

Economic Policy

1. Preamble

1.1 Congress reaffirms that full employment is the prime goal of economic policy, consistent with the prime importance placed on that objective by the parties to the Accord.

1.2 Congress believes that every Australian resident who is available for, and willing to work should be able to enter into full-time, paid employment.

1.3 No single problem facing an Australian society in the 1990's can equate with that of unemployment, the significance of which must be assessed in social and economic terms. Accordingly Australian economic strategy must be directed primarily at reducing unemployment.

1.4 It is necessary to pursue the prime objective of full employment in a manner consistent with the attainment of other important objectives, including:

- relative price stability and increased output and productivity;
- assurance that the benefits of Australian economic activity flows to Australians on an equitable basis;
- a reduction in the present inequalities in the distribution of wealth and income;
- the maintenance and growth of industries which a nation should have or is able to build quickly to minimise the risk of undue pressure from other countries;
- the maintenance of balance in our external accounts;
- greater economic independence and the minimisation of the control and influence of multi-national corporations.

1.5 Whilst recognising the great challenge involved in achieving full employment, the trade union movement does not resile from that objective.

1.6 Congress notes that appropriate macro economic policy whilst a necessary element of a total economic policy approach is not a sufficient approach and needs to be supplemented by an active industry development policy and targeted unemployment strategies as part of a total Accord approach.

1.7 Accordingly, Congress believes that economic management should be co-ordinated around the development of:

- An open Government approach to economic management and economic information.
- A comprehensive policy approach supported by appropriate fiscal, monetary and exchange rate policies.
- Effective mechanisms to combat inflation.
- Industry Development Policy including specific industry policies.
- Specific Active Employment and Training Policies.

2. Open Approach to Economic Management and Economic Information

2.1 Congress reaffirms its support for an open and honest approach to the economic and social problems of our society. The Prices and Incomes Accord is based on this approach which has been vindicated through its continual implementation whereby consultation has occurred in a range of bodies and on a variety of economic, industrial and social issues.

2.2 Congress reaffirms the need for an effective forum through which all aspects of the Accord are objectively reviewed, monitored and communicated to the trade union movement specifically, and to the community in general.

2.3 Congress reaffirms its commitment to the economic policies of the Accord and the values of:

- the prime importance attached to the objective of full employment;
- a comprehensive policy approach designed to engender sustained economic growth and the simultaneous reduction of inflation and unemployment;
- the protection of living standards of all groups in the community;
- the application of Government policy to prices and all income groups rather than to wages alone;
- an equitable and discernible redistribution of income;
- the recognition of the need for continuous consultation and co-operation between the parties involved;
- the recognition of the need for accommodating and supporting Government policies at all levels.

2.4 Congress re-emphasises that sound economic policy making requires a comprehensive and timely information base, which requires from Government a high priority to the collection and publication of relevant statistical data and the public dissemination of information.

2.5 The ACTU should continue to press for greater resources to be devoted to establishing a more accurate statistical information base.

2.6 Consistent with its emphasis on a comprehensive information base, Congress believes that companies and public enterprises should be encouraged to make available to their employees and relevant union substantial details of their financial position, their assessment of future profitability and their investment and employment plans.

3. Comprehensive Policy Approach

3.1 The achievement of lower unemployment and sustained lower inflation requires a comprehensive economic policy approach, based on an effective prices and incomes policy and supported by appropriate fiscal, monetary and exchange rate policies.

3.2 The far reaching and inter-related set of conditions which we must deal with in turn require a comprehensive and integrated economic management strategy. As such the prices and incomes approach must be reinforced by appropriate fiscal, monetary and exchange rate policy if the objectives of lower unemployment and sustained lower inflation are to succeed.

3.3 Recent economic history, including the balance of payment problem and resurgent unemployment has underlined the need to reject prescriptive, piecemeal or ad hoc policy changes in favour of continual reassessment of the collective impact and role of major variables - fiscal, monetary, prices and income policy.

3.4 The arms of policy should be balanced in a way which enables the maximum possible growth in economic activity, and employment consistent with the over-riding goal of sustainable long term economic growth.

3.5 Monetary Policy

1. Congress declares that economic management requires the use of a package of measures and cannot rely on over-emphasis on tight monetary policy with its consequent effect of extremely high interest rates.

2. Congress believes higher interest rates have a major detrimental effect on our members and believes that interest rates should be brought down further as economic circumstances allow.

3. Congress recognises the need for careful management of the money supply. However, we reject policies which inhibit growth of output, place upward pressure on interest rates, or are designed to suppress inflationary expectations by increasing unemployment.

4. Monetary policy should be not unduly relied upon to regulate the economy but should be used constructively in line with other aspects of policy. As such the pursuit of quantified monetary targets per se is outdated and inappropriate.

3.6 Fiscal Policy

Congress stresses the importance of the Government sector as a productive contributor to total output and the role this sector can play in economic management. Fiscal policy plays an integral role both in promoting and sustaining increased activity as a means by which the redistribution role of the Accord can be continuously achieved.

3.7 Inflation

1. Congress supports the efforts of the Federal Government to reduce the current level of inflation. Congress rejects the approach of seeking to reduce inflation at the expense of real wages and living standards.

2. The Federal Government must tackle the problems which arise from the profit motivated and prices-led increase in the rate of inflation which is aggravated by excessive executive salaries and the cost of professional services, government charges and indirect taxes.

3. Inflation has been aggravated by unbridled business take-overs and empire building which artificially boosted the prices of shares with borrowed funds. This increased the debt to equity ratio, increased company instability and increased pressure to maintain viability with further price increases

of products. In many cases viability could not be maintained, resulting in enterprise closures and loss of what otherwise what would have been effective Australian production capacity.

3.8 Review of Taxation Policy

1. Congress reaffirms its commitment to a taxation system based on the criteria of ability to pay and urges that the criteria be central to tax reform.

2. While Congress recognises and endorses taxation changes such as increased anti-avoidance activity by Government, Congress maintains its support for further change in taxation policy which would reflect:

- the introduction of a broadly based wealth tax, exempting small wealth holdings such as personal effects, consumer durables and owner occupied homes;
- the further development of tough new measures to smash the tax avoidance industry, including corporate tax loopholes, including use of retrospective legislation against blatant tax avoidance schemes;
- provision of adequate resources to the taxation office and insistence of their rigorous application against tax avoidance and evasion;
- application of full penalties by the tax office against serious breaches of the tax law through tax avoidance or evasion;
- amendment of provisions regarding tax avoidance by transnational corporations through transfer pricing by substantially increasing penalties for such activity and establishing a code of conduct for TNC's operating in Australia, including a requirement to make available to the Tax Office all relevant information in relation to their pricing policies;
- deregistration of tax agents promoting tax avoidance schemes.
- the fullest consultation with the trade union movement on any changes to the taxation regime, including general rise in taxation necessitated by economic and social circumstances.
- ensuring the effectiveness of the capital gains tax exempting owner occupied houses.
- the pursuit of tax indexation as a factor in the protection of the purchasing power of wage and salary earners, noting the agreement in the Accord that in the context of a fully operational prices and incomes policy, the Government, in conjunction with the trade union movement, will annually review the tax scale so that the tax burden will not rise automatically with inflation.
- continuation of the individual as the unit of personal income taxation.
- the further immediate broadening of the tax base in order to increase the equity of the system as a whole, involving redistribution of the income tax burden and an expansion of the taxable income base.
- review of the structure and base of indirect taxation and a reduction in the relative incidence of indirect taxation and complete opposition to any broad based consumption tax in lieu of income tax or other progressive taxes.
- the imposition of an excess profits tax where appropriate.
- company taxation levels consistent with equity and employment growth.

2. Congress notes the growing regressive and unstable tax system in the states and believes that a comprehensive review of states financing should occur with a view to creating a more equitable and stable states tax system.

3. Congress recognises that consistent with its policy on social welfare, the community must accept that in the long term, the development of an effective community welfare system including income maintenance provisions will require increased resources. This, in turn, may necessitate increases in taxation both in the form of normal redistributive measures and additional taxation payments which may be achieved by way of specifically directed levy charges or surcharges on income and /or profit to ensure these support systems are provided.

4. Congress reiterates that there is no justification for further reductions in the top marginal tax rate for high income earners, and determines that trade union priority will continue to be directed at achieving significant improvements for low and middle income earners.

3.9 Exchange Rate Policy

1. The ability to maintain some control over exchange rates and the maintenance of exchange rate stability remains the preferred position of Congress.

2. Congress recognises the circumstances which led to the floating of the Australian dollar, specifically the pressures, both national and international, for exchange rate deregulation and the enormous pressures on the Australian dollar at the time of the float.

3.10 International Pressures

3. Congress asserts that where the balance of payments and current account are constantly in deficit and private corporate foreign debt and its servicing requirement is growing, that Government should closely monitor the policies in place to ensure that the operations of the Foreign Exchange markets are in the public interest and are not manipulated by corporations and institutions solely for their private advantage.