

AUSTRALIA'S FUTURE UNDER A LABOR GOVERNMENT

Address by Gareth Evans, Deputy Opposition Leader and Shadow Treasurer, to American Chamber of Commerce, Melbourne, 24 July 1998.

This AmCham series on the general theme of *Visions of the Future* is as timely as it could possibly be. The most fundamental question at stake in the forthcoming national election is not just whether the Coalition or Labor will form a government, but, very simply, what kind of country do we want Australia to be.

How do we want to treat each other, and live together in the wider Australian community? In a way that is cooperative and compassionate, giving priority to well-being and quality of life and employment opportunity for all members of the community, giving real weight to public goods and public service, and to long term satisfaction rather than short term gratification? Or in a way that is confrontational, divisive, focused on private gain rather than public good, and indifferent to the pain and humiliation of those who fall behind or who are outside the cultural mainstream?

How do we want to present ourselves to the wider world? As a modern, innovative, competitive, socially and economically advanced, united, multicultural society, energetically and creatively pursuing both our national interests and wider good international citizenship objectives? Or as a country which had a chance to be a real role model for the world of the 21st century, politically and economically and socially, but which turned inward and backward and threw away that credibility and stature?

Who do we want to be the face of Australia, presenting Australia to the world as we enter the new millennium? The face of small mindedness and parochialism, of 1950s social conservatism, of cynical political opportunism and short term advantage, and insensitivity to the new currents of our time and our region? Or the face of real leadership - open-minded, intelligent, expansive, sensitive to all the great issues of our age including the human issues.

I think you'll have a reasonably clear idea on which side of these divides I would respectively locate the Coalition and Labor parties, and John Howard and Kim Beazley. But I don't think I have overdrawn the contrasts. This *is* a watershed election, more than any other I can remember in my twenty years in Parliament; with basic values more in issue than I can recall at any time since the early 1970s; and with the stakes as high as they have ever been.

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There are any number of touchstone issues which I could single out to make my point - some of them central to the public political debate of the last few months, others less so. Let me mention a few of them across a wider spectrum before coming back to focus, as I want to, on the management of the economy.

On *immigration and multicultural issues* I can't help but mention the way in which there has turned to ashes in our mouths the proud claim we were until so recently able to make about the domestic harmony, and real exuberance, of our salad bowl society. I remember telling the UN Secretary General at the time Australia hosted the Global Cultural Diversity Conference to celebrate the UN's 50th birthday in 1995 that I had never felt prouder of my country. Today I have never felt *less* proud about the way in which our political leadership has failed to stare down, and talk down, the new currents of discrimination and prejudice which Pauline Hanson has set flowing - a failure of moral leadership which has come a huge cost to our internal harmony, international reputation and our international trade and the Australian jobs that go with it.

In government as in opposition, Labor will maintain our heartfelt commitment to respecting and celebrating the diversity that has made us the country we now are. In Dandenong, the core of my electorate, the latest census tells me that I have people from 140 different countries, 52 percent of them born overseas and another quarter born to parents born overseas. And yet, as I walk around the market or through the streets and parks and into the schools, the whole place still has an unmistakably Australian feel about it - laid back and low-key, with people having a sense of being members of a common larger community. It may not fit into Pauline Hanson's idea of Australia, but it certainly fits into mine and the Labor Party's.

What *we do* need to do is work hard to define and build a community consensus around an overall population policy - one that focuses not on year to year immigration targets, with all the confusion and hurt this tends to generate, but on our optimum population size in the decades ahead, and how migration can best contribute to building that. There are not many more important policies to get right in determining Australia's future than this, and getting it right will be a high priority for us in government.

Native title has been another touchstone issue, defining both to ourselves and to the world in recent times the kind of country we are. All the evidence is that we don't yet have it right. But it could have been right if John Howard had done what we would have done - and that is get every one of the stakeholders around a table to negotiate, for as long as it took, a bottom line that it was at least acceptable, if not optimal, for all of them. It may at first sight be a tall order to imagine Indigenous people *and* pastoralists *and* miners *and* governments and the wider tax-paying community they represent, all finding common ground. But after years of involvement in this issue, I genuinely believe it was possible - and will be possible again as we are forced, as we will be, to re-address this issue in government.

What made it *impossible* to achieve under this Government was the stubborn determination of the Prime Minister to make political capital out of the apparent, but not real, inequality in the rights of Indigenous people and pastoralists in relation to negotiations over mining activity on pastoral leases. This was an issue that, for over a year, John Howard had been determined to exploit: it was only when he realised that he was being outbid from the right in the constituency to which he was pitching that he rushed to hide behind the withered fig-leaf that Senator Harradine offered him.

It is not only at home that we have failed to see the kind of leadership of which this country is capable. On *trade and economic issues* I could draw attention to the way in which we have abdicated over the last two and a half years any leadership in APEC, the regional economic cooperation forum which Australia established in 1989, and have done so at the very time the Asia economic crisis was crying out for a decisive coordinated regional response. The endlessly peripatetic Tim Fischer didn't even turn up at the recent APEC Trade Ministers meeting in Malaysia, which saw some serious backsliding - led, unhappily, by Japan - in the trade reform agenda. Then again, if John Howard doesn't turn up at the forthcoming November APEC Leaders meeting (making the generous assumption that he will then still be Prime Minister) it is difficult to believe that any of his 17 colleagues will notice...

In government Labor will make a major effort to give APEC new life and teeth, especially on issues relating to capital flows, financial market supervision and financial institution strengthening and rebuilding. Kim Beazley has called several times for Australia to take the lead in coordinating in what he describes as a mini-Marshall plan to help Indonesia stabilise and rebuild its economy. There is probably no better vehicle than APEC to advance this, but at the moment Australia simply does not have the stature or credibility to drive it.

On *foreign policy* I could draw attention to the way in which we have abdicated any role in leading the international policy debate on global security issues like chemical, biological and nuclear weapons elimination (on all of which, incidentally, I should mention to this audience, we have worked in very close cooperation with the US). We have moved from being globally respected agenda setters to also-rans with nothing to say. When the Indian and Pakistani nuclear tests occurred - just as close to Australian shores as the earlier French tests in the South Pacific! - we saw from the Australian Government a couple of days of strident, domestically focused rhetoric, then complete silence. Two weeks or so later a "Joint Declaration Towards a Nuclear Free World" was issued by the Foreign Ministers of New Zealand and seven prominent middle powers around the world, including Sweden, Egypt and South Africa. That Declaration drew strongly and explicitly on the report of the Canberra Commission on the Elimination of Nuclear Weapons, but it could not get the sponsorship or support of the current Canberra Government...

In government, Labor would seek once again to play some of those critical niche roles in global affairs that so many countries came to hope and expect of us - stimulating, cajoling, generating ideas for cooperative solutions for common problems, and building coalitions to implement them.

Returning to issues much closer to the heart of current political debate, we keep finding, I'd suggest, this same vacuum in values and vision and leadership. The *sale of Telstra* is an area in which we have seen ideology and short term opportunism driving the agenda, rather than any really measured or coherent analysis of what is in this country's best long-term interests. The decision to sell of 100 per cent of Telstra, as so many of John Howard's have been, was made to divert attention away from a political disaster (in that case the Parer trust shares affair); this week's temporary retreat to 49 percent has been forced upon him by the another disaster, his Coalition partner in open revolt.

In neither case has any credible case been made for the sale in terms of what we would gain,

when measured against what we as a nation would lose, from making the second lowest public debt in the industrialised world possibly the lowest. In the Labor Party's judgement, what we would lose is first, a massive ongoing future dividend flow (a significant part of which we will be earmarking for nation building purposes); secondly, the \$20 billion or so of a major national asset which the Coalition would be sending into foreign ownership, together with the \$700 million a year or so in dividends going overseas with it; thirdly, a great deal of business for domestic telecommunications equipment suppliers; and fourthly, as share market considerations became more and more dominant, the certainty of equitable, fully cross-subsidised, service delivery for those in the bush.

The whole affair has reinforced the impression of a Government constantly driven by small government/minimalist government ideology and constantly focusing on short term gains, political and financial, without being troubled by the long-term damage or loss of opportunity involved.

The *tax reform* issue is yet another one which - in the way the Government has chosen to play it - goes not just to the policy issues immediately involved, but to the kind of community we want to be. Any government worth its salt must be committed to ensuring the fairness, efficiency and revenue adequacy of the tax system. The ongoing repair, renovation and on occasion renewal of the tax system is just part of the job. The Howard Government has not, however, chosen to get on with the job - for example by addressing systematic avoidance by high wealth individuals by discretionary trusts, in the way it was advised to do by the Australian Tax Office, and this failure is costing the community hundreds of millions of dollars a year.

Instead we have been promised a tax revolution, for which we have been waiting 431 days now, and which will be implemented only after the government is returned to office. But it's pretty clear that what that revolution will come down to is no more than an unhappy combination of, on the one hand, a GST, which will do worse than nothing for jobs, and is about as unfair and economically indefensible an assault on lower and middle income earners as it's possible to devise: combined with, on the other hand, a miscellany of baubles and tax cut bribes, with the biggest sustainable gains accruing to higher income earners, which the Government hopes will be glittering enough, and with their weaknesses sufficiently concealed, to enable it to scrape past election day.

Labor in government will deliver a fairer tax system: we will deliver tax reform, but it will be tax reform without a GST. We will focus on delivering benefits where they're needed, for a start for lower and middle income earners who are presently being deterred from making the transition from welfare to work by excessively high marginal tax rates. We will address the problem of bracket creep pushing average weekly earners into higher tax paying levels than they should be. We will address the erosion of the PAYE system through the explosion of so called independent contractors. And we'll crack down hard on avoidance and evasion. Labor in government will also implement a significant range of business tax reforms designed to encourage investment and employment.

Australia doesn't need a tax revolution. It just needs good government, delivering a tax system

which is efficient by international standards, generates adequate revenue for our wider community needs, and in which no one pays any more, or less, than their fair tax share.

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Managing the tax system is only one small part of managing the total national economy, and it's fair to ask - in any assessment of Australia's future under a Labor Government - what kind of economic managers we will be. How exactly will we translate the kind of values and aspirations I talked about at the outset into the gruelling nuts and bolt business of macro-economic management - budget and monetary policy and all the rest?

In economic management, as everywhere else, Labor is not reluctant to spell out what we stand for. The new National Platform puts it starkly:

The fundamental objective of economic policy is to promote the well-being and improve the quality of life of all Australians.

The *fundamental* objective is not, you will notice, to increase savings and reduce foreign debt; to balance budgets and reduce public debt; to keep the current account deficit to less than 4 per cent of GDP; or to ensure that underlying inflation remains on average between 2 and 3 per cent over the course of the cycle. These should be seen as just means to the larger end of higher living standards. Language elsewhere in the ALP Platform hammers home that distinction.

We take the view that only in the most exceptional circumstances are governments locked into inevitable and irrevocable courses of action. They make *choices* - and they make those choices based on the set of values they bring to the particular task of government. Labor's values do put people first, which means in particular that unemployment reduction and job security will always for us be a much higher priorities than they are for our opponents. We are always going to be conscious of the centrality in peoples lives of issues like health care and education. And we are deeply conscious of the critical role of government in providing the security and creating the opportunity that market forces left to themselves will never guarantee for everyone.

All that said, economic policy choices over the next two to three years are going to be quite limited for any Australian government, whoever is in power. With the return of a major current account problem, and concern beginning to grow again of a return of inflationary pressures with our vulnerable dollar, there is not going to be a great deal of scope for major expenditure initiatives, despite the urgent need for them in the key priority areas of jobs, health and education.

As the Prime Minister and Treasurer see it, we have an Australian economy which is "fireproofed" and "insulated" against anything the Asian economic crisis can throw at us. The trouble is, as everyone else sees it, the outlook for the Australian economy is one of falling output, falling exports, falling business confidence and profit expectations, and

wobbly consumer confidence - along with a rising current account deficit, rising foreign debt, rising unemployment, the rising home mortgage rates we have already seen, and, with a fragile dollar, potentially rising inflation and official interest rates.

The tragedy is that we are moving into the very gloomy period ahead with a domestic economic base very much weaker than it could and should have been. Because of the present Government's obsessive talking down of the condition of our national finances - even though our public debt and budget deficit situation was in remarkable good shape by any relevant international comparative standards - consumer confidence was wrecked and the decline in private consumption took a substantial slice off our growth performance. That was compounded by the Government's determination to address budget deficit reduction through obsessive and unnecessarily harsh public expenditure cutting, which took another half a per cent or more off our national growth, and ensured that there would be no further significant inroads made into unemployment reduction.

Under the Coalition, small government values triumphed completely over any sense of priority - of the kind we would have insisted on - for jobs, living standards and the well-being of ordinary Australians. The Government made the wrong choices, and we've had as a result, two tragically wasted years.

Looking to the future, Labor is a Party that's been around in government long enough - and with a leadership team experienced enough - to know the difficulties with which we will be confronted in office by the new economic environment. We are, as I have said, deeply conscious of the constraints and disciplines imposed by the ballooning current account deficit, and fully aware of the renewed worries about inflation - stimulated in particular by our depreciated dollar - with which we will have to responsibly wrestle.

We will go into government absolutely committed - not least because we negotiated the commitment with the Reserve Bank ourselves - to the maintenance of a 2-3 per cent underlying inflation rate on average over the course of the cycle; and absolutely committed to delivering a surplus in each of our first three years in office, provided the present Government's economic and budget forecasts remain broadly unchanged.

We have been around for long enough in government, and have been successful enough in government, to know what business expects of us is basically four things: lively growth; stable prices; the capacity to be competitive with the rest of the world; and the capacity to withstand external shocks with the minimum of disruption.

The business community need have no reason for doubt about our capacity to deliver. It's perhaps worth reminding you about the last Labor Government that:

- we're the Party that grew the economy over the whole of the 13 years we were in office at an average of 3.7 per cent, well above the OECD average of 2.8 per cent;
- we're the Party who broke the back of inflation, generating the conditions which

produced the interest rate reductions in which the Treasurer has been now basking;

- we're the Party who over our last term in office grew the economy a full percentage point faster than the Coalition has so far been able to manage during its term
- we're the Party who created 594,000 new jobs in our last 28 months, as compared with the 251,200 generated under the Coalition in its first 28 months;
- we're the Party who in 1996 spelt out a budget strategy for much more moderate expenditure cuts which, according to the Coalition's own Budget Papers this year, would have brought the budget back into balance or better this coming year with nothing like the pain that has been caused;
- we're the Party who handed over government with Australia's public debt and budget deficits among the very lowest in the developed world; and
- we're the Party who left behind us a foreign debt which - while certainly not the lowest in the developed world - was \$33 billion lower than where it is now.

In all of this, of course, it's a matter of not just what business expects of us but what the wider community expects. I don't suggest that we got everything right in government, in economic management or anywhere else, and the voters certainly judged in 1996 that we didn't. But the point is that we have listened, and we have learned. Back in government we will be more determined than ever to get the balance right between economic and social goals, and to give support and protection to those who have been knocked about - who have been made losers rather than winners - by the new economic forces that every country in the world has been grappling with.

Unlike John Howard, Labor passionately believes that our *people* are our greatest resource, that their well-being is our greatest responsibility, that providing jobs for those who want to work should be our greatest economic priority, and that high unemployment is the greatest sign of failure any economy can exhibit.

We have learnt a lot in this respect from what didn't work as well as we would have liked in our thirteen years in government, and have learnt even more from watching what has gone even more badly wrong over the last two and a half years. We will deliver in government a job creation strategy with five key elements:

- o growing the Australian economy as fast as we reasonably can, using appropriate combinations of budgetary and monetary policy to stimulate the maximum possible sustainable growth;
- o getting access to the demand for goods and services being generated elsewhere in the world, through creative and effective trade and foreign policies;

- ensuring that increased demand for goods and services translates into business and job opportunities through carefully crafted industry and regional development policies: policies which will both maintain the liberalising and cost competitive direction of everything we did in the 80s and 90s, but at the same time involve where necessary government support and intervention;
- making sure we have the supply of the necessary job skills to fill the opportunities as they arise, through education, training and labour market programs properly funded by government; and
- directly addressing areas of particularly hard hit unemployment, through additional publicly funded jobs, involving meaningful and rewarding work in areas of unmet community need.

It's simply unacceptable to claim, as the Howard Government does, that Australia's economic fundamentals are right when the most fundamental right of all - the right to have a job, with all the security and dignity and opportunity that goes with it - is not a reality for hundreds of thousands of Australians.

There *are* fundamentally different values that we in the Labor Party and the Labor movement bring to the political process. As well as the specifics I have already mentioned those values are set out clearly now in our new National Platform in general terms - the values of fairness, compassion, individual freedom, labour rights, responsibility, democracy and community.

That set of values defines very clearly the kind of society we want Australia to be, and believe we can in government deliver. It's a very different, and much happier and more harmonious kind of society than the one that is now, courtesy of John Howard, in so many ways unravelling before our eyes.