will begin to bear fruit in the years ahead.

It would be tragic if shortsighted consideration of short-term political or personal advantage were allowed to retard the reform of the social welfare and taxation systems upon which we have embarked.

Inter-governmental relations

There can be no sustained economic and social progress in Australia without co operative inter-governmental relations.

We approach the end of the twentieth century with a Constitution and division of powers between the Commonwealth and the States basically determined in the 1890's.

We propose to take every opportunity to reform and modernise that Constitution. But it would be less than realistic to believe that the path of constitutional reform can, of itself, provide quick, or ready solutions to the complex social and economic problems we now face.

The election of Labor Governments throughout Australia nevertheless provides the basis for a more co-operative and constructive use of the

Constitution as a instrument for progress and reform unparalleled in the history of Federation.

It should now be possible for the elected governments of Australia to devise a pattern of relationships, in a spirit of co-operation and consultation, which are most attuned to the circumstances of our time — a set of relationships which more effectively matches the capacities and responsibilities of the respective levels of government (including local government) than we have ever known in Australia. We took this goal to our first Premiers Conference, which beyond its agreement on short term economic policy, established a working party to make recommendations on the whole structure of federal-state financial relations.

The regional focus

The program we have embarked on is not one we can hope to pursue in isolation from the world around us. A critically important task is to give greater substance to and obtain greater community awareness of our links with the Asia/Pacific region, the fastest-growing region of the work economy. It is not enough that important sections of government, the bureaucracy, business and the academic world are conscious that Australia's destiny is inextricably associated with this region.

We can no longer afford to look down on or patronise peoples whose achievements in economic development over recent years have been among the most impressive in the world. And without compromising our own western-derived value system, we must be prepared to show greater understanding of neighbouring societies whose traditions and values are very different from ours, but no less firmly based. Australia's education system and our information media have a major role to play in bringing these realities to us.

Conclusion

The broad objectives of my Government have already been laid down, and they have been reflected in the policies of our first six months of office.

They will continue to shape the development and implementation of new policies. In general these are to achieve in Australia a stronger and more soundly based national economy and to establish a fairer and more equitable society. Externally we aim to strengthen our links with the Asia/Pacific region, and to contribute to reduction of international tensions.

And however much we may recognise the limitations imposed upon us, on a federal Labor Government in a very complex system; however much

we may recognise the limitations on our economic efforts and aspirations imposed by the inheritance of past governments, however much we may recognise the limitations upon Australia itself by its comparatively small size and influence, we will at all times use our best endeavours to improve the standard and quality of life of our people and the international cause of peace.

Yet those endeavours must at all times be informed by a sense of realism and an understanding of what is achievable. Mere posturing in the name of peace will do nothing to achieve peace, any more than mere posturing in the name of economic growth and equity will do anything to achieve these objectives for our nation.

These are the realities. They are the realities which John Curtin, more relevantly than any other Australian in our history, acknowledged and confronted — in his time, just as we must do now, in our time.

We are his heirs. Let us strive to be worthy of that splendid inheritance.

He left us an inheritance of an Australia safe, strong, united. For him, it was impossible to distinguish between the Australian Labor Party and Australia. For him, service and commitment to the one was service and commitment to the other. Forty years on, as his privileged successor, in the great office of Leader of the Australian Labor Party and Prime Minister of Australia, I do not find it necessary to revise or qualify his essential assessment of his role and duty, either to the party or to the nation. If we Australians can approach the splendid example he has left us, then I believe we need not fear for the future of our Government, our Party, or our nation.

THE PHILOSOPHY OF DEMOCRATIC SOCIALISM

Address to Australian Fabian Society Centenary Dinner, Melbourne, May 18, 1984

For any association or secular institution to reach its first century is noteworthy and, in our times, remarkable enough in itself.

That alone would be sufficient reason for us to join together tonight in this celebration of the centenary of the Fabian Society, brought into formal existence in London a hundred years ago this month.

And, incidentally, I trust it will be noted in the appropriate quarters that those of us here tonight associated with the Australian Labor Party and the Australian Labor Government have been so far able to overcome our notorious prejudices as to celebrate a British centenary and a British institution — indeed, in many respects, a quintessential British institution.

But seriously, I invite you all to consider the wider and deeper significance of this achievement — because it goes far beyond the Fabian Society's mere survival in the technical and temporal sense.

For tonight we are marking the centenary of a Society and an idea which, of its very nature, could not at its birth be thought to have had much chance of survival at all — much less survive into the very end of the 20th century.

For this was, and is, that most difficult of things of all to maintain — a *political* association. It was founded as, and remains, a purely voluntary association of like minded men and women, bound by no dogma or creed or fixed body of doctrine. Unable to offer its members inducement or rewards, or to impose discipline or enforce rules; an association based entirely on moral and intellectual ground and, by the very essence of its nature and purpose, having only the loosest structure and formal organisation.

Further, the century since 1884 has been the most turbulent and eventful in human history, a century of tremendous change in human attitudes and standards, a revolutionary era in which no political, social or economic

assumption made a century ago has gone unchallenged, and few, if any, have not been fundamentally changed.

Yet the Fabian Society and its original ideals endure.

That a Society so conceived could survive in such century — and survive with continuing vigour — is surely striking testimony to the enduring strength of the cause with which it has been so closely identified and to which it has contributed so much — the cause of social democracy.

I deliberately use the words "the cause with which it is identified," because the Fabian Society did not and does not claim to be a cause in itself.

Rather, it was called into existence to represent and promote an idea and an ideal — and, most important — a method, an approach by which that idea could best be implemented and by which the ideals of social democracy could be given practical effect.

And almost from the beginning, its founders envisaged that the vehicle would be a labour party — long before the British Labour Party as such existed.

Sidney Webb — one of the founders of the Fabian Society and for so long its presiding genius described the process in this way:

> From 1887, the Fabians looked to the formation of a strong and independent Labour Party. We did all we could to foster and assist, in succession, the Independent Labour Party, then the Labour Representation Committee and then the Labour Party ... but we also set ourselves to detach the concept of socialism from such extraneous ideas as suddenness and simultaneity of change, violence and compulsion, and atheism or anti-clericalism ... nor did we confine our propaganda to the slowly emerging Labour Party, or to those who were prepared to call themselves socialists, or to the manual workers or to any particular class.

So, from the beginning, the Society drew its strength from its vision of the future of labor and the Labour Party.

But beyond this fundamental strength, many factors have contributed to the strength and survival of the Society.

First, we cannot ignore the personal element — that extraordinary galaxy of political, intellectual and literary talent which made up the firmament of Fabianism — the Webbs, Graham Wallas, George Bernard Shaw; then later Tom Mann, who helped introduce Fabianism to Australia; then later on again people like Bertrand Russell, G.D.H. Cole, Harold Laski and R.H. Tawney.

Many may think that, in terms of his contribution to Fabian philosophy and social democratic thought, Tawney was the greatest of them all. Certainly

his great work *Equality* stands as the definitive exposition of the true meaning of social democracy, both as an ideal and a practical program.

Another source of the Society's strength was what we may call the *methodology* of Fabianism — the primacy given to facts, knowledge, proper research and solid information as the basis for action — whether political, social or economic action. It was the recognition, as Beatrice Webb put it, that:

> Reform will not be brought about by shouting. What is needed is hard thinking.

And the third and greatest and most enduring source of the influence of Fabianism was the idea of practical *relevance*. And this is the very essence of Fabianism.

It is the recognition that the commitment to democracy and democratic means is fundamental.

It is the recognition that this fundamental commitment imposes on social democrats obligations and restraints in terms both means and ends.

It is the recognition, as I myself put it in the *Resolution of Conflict* lectures — the Boyer lectures, in 1979 — "of the need for those who would advocate change to temper their fervour with a sense of gradualism ."

And it cannot be emphasised, too strongly or too often, that this approach is not a matter of mere pragmatism. It is equally a matter of principle.

It is a principle which follows inexorably from our commitment to democracy.

And it is a principle which lies at the very heart, not only of Fabianism, but of social democracy throughout the world.

It is of course the classic concept of Fabianism — the i*nevitability of gradualness*.

And nothing is more widely misunderstood or more frequently misrepresented.

It was never conceived as a justification for opportunism. It was, and is, a principle of necessity.

The principle was first and best propounded by Sidney Webb himself. Speaking as President of the British Labour Executive at the Party Conference in 1923, he said:

> Let me insist on what our opponents habitually ignore, and, indeed, what they seem intellectually incapable of understanding, namely the *inevitable gradualness* of our scheme of change. The very fact that Socialists have both principles and a programme appears to confuse nearly all their critics.

Webb continued:

> If we state our principles, we are told 'That is not practicable'. When we recite our programme the objection is 'That is not Socialism'. But why, because we are idealists, should we be supposed to be idiots? For the Labour Party, it must be plain, Socialism is rooted in Democracy; which necessarily compels us to recognise that every step towards our goal is dependent on gaining the assent and support of at least a numerical majority of the whole people. Thus, even if we aimed at revolutionising everything at once, we should necessarily be compelled to make each particular change only at the time, and to the extent, and in the manner, which ten or fifteen million electors, in all sorts of conditions, of all sorts of temperaments, from Land's End to the Orkneys, could be brought to consent to it.

That was Webb in Britain in 1923. It is as relevant and true in Australia in 1984.

For it represents an unchanging truth and a fixed principle for the Labor Party and social democrats everywhere.

And I repeat and emphasise: it goes beyond pragmatism; it is the principle which flows from our fundamental commitment to democracy.

I suppose there is no greater hero in the pantheon of radical reform than Aneurin Bevan, who was also a great Fabian. He was never accused of selling out, or selling the cause short. He was never denounced as an opportunist or derided as a pragmatist.

Thirty years after Webb's analysis which I have just quoted, Bevan wrote this magnificent confession of his faith:

> The philosophy of democratic socialism is essentially cool in temper. It sees society in its context with nature and is conscious of the limitations imposed by physical conditions. It sees the individual in his context with society and is therefore compassionate and tolerant. Because it knows that all political action must be a choice between a number of possible alternatives, it eschews all absolute prescriptions and final decisions.
>
> Consequently it is not able to offer the thrill of the complete abandonment of private judgment, which is the allure of modern Soviet Communism and of Fascism, its running mate ... It accepts the obligation to choose among different kinds of social action and in so doing to bear the pains of rejecting what is not practicable or less desirable ...
>
> It seeks the truth in any given situation, knowing all the time that if this be pushed too far it falls into error ... Its chief enemy is vacillation, for it

must achieve passion in action in the pursuit of qualified judgments. It must know how to enjoy the struggle, whilst recognising that progress is not the elimination of struggle but rather a change in its terms.

In this brief review, I have said enough to indicate the spirit, ideals, methods and objectives of the Society whose centenary we celebrate tonight.

I have so far referred only in passing to its Australian contribution, as part of its general contribution to the cause of Labor and social democracy.

But Australian Fabianism and Australian Fabians have made a specific and significant contribution to the Australian Labor movement and the Australian Labor Party.

The circumstances in which the Society in Australia has operated have, of course, differed considerably from those of the parent body. So too has its role.

The Australian Labor Party is many years older than the British Labour Party. Our Parliamentary success came much earlier and has been much more consistent than that of the British Labour Party. That early and consistent success, combined with our historic origins in the trade union movement, meant an emphasis on practical achievement above theory and doctrine.

And indeed, the Australian men and women of the I890's and the early 1900's had already recognised the inevitability of gradualness and applied it in practice, at a time when, for the British Labour Party, it was merely a statement of principle for future Labour governments, yet to be elected.

A further difference in the role of Fabianism in Australia lay in the nature of our Federal system — and I mean, not only the Federal nature of the Australian Constitution, but the Federal structure of the Australian Labor Party itself.

It may even be that the comparative success of the Society in Melbourne relative to other capitals reflected something of our colonial past. It certainly established Melbourne in its role as the headquarters of the radical tradition in Australia.

But despite the differences, Fabianism has made a valuable and enduring contribution to social democracy in Australia, in both thought and action.

Fabian Societies were formed here as early as 1895.

As Frank Crean has recalled, the present Society, the Victorian Fabian Society — now I am pleased to say, properly renamed the Australian Fabian Society — was formed in 1947.

And of course that was a very significant year in the history of the Australian Labor Party and the Australian Labor Movement.

I hasten to say that I'm not suggesting that importance derives anything from the fact that 1947 happened to be the year I joined the Labor Party in Perth.

But the year 1947 represented both a high tide, and a turning of the tide, for post-war Labor, and for the Chifley Labor Government. It was for the movement as a whole a year of great optimism and enthusiasm and achievement. The work of post-war reconstruction was going on apace. Full employment was established as a national principle and a national goal.

But 1947 was also a year when the challenge against bank nationalisation forced on us a realisation of the restrictions and restraints imposed by the Constitution, and in particular by Section 92.

Consequently, this led to a rethinking of our approach. Because, unless the Platform was just to stagnate into irrelevance, the search had to be made for alternative means of achieving our objectives.

And in that search — and it was a search and a development of policy that went on for more than 20 years — Fabians were in the forefront — Fabians like Frank Crean, Jim Cairns, Kim Beazley, Race Mathews and not least our own Fabius Maximus — Gough Whitlam himself.

Throughout the long years in the wilderness, the Society played a valuable role in producing and disseminating information and ideas, and in promoting dialogue.

It preserved the Fabian tradition of research as the basis for reform.

There were times in the bitter years after the Split when the Fabian Society seemed almost a lone voice for sanity, civility, realism and genuine idealism amongst us in Victoria.

But above all, the ongoing importance of Fabianism in Australia has been to help bring to our movement, and our cause, that quality which I said before was the essence of social democracy — the need for a sense of *relevance*, in the application of our ideas and our ideals to practical purposes and achievable goals.

And in this I gladly acknowledge the debt of my own Government to Fabianism.

Earlier I dealt at some length with the principle of the inevitability of gradualness.

There was another important idea — a *method* more than a principle — which became closely associated with Fabianism. Sidney Webb called it "permeation." Today it would be called "consensus." Webb put it this way:

> Most reformers think that all they have got to do in a political democracy is to obtain a majority. This is a profound mistake. What has to be changed is not only the vote that is cast, but also the mental climate in which Parliament and the Government both live and work.

That I find, to be an accurate description of the approach I and my colleagues have tried to bring to the affairs of this nation in our first term of office. From the National Summit on, we have attempted to transform the atmosphere of politics — the background, the assumptions, the shared information and perceptions of common goals, through which decisions can be made, not just by the Government and Parliament but by key groups and interests like business and unions.

Of course there are some who will misunderstand or misrepresent the nature of this approach and the meaning of consensus.

It was ever thus.

Beatrice Webb described in her diary of their Melbourne visit in 1898 a meeting with people whom she only identifies as "some Victorian Socialists" — from her unflattering description clearly not members of the Labor Party — and wrote:

> Sidney tried to explain the Fabian policy of permeation, with the result that the Chairman, in his concluding remarks, recommended the meeting to adopt Mr. Webb's suggestion of taking the capitalist down a back street and then knocking him on the head.

We all have to face the fact that if our Government is to make really great and worthwhile reforms — reforms that will endure, reforms that will permanently change this nation — then it is not enough simply to obtain a temporary majority at an election, or even successive elections.

For our reforms to endure, the whole mood and mind and attitudes of the nation must be permanently changed.

Certainly, we are proceeding to implement the policy on which we were elected and the platform of the Party with a thoroughness, I believe, not excelled by any previous Labor Government in our history. But that specific task must go hand in hand with the more general and deeper, longer range task — the task of establishing, in the mood and mind of this nation, permanent acceptance of the naturalness and inevitability of change and reform, as the authentic Australian way of life.

And that, for the first time in our history, is what this Labor Government is attempting.

Let me conclude:

An occasion like this serves to bring home to us all, one of the great truths about our cause in Australia — the cause of Labor and social democracy.

And that is the *continuity* of our movement and the continuity of our role in our nation.

The Party itself is a hundred years old in 1991. The Labor movement is already well over the century.

One of the great paradoxes of Australian politics is that the parties and forces of conservatism and reaction — for all their self-proclaimed loyalty to tradition — have no real continuity and no true sense of continuity.

And without a sense of continuity — in the case of individuals or parties or movements or nations — there can be no true sense of identity.

And I believe it is precisely because our adversaries lack that sense of their own continuity, and in a deep sense, their own identity, they are obliged to seek it out side themselves — other institutions and even other nations.

And that I believe explains, at least in part, much of their current conduct — their lurches, not only in search of a policy, but in search of an identity.

It is, by contrast our own sense of continuity, as a government, a movement, a party, a cause which provides us with the stability and strength to overcome the countless setbacks we have suffered and, equally, in the days of triumph, to live up to the motto set for itself by the Fabian Society one hundred years ago:

> For the right moment you must wait, as Fabius did, most patiently, when warring against Hannibal, though many censured his delays; but when the time comes you must strike hard, as Fabius did, or your waiting will be in vain and fruitless.

LABOR'S PROGRAMME IN ACTION

Address to the National Conference of the Australian Institute of Political Science, Melbourne, May 26, 1984

I am pleased once again to participate in a National Conference of the Australian Institute of Political Science.

Indeed, I particularly am delighted to have the opportunity now to launch the book *Industrial Confrontation*, which, as you would all know, contains the proceedings of last year's Summer School.

At that Summer School I outlined a new approach to Australian industrial relations and economic decision-making. That approach very soon after was being implemented by a Labor Government.

The pace of events following the 1983 Summer School was quite extraordinary. I recall John Wilkes at the tea break after my presentation last year congratulating me on my Paper, suggesting it be made the main policy plank for the next election and predicting that, if this were done, I would become Australia's next Prime Minister!

The strategy I outlined to you last January became the main thrust of the Labor campaign for the March 1983 election and has guided the industrial relations and economic policies of my Government since then.

Central to that strategy is the overt recognition that there is a large degree of mutual interest between the major participants in our national economic system. There is no necessary reason, in this view, why industrial issues need be addressed in a confrontationist fashion.

This might sound rather unremarkable in May 1984. But need I remind you of the pessimism implicit in your own January 1983 conference theme, 'Industrial Confrontation — Can We Survive It?'

This was a direct reflection of the fact that Australia then was a deeply divided society, with a disastrous recent history of turbulent industrial

relations and an economy in the process of shedding a quarter of a million jobs in a single year.

In those circumstances, what was needed was a deliberate redirection of Australian attention to the compelling shared interests of all parties to the industrial relationships. The common ground or point of convergence lay in the legitimate goal shared by all Australians of mainlining and, over time, improving their real incomes. All Australians share a fundamental interest in working constructively towards the achievement of real growth.

At the Summer School I spelled out the conditions necessary for the achievement of co-operative, more productive endeavour by all Australians. Government, as I saw it, had a particular responsibility to provide the framework within which realization of those conditions might be possible.

The essential elements of that framework boil down to three reasonably straightforward propositions:

First, that all parties need to understand the context in which their relationship is conducted; that is, a requirement for adequate information about the issues and choices available.

Second, that all sides need to feel they are involved in decisions affecting that context; and

Third, that the rules which govern the relationship between the parties be seen by all sides as compatible and consistent.

I would add that there is another requirement — namely, that the likely outcomes should be broadly accepted as being fair. In our complex, modern democracy, many groups have the power effectively to veto the changes necessary for growth.

It is unrealistic to expect Australians to co-operate in joint endeavours to lift our national performance unless they are confident the benefits of growth will be shared equitably.

In other words, a successful economic relationship requires information, consultation and fair treatment under the rules.

Quite obviously, none of those circumstances prevailed in January 1983. Labor's strategy sought to address these needs as a means of bringing together all the participants in the industrial relationship, in Australian economic life. We aimed to return to Australia a sense of purpose and unity based on a genuinely co-operative approach between Government, business and unions.

The strategy of co-operation and consultation was begun over three years before we won government. The ALP and the ACTU, realising that competition over income claims would not contribute to a better quality of life, and would restrict and quite possibly destroy the efforts of government

to reduce unemployment, negotiated a Prices and Incomes Accord. This was an achievement of historic significance.

The Accord is not just a wages policy. It encompasses a spectrum of economic, industrial and social policies and provides a framework for continuous consultation and co-operation between the government and the trade union movement.

Those doomsdayers who have predicted the demise of the Accord, have been shown to be wrong. They have not recognised that the Accord represents a long term commitment to employment, stability and equity on the part of the Government and the union movement. This commitment is unshakeable, even if the detail of its implementation must be the subject of complex negotiation.

The outcome of our strategy is now a matter of record. And what gives me so much satisfaction tonight in reviewing the past sixteen months is the great sense of achievement the Government can derive from the speed with which our strategy has been put into effect.

The National Economic Summit held in Canberra in April 1983 was our first step as a Government in the process of bringing together the main actors in Australia's economic and social life.

It was the first time in our national history that such a diverse but representative group actually joined together to identify goals, to come to some understandings about the options before them, and to establish agreement about the appropriate means of pursuing joint goals.

The Prices and Incomes Accord was endorsed at the Summit and was accepted as the foundation of the Government's policies for setting the economy on an upward path once more.

Importantly, the Accord has provided an essential measure of stability and predictability to decision-makers in the economic process:

- The trade unions have committed themselves to wage restraint in the knowledge that the Government's policies will work to their advantage in job creation and improved standards of living over time.
- An environment of stable real costs, in which profitability is being restored, has also been created. As a result there is a basis for renewed confidence in the business sector.

Apart from ratification of the Prices and Incomes Accord, the broader achievements of the Summit were also tremendously important in creating an appropriate climate for the pursuit of economic growth. It provided the opportunity for the sharing of views, the exchange of information and perspectives across what could have been thought of in the past as the Australian " Industrial Divide" — what, truly, had been "The Great Divide."

The work of the Summit in sponsoring a pooling of knowledge and viewpoints has been carried forward since April 1983 in the work of the Economic Planning Advisory Council (EPAC) and in a wide range of other formal and informal bodies. In this manner, the habit of consultation and consensus has been established in our economic system and I have no doubt that it will be continued. The most persuasive argument in its favour is quite clearly its success.

The main economic indicators confirm the view that recovery is well and truly underway.

Economic growth has gathered pace somewhat more quickly than had been expected. The growth performance for the six months to December was the strongest since records have been kept in Australia.

While this record in part reflects a low base and is not therefore likely to be sustained, the fact remains that growth into the foreseeable future is likely to be very strong by historical standards. A review of recent economic indicators justifies this confidence.

- Exports have reached a new record level.
- The housing sector is buoyant.
- Industrial production has picked up.
- At the same time inflation has fallen dramatically with a rise in the CPI of only 5.9 per cent in the last twelve months. Even with the medicare factor excluded the CPI rose by only 7.6 per cent — the lowest inflation rate for a long time.
- There has been strong growth in employment with 225,000 new jobs being created since April last year. And the unemployment rate has fallen by three quarters of a percentage point to 9.5 per cent in the same period.
- Non-seasonal interest rates have dropped to levels significantly lower than a year ago. We expect that a reduction in the deficit for 1984-85 will further reduce public sector pressures on financial markets.
- Business investment is also beginning to pick up. The figures for the March quarter of this year show a seasonally adjusted estimate of new fixed capital expenditure seven per cent higher than the December quarter result.
- There has, finally, been a very sharp drop in the level of industrial disputation — the number of working days lost per thousand workers as a result of industrial conflict is at its lowest point in seventeen years.

We have achieved in little more than a year a basis for a return to confidence in our capacity, as a nation, to get our resources working for us again. The

economy is now moving in the right direction. We aim to see the recovery sustained.

Indeed, the challenge before us now is to consolidate our achievements and to ensure that our basic economic structure is appropriate for charting a sustained growth path into the medium and longer term.

In this regard I think it quite right that this conference should be asking: 'Australia — Poor Nation of the Pacific?'

Provocative as this question might be, it draws attention to the real issues which must be confronted by those concerned with Australia's long-term economic outlook.

Our post-war record in harnessing the economic potential of Australia's significant resources — human, technological and natural — has not been good. Australia's per capita gross domestic product (GDP) growth performance between 1960 and 1980 was in the bottom 25 per cent of OECD nations. Compared with some of our East and South East Asian neighbours, our per capita GDP growth performance has been even less impressive.

While care needs to be taken with direct extrapolation of such trends, we would be foolish to seek to deflect attention from some of the uncomfortable truths which are at the foundation of these comparisons. An inward-looking and reactive Australia, not geared to the prospects available through innovation and market expansion, will inevitably suffer a comparative decline in its standards of living.

The risk is real. This reflects an Australian inheritance of past policies which have insulated our industry from the dynamic realities of world markets. The price of the misallocations and distortions caused by these policies, in additional costs for consumers and industry alike, has become unacceptably high.

In an era of lower global growth and proportionately weaker world demand for many of our major primary exports, we can ill-afford such policies.

And even more seriously, to continue with an inward-looking industry strategy will mean forgoing the opportunity which now exists to share in the rapid economic growth of our own region. China's Premier Zhao was right when, earlier this year, during a visit to the United States, he spoke of the 21st century being the century of the Pacific. President Reagan has also drawn attention to this prospect.

It is within our choice to make Australia a participant in the dynamism of the region or to slump passively into relative inefficiency and, by comparison with others, declining living standards.

What we need to do nationally is to make sure that we make the best use of the resources available to us — in both our private and public sectors —to meet the requirements or preferences of society. Creating the conditions for growth will at the same time contribute to the achievement of a more equitable society.

In present circumstances, the Government's emphasis has been particularly on the employment generating effects of growth. Given the disastrous effects of the recent recession this has been an inevitable priority. It will, however, be apparent that strong growth will also provide scope for improved and more equitable provision of services to the community in fields such as social welfare and education.

With strong growth we can provide:

- Maximum opportunities for employment;
- High quality education which equips us for the demands of the workforce;
- A decent standard of living for all, including the aged and the disadvantaged;
- Universal health care services;
- Adequate housing;
- Essential community facilities such as services for children, immigrants and other special groups;
- Encouragement for the expression of national art and culture;
- Community sport and recreation facilities; and,
- Preservation of unique aspects of the environment. And so the list could be continued.

Ultimately, the scope which we have as a community to work towards these and other goals depends critically on the use which we make of our national resources of land, minerals, skilled labour and capital.

In this sense, it will be far easier to devote resources to improving living standards if the economic cake as we measure it is growing bigger. This has been achieved both through raising the quantum of the resource base, or by achieving a more effective application of Australian skills. In essence this means there can be no shrinking from the need to improve our economic efficiency. In order to achieve this, we need to make more effective use of our existing natural and human resource endowment.

I have already outlined to you the successes the Government has recorded in its macro -economic policy setting to date. We have also adopted a number of measures aimed at encouraging industry to become more efficient, more flexible and more responsive to changes in economic circumstances.

In respect of financial markets, our decision to deregulate the exchange rate was a major step.

We have also acted on the Martin Committee recommendations on deposit regulations and on foreign exchange licences. Major aspects of that report still remain for decision and are currently the subject of wide-ranging consultation by the Government.

We have also been active in exploring with our regional neighbours the scope for improved trading opportunities both bilaterally and as they might emerge from any future global trade negotiations.

These are all important policy areas which will have a profound influence in the medium to longer term on Australian prosperity.

A particularly pressing requirement, is the need to secure a properly co-ordinated approach to industry policy.

In this regard useful progress has already been made. The concentrated attention being given by the Government to the issues involved has already seen the sterile discussion of past years on appropriate levels of industry protection replaced by a more realistic and constructive concern with the parameters, processes and timing of industry restructuring.

This has involved not only thorough reviews of Australian opportunities in such major markets as Japan and China, but has also seen a vigorous, co-operative effort with countries of the region to secure international attention to the region's most important interests in the international trade system.

The recent meeting of the region's senior trade officials at Denpasar in Indonesia was particularly successful in this latter regard, and has seen a good number of the countries of the region, including Australia and all the ASEAN countries, register their particular and shared concerns with the participants at the forthcoming Western Economic Summit in London.

Quite early in my Government's period in office we confronted the need to make some urgent decisions about the future of the steel industry in this country. In co-operation with the trade unions and industry we worked out a plan for rationalisation and recovery in that sector. That plan has been enormously successful.

Another area requiring attention has been the motor vehicle industry. Details of the Government's new motor vehicle industry policy will be announced by Senator Button next week. It has also been developed through an intense, and I believe highly productive process of consultation with all interested parties.

It is a policy which will clearly demonstrate the Government's commitment to the gradual achievement over the long-term of rational, competitive industry structures.

The question of industry structure generally is too important, and the consequences too far-reaching, for the policy issues which effect it to be treated in isolation from one another. Accordingly the Government is giving particular priority to co-ordinating more effectively all those aspects of our policy making which impinge on our long-term industry structure. Above all, we need a sense of direction and purpose in our efforts.

To this end a special Committee of Ministers, chaired by the Minister for Industry and Commerce, Senator Button, has been established to co-ordinate Government Work in areas relevant to structural change in the economy. The issues are also being examined within EPAC and the Australian Manufacturing Council.

Clearly a wide range of Government policies have an important influence on the performance prospects of various sectors of the economy and should be encompassed by any strategy aimed at improving the efficiency of Australian industry.

The macroeconomic framework is obviously of paramount importance. But decisions made today, for example, in the areas of education and training, and science and technology policy will also have a critical impact on the options for Australia's productive capacity and possible industry structure further down the track. Consideration, as well, needs to be given to improving the mechanisms by which Australian industry can benefit from the application of research results.

The industry policies adopted by the Government should also be informed by a balanced appreciation of the relevance for those policies of other Government decisions in the fields of trade, transport, taxation, labour market and foreign investment. Effective co-ordination of approach is a necessity.

In the final analysis, however, what is particularly important is that comparative advantage — whether natural or created — be recognised and accepted as the key factor in determining restructuring policies.

Particularly crucial to the development of a coherent and considered approach to industry policy is the need for a national economic information base which is as full and as accessible as possible. Already we have moved some way in this direction through EPAC which will each year prepare a detailed medium-term assessment of the economy.

We should expect that, through the collection and dissemination of such information to the business sector, unions and other community groups, the process of rational decision-making at the levels of the firm, the industry and the whole economy will be made easier.

The process of adjustment from our present industry structure to one which maximises the opportunities provided by our resource base and our location in the Asian region will inevitably mean costs for some in the community. I have said before that such costs should not be borne disproportionately by those industries and employees directly affected by such change.

Rather, because the change involved will ultimately benefit the whole community, compensating policies designed to spread the burden are absolutely necessary.

Community endorsement for policies of the kind needed will hinge on there being broad agreement that all parties are receiving fair treatment.

It will only be by openly and deliberately addressing issues such as these that Australia will secure its path to a prosperous future.

If we are to establish for ourselves an appropriate place in the 'Century of the Pacific' we must apply to the challenges involved those characteristics which in the past twelve months have enabled Australians to pull this country out of its worse recession since the 1930's. In many respects those challenges are more difficult.

During my visits in the Asian region in the last year there was a widespread welcoming of our moves to establish the conditions necessary to ensure a dynamic economic relationship between Australia and the region. There was a clear appreciation that the Australian Labor Government is committed to seeing Australian industry more competitive and more capable of responding to opportunities within the region. The corollary of a more open Australian economic system is judged important by our regional neighbours.

There is, at the same time, acknowledgement within the region that the necessary changes in Australian economic structures can only be phased in gradually. It is particularly appreciated that too rapid a movement would result in negative domestic reactions leading to the sort of stop-go gyrations that are inimical to consolidated and successful change.

It is only by effectively managing the process of change that we will be able to stand our ground in competition and co-operation within our region and consolidate our national economic future.

The challenge is considerable. But with an appropriate national economic framework, and with effective mechanisms for consultation on our goals and how to approach them, I believe we can confront this challenge successfully.

Certainly all Australians do stand to gain considerably from the extent to which we do so.

Finally, let me say this. To this point I have been talking in essentially economic terms. I have been trying to convey what I believe is one of the

most important truths to be understood by my fellow Australians concerned about the future of our great country — the truth that the standard and quality of life of our children and succeeding generations will be determined by the standard and quality of our relations with the countries of our region.

We can, with good sense and constructive imagination, make the right decisions that will enable our economy to benefit from, and contribute to, the dynamic growth we can expect to see characterise that region. But we delude ourselves if we imagine we can so conduct our affairs as to create the fact, or even the impression, of second-class citizenship for those of our people who have settled amongst us from the countries of that region.

Put simply, this is not only morally repugnant, it is economically self-defeating. Those who, either explicitly or implicitly, give sustenance to such a position in terms of professed concern about lost job opportunities should get their perspectives right, ignoring as they do, in any case, the fact that our immigration levels are framed in the context of employment and capacity considerations. All the correct economic decisions we may make will be diminished, even negated, in terms of creating a productive and employment generating partnership with this dynamically growing region if we are perceived to go down that dangerous path sign-posted in the language of racial intolerance.

I had cause to say in my maiden speech in the Parliament that if considerations of morality will not produce correct decisions perhaps the more persuasive element of self-interest will lead to that end.

The events of recent weeks — and I am not concerned here with attributing blame — have been sad and they have certainly been against the long-term interests of our country.

Let us, as Australians, understand that fact. And let us, as Australians, understand that we shall not be "the poor relation" but together as partners, based on a shared human dignity, we can provide the basis for a glowing and proud future for all the future citizens of our country.

Authorised by K.D. Gott. 38A Lansdowne Rd. St. Kilda. Victoria, 3183.

Australian Fabians Pamphlets

New South Wales Fabian Society pamphlets

1	**The case for bank nationalisation** Clarrie Martin (ed) (1947)
2	**Towards a socialist Australia** Clarrie Martin (ed) (1949)
3	**Towards a free press** Clarrie Martin (ed) (1949)
4	**Secret ballots in trade unions** Clarrie Martin (ed) (1949)
5	**Fighting inflation 1945-1949** Clarrie Martin (ed) (1949)
6	**Workers' control** Clarrie Martin (ed) (1950)
7	**Labour and the Constitution** Clarrie Martin (ed) (1950)
8	**Fighting Communism: The democratic way** Clarrie Martin (ed) (1951)
9	**What do you know about Democratic Socialism?** Clarrie Martin (ed) (1953)

Victorian Fabian Society pamphlets

1	**Trading banks, inflation and depression: A statement on national monetary policy** AG Serle (ed) (1953)
2	**Socialist economic policy** John Reeves (1957)
3	**Commonwealth industrial regulation in Australia** Harold Souter (1957)
4	**The housing crisis in Australia** Ray Burkitt (1958)
5	**Reform in medicine** Moss Cass (1961)
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7	**Australian wives today** Jean Blackburn & Ted Jackson (1962)
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