

ECONOMIC NOTES



THE AUSTRALIAN ECONOMY IN THE 1980's: A STATISTICAL PROFILE

We are constantly bombarded with information about the economy. The typical media presentation is rather like the weather report - "inflation is up, the dollar is down, the stock market is unsettled, and there is the prospect of a depression coming soon!"

This creates an impression that the economy - like weather - is shaped by forces beyond human control: e.g. the inexorable logic of "the market". In reality, "the market" doesn't decide anything - the actions of those who dominate the market are decisive.

The weather report approach also focuses attention on *short term* movements in economic indicators, creating an obsession with the latest monthly and quarterly statistics. These short-term estimates frequently subject to subsequent revision, and are very unreliable indicators of what is actually happening in the economy.

This short-term focus obscures an understanding of long-term trends and problems. To counteract this tendency, it is useful to step back and review the economy's performance in a longer term perspective.

Official figures for the last eight years shed a sober light on the general situation in the Australian economy. These figures, shown in the accompanying tables come from various publications of the Australian Bureau of Statistics. They are collected together here as a quick guide, in a form accessible to students, workers and others familiar with the sources of ABS statistics. The following comments provide a general commentary on the results shown in the tables.

1. Economic growth

(Percentage annual increase in gross domestic product)

The overall rate of increase in the gross domestic product was certainly impressive in the first three years after the election of the Labor government under Bob Hawke. However, this impressive performance has not been maintained, although the current rate of growth shows some significant recovery on the figure for the previous year which had been similar to those prevailing in the last years of the Fraser government. This is not to say that the changing performance is wholly attributable to government policy. Nor is it to say the GNP is a satisfactory general measure of economic welfare. However, the GNP is the most general indicator of overall economic performance, the conventional index of national economic prosperity. Overall, the evidence indicates that, while the capitalist economy is geared for growth, it cannot sustain steady expansion in practice.

2. Unemployment

(Percentage of the workforce registered as seeking work)

Despite an impressive increase in total employment since 1983, the unemployment rate has remained at an unacceptably high level (even ignoring the problem of concealed unemployment). The overall rate of unemployment certainly fell significantly in the period from 1983-4 to 1985-6, but seems to have stabilised for the last three years at a figure only just below 8%. The objective of full employment to which Australian governments were committed for thirty years following World War II now seems a fading dream. We therefore have the situation whereby unused human resources coexist with unfulfilled social needs (for improved housing, roads, hospitals, schools, etc). This is evidence of a fundamental irrationality in the economic system: any rational economic system would mobilise its unemployment resources to fill those social needs.

3. Inflation

(Percentage annual increase in the consumer price index)

This has also proved to be a very persistent problem of Australian capitalism and tends to systematically undermine the purchasing power of incomes. In fact, the inflation rate was lowest in the years 1983-5 when full wage indexation existed (which prevented further erosion of real wage levels). It has climbed again since the renegotiations of the Accord in 1985 and 1986. Thus, consumer prices have been

rising faster during the period when institutionalised wage restraint has been at its most severe. Evidently, something other than "wage-push" has been fuelling the inflationary process - such as monopoly pricing and rises in the prices of imported goods.

	Economic Growth Rate	Unemployment Rate	Inflation Rate
1980-1	2.8	5.9	9.4
1981-2	2.1	6.1	10.4
1982-3	-1.0	8.9	11.5
1983-4	5.2	9.5	6.8
1984-5	5.0	8.5	4.3
1985-6	4.2	7.9	8.4
1986-7	2.1	7.7	9.3
1987-8	2.7 ^a	7.8 ^b	6.9 ^b

Note: a. average based on first two quarters
b. average based on first three quarters

4. Industrial disputation

(Number of working days lost per year per 1000 employees)

The number of working days lost per 1000 employees through industrial disputes has fallen dramatically since the early 1980's and has proved remarkably stable in the range 220-250 over the last five years. The effect of the Accord has been to reduce strikes relating specifically to wages, although a number of other causes have given rise to major disputes. Industrial relations conflicts have been recurrently cited as a particular problem in the Australian economy. However, the figures show that this cannot legitimately be used as an excuse for recent economic problems.

5. Distribution of Income.

(Wages and salaries as a percentage of the gross domestic product at factor cost)

Likewise, the figures on the functional distribution of income show the relative sacrifices which have been made by labour. The share of wages and salaries in the

national income has been steadily reduced since 1982-3, while the share of non-wage incomes (interest, dividends, rents, professional fees) has been allowed to expand. This is a predictable outcome in a situation where wage restraint is not matched by comparable controls on prices and non-wage incomes. It is a remarkable "achievement" for a Labor government, compounded by the effective abandonment since 1985 of the commitment to an offsetting expansion of government expenditure on the "social wage".

	Industrial Disputes	Distribution of income: Wage Share
1980-1	649	59.3
1981-2	797	61.1
1982-3	358	62.1
1983-4	249	58.2
1984-5	248	57.9
1985-6	228	56.9
1986-7	242	56.2
1987-8	221 ^a	55.7 ^a

Note:a. average based on first two quarters

6. Balance of Payments

(Current account: total value of exports minus imports)

The general improvement in Australian income levels during 1983-5 predictably led to increased expenditure on imports (as an article in the June 1982 issue of *The Journal of Australian Political Economy* warned that it would). The deteriorating terms of trade for Australian exports in 1983-6 sharpened the problem, and the devaluation of the Australian currency between 1985 and 1987 clearly failed to resolve it. The "J-curve" effect has been working slowly, if at all, partly because of the inadequate manufacturing base and export marketing. In any case, the continuing current account deficit is mainly due to the negative balance on "invisibles" (such as interest payments and freight charges) rather than to a major imbalance in merchandise trade. This makes it particularly inappropriate that the persistence of the balance of payments problem is being used to justify all sorts of bizarre policy

responses, ranging from financial deregulation, fiscal fetishism and privatisation to across-the-board tariff cuts.

7. Investment

(Percentage of business profits used for the purchase of buildings and equipment. Calculated as the gross fixed capital expenditure on non-dwelling construction and equipment by the private sector, as a percentage of the gross operating surplus of companies and unincorporated businesses, excluding the public sector).

The increase in the share of capital in the national income has not led Australian businesses to undertake the necessary investment in expansion and modernisation of industry. The proportion of business profits reinvested remains woefully low, well below the level prevailing in 1981-3. Profits have been channelled out of the country in record volumes of capital outflow, rising from \$1.5 billion per year four years ago to over \$7 billion per annum in 1986-87. Profits have also been used increasingly for the purchase of financial assets for speculative purposes without adding to the productive capacity of the economy. If the professed purpose of wage-restraint has been to generate the funds for investment in Australian industry, it appears that the sacrifice has largely been in vain.

	Balance of payments Current Account \$ million	Investment: as % of Business Profits
1980-1	- 5.6	43.4
1981-2	- 9.0	50.9
1982-3	- 6.8	49.4
1983-4	- 7.3	38.7
1984-5	-11.0	41.1
1985-6	-14.7	41.2
1986-7	-13.4	43.3
1987-8	-11.7 ^a	40.2 ^a

Note: a. average based on first two quarters

Overall, the experience of the Australian economy in the 1980s is a classic story of capitalist economic performance - sometimes impressive in terms of aggregate production levels but very unstable, uneven in the distribution of benefits and characterised by continuing prolonged unemployment.

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