

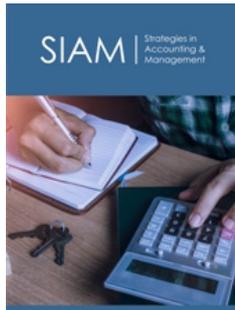
The Hawke Government and the Accord at 40-Lessons for Albanese?

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Introduction

The return of the Australian Labor Party (ALP) to government under Bob Hawke in March 1983, just on 40 years ago, began a new era in Australian politics and policy making. The incoming government recognised that Labor needed to be a party of sound economic management and put policies in place to that effect. As a result, it ended up being a government of once-in-a-century economic reform, particularly by opening the Australian economy to the emerging Asia Pacific economic region and the world. Firstly, the Hawke-Keating Government provided the foundation for stronger employment growth and industrial peace through the Prices and Incomes Accord ("The Accord") with the Australian Council of Trade Unions (ACTU). This built the social wage of healthcare, education and training, superannuation and social insurance to allow Australia to better absorb changed conditions in the international economy. Secondly, they forced the Australian economy to put competitiveness at its center by floating the exchange rate.

Thirdly, they dismantled Australia's high levels of industry protection against imports, thought to be a long-term cause of poor industrial performance. Finally, they re-designed and re-directed Australia's international trade and foreign policy architecture towards the Asia-Pacific region. The Accord was the centerpiece of Bob Hawke's initial campaign for Prime Minister. Hawke and Labor wanted to avoid the mistakes made by the Whitlam Government whose reform agenda was tailored to the long post war boom and whose economic policies were unsuitable for the stagflation of the mid 1970s, and the industrial strife, double-digit inflation and unemployment during the Fraser Government, which fought the 1983 election during a deep recession. The success achieved by Hawke, with the Accord, after the turbulent Whitlam and Fraser years led to Whitlam's famous quip:

"Bob Hawke's greatest advantage as Prime Minister was that he didn't have to deal with Bob Hawke as ACTU President. "Even Hawke's Treasurer Paul Keating was initially an Accord sceptic, thinking it a re-run of Wilson-Callaghan incomes policies of British Labour in the 1970s. But Keating ended up a self-proclaimed 'Accord-warrior' working closely with ACTU Secretary, Bill Kelty, as architect of Australia's economic and social policy for a 21st century global economy with Asia at its core. And on the left of the labour movement, the head of the Building Workers Industrial Union (BWIU), Tom McDonald said: "The Accord enabled unions – particularly the left – to focus on the creation of wealth as well as the distribution of wealth. In its very essence, The Accord prepared the Australian workforce for globalization and got us out of stagnation." Why might a new Accord be needed? Economic growth since the financial crisis of 2008-09 has been weak, especially on a per capita basis. The fiscal support (necessarily) provided during the pandemic greatly increased public debt. Not only is economic growth the basis of higher living standards, it's needed to pay for the big-ticket public spending items of the next 10-20 years (aged care, early childhood education, health, NDIS, AUKUS submarines and the energy transition) and reduce public debt relative to the size of

the economy. But would an Accord work today? The original Accord was a direct response to the early 1980s recession and all that preceded it in the 1970s, as well as being Bob Hawke's signature move. The groundwork had been prepared under Bill Hayden and Ralph Willis but the moment was tailored made for Bob Hawke. The ALP's 1983 election slogan "Bringing Australia together" said it all. The economic and political conditions in 2023 are very different to 1983. And an Accord between whom? In 1983 the union movement was powerful and unions represented nearly 50% of the workforce. Now, union density is 12.5% and concentrated in the public sector. As shown during the COVID crisis, the ACTU played an important role with Job Keeper, which benefitted both non-union as well as union members. Whilst the Accord was between the ACTU and the Hawke Government, could a new Accord involve business groups as well as the ACTU (similar to the German model of social partners)?

What would a new Accord cover? In 1983 real wages were too high and the Accord explicitly reduced them, in exchange for the social wage. The problem now is a lack of real wage growth. A new Accord could incorporate early childhood education, expansion of Medicare, reform of Commonwealth and state taxes, Commonwealth-State finances and the distribution of GST revenues between the states. Also on the agenda could be policies that would increase productivity and facilitate more competition in Australia's many entrenched oligopolistic industries, and reform of the major economic policy making and advisory institutions, especially the Reserve Bank of Australia, but also the Productivity Commission, among others. The Accord was a great success for because it was the right suite of policies at the right time. Forty years later, Prime Minister Anthony Albanese and Treasurer Jim Chalmers have an opportunity to forge an Accord-like framework for today's times and economic conditions. There's a lot at stake.