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PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES
MATTERS OF PUBLIC IMPORTANCE

Economy

SPEECH

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BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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Questioner
Speaker Ciobo, Steven, MP

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Mr CIOBO (Moncrieff) (3.57 pm)—It has been an interesting debate this afternoon. The member for Jagajaga put forward this matter of public importance, with the central thrust that Australian households today have seen the recent rise in interest rates as a consequence of the Howard government not heeding Reserve Bank warnings. I heard all sorts of claims from the member for Jagajaga and the member for Scullin alleging to put forward the position of the Reserve Bank of Australia on the Australian economy.

We heard allegations from the member for Jagajaga that interest rate rises were a result of inflation, and that inflation was a direct consequence of a lack of investment in skills training. We heard the member for Scullin making claims that interest rate increases were a result of economic ineptitude on the part of the Howard government—another theme that was central to the argument that the member for Jagajaga put forward.

But my concern, as someone who sits on the House of Representatives Standing Committee on Economics, Finance and Public Administration and having had the opportunity to sit opposite the Reserve Bank board on quite a number of occasions is that, despite what the member for Jagajaga and the Labor opposition would say, the evidence that has been put to the committee time and time again by the Reserve Bank board is in direct conflict and contrast to the allegations that the member for Jagajaga and the member for Scullin have made.

In fact, the Reserve Bank board has indicated that the Australian economy is one of the best performing economies in the developed world. The economic cycle in this country has been growing for 15 years. We know that unemployment today has dropped to a 30-year low of 4.8 per cent—the lowest level since August 1976—because of the good economic management by the Howard government. We know that the Australian people have been enjoying an average GDP growth rate of 3¾ per cent because of the good work of the Prime Minister, John Howard, and, importantly, the Treasurer, Peter Costello, when it comes to the management of the Australian economy.

Do not listen to what Labor says when it comes to its policies; look at what Labor does. When you actually look at the facts, you see that what the member for Scullin and the member for Jagajaga said is simply not supported by those facts. People should turn their minds to the facts, because they certainly do not support what the member for Jagajaga or the member for Scullin said.

I would like to quote from what the Reserve Bank governor said. Rather than simply pretending to speak on his behalf, as the member for Jagajaga did, I will quote him. He made reference to a couple of key points in respect of how the Australian economy was growing and has been growing for 15 years, averaging at 3¾ per cent GDP growth. He spoke about the need to maintain this growth. He said:

At the current stage of the expansion, there are a number of factors that might be expected to put upward pressure on inflation. The economy is operating at a high level of capacity utilisation, the labour market is relatively tight, and there have been some large increases in raw material costs. Aggregate wages growth has picked up over the past year, and businesses generally are reporting difficulty in attracting labour.

He continued:

This outlook is, as usual, subject to significant uncertainty. One area of uncertainty relates to wages growth, where there is a risk that current labour market tightness will result in higher than expected wage increases.

He spoke about the fact that we have unemployment down to 4.8 per cent today—it was at about five per cent when he made those remarks—highlighting the fact that, because the Australian economy has been growing so strongly, it is leading to some tightness in the labour market and that may push up the inflation rate.

An important and key fundamental to recognise—and I questioned the Reserve Bank governor on this—is the fact that one of the key drivers of inflation is wages growth. We saw recently, for example, that the Queensland

Labor government and the New South Wales Labor government have given pay increases in the vicinity of 25 per cent to 30 per cent. Those are the kinds of wage increases that the Reserve Bank governor is directly talking about in that quote that I just read when he said that that is the kind of wages growth that will cause concern and push up interest rates.

Bear in mind as well that it is the state Labor governments that are again borrowing billions of dollars to put into their economies. At a time when we are facing the risk of higher interest rates, which are still five per cent lower than the ALP's average, we have state Labor governments adopting Labor Party policy and again borrowing billions and billions of dollars. If there is anybody who is putting pressure on the Australian economy, it is the Australian Labor Party, by allowing these ridiculous wage increases at a state level and, furthermore, by actually borrowing billions of dollars. In addition, I would like to make some reference to what the Reserve Bank governor said with respect to labour market reform. He said:

I have made the point on a number of occasions that, whilst monetary policy can take a lot of credit for the stability of the expansion, for a long period the lift in productivity was nothing to do with monetary policy; it was to do with structural and microeconomic reform. To me, there were about five components to this, which have been occurring over the last 15 years: tariff reduction, financial deregulation, privatisation, labour market reform and competition policy. I think all five have been extremely important.

I think we want to see further reform. We will be constantly evaluating our institutions to decide whether or not they really are first best. We have one reform, which has been achieved but not implemented yet, which is the third phase of labour market reform.

He goes on in that transcript to talk about the absolute importance of labour market reform in ensuring that the Australian economy continues to grow—the kind of labour market reform which is directly responsible for this 30-year low in the unemployment rate, the kind of labour reform which the Australian Labor Party stands opposed to. The Australian Labor Party goes out there on a scare campaign and lies about the consequences of labour market reform. The kind of reform the Reserve Bank governor talks about when he fronts the House of Representatives Standing Committee on Economics, Finance and Public Administration is the kind of reform the Australian Labor Party stands opposed to.

I reassert: don't listen to what the Australian Labor Party says but look at what the Australian Labor Party does. At a state level, the Australian Labor Party is doing nothing except pushing up inflation and driving up interest rates. It is the Howard government and the Treasurer, Peter Costello, that are working to bring these down.

Importantly, I heard the member for Jagajaga saying that the government's approach is to cut wages. I think, to use an almost exact quote from the member for Jagajaga, she said 'to make them work harder for less'. Apparently that is the government's policy—very strange. In 10 years under the Howard-Costello government, we have seen wages increase by 16.3 per cent. Contrast that with the 13 years under Labor when the growth rate in real terms was a miserly 1.3 per cent. So we had a 1.3 per cent growth in real wages under the Australian Labor Party and a 16.3 per cent growth in wages under the Howard government.

It hardly seems to be the case that this government's policy is to make them work harder for less. Quite the contrary: this government's policy is to ensure that Australians are enjoying some of the best working conditions they have ever enjoyed, as a result of this government's policies. Once again, we see another furphy put forward by the member for Jagajaga. We have seen furrphies from the member for Jagajaga on what the Reserve Bank governor has said, we have seen furrphies with respect to this policy on labour market reform and we have seen furrphies by the member for Jagajaga on what the consequences will be of the Work Choices legislation.

I would like to turn to some Labor Party form, particularly with regard to their rhetoric. What we have seen is that, despite their claims, Labor actually started shutting down vocational education facilities in a whole host of areas. In fact, the Leader of the Opposition, Kim Beazley, in 1987 closed down the Apprentice Training School at the Defence Science and Technology Organisation. As Minister for Defence he closed down one of the best apprenticeship training courses that there was.

In the limited time I have, I simply reassert that the Australian economy is widely regarded as the miracle economy, and it is because of 10 years of solid and sustainable economic growth under the Howard government. It stands in stark contrast with the lies we have heard from the Australian Labor Party about—

The DEPUTY SPEAKER (Hon. IR Causley)—Order! The member for Moncrieff will withdraw the word ‘lies’.

Mr CIOBO—Out of deference to you, I will withdraw.

The DEPUTY SPEAKER—Just withdraw the word ‘lies’.

Mr CIOBO—I withdraw.

The DEPUTY SPEAKER (Hon. IR Causley)—Order! The discussion is now concluded.