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## Anthony Albanese puts interventionist industry policy at the centre of his budget agenda

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Anthony Albanese will outline on Thursday a strongly interventionist role for government to make Australia competitive in a world requiring us to “break with old orthodoxies”.

In a major pre-budget address that puts industry policy at the heart of this agenda, the Prime Minister will declare his government “will not be an observer or a spectator – we will be a participant, a partner, an investor and enabler”.

“We have to think differently about what government can – and must – do to work alongside the private sector to grow the economy, boost productivity, improve competition and secure our future prosperity,” he says in the speech, released ahead of delivery.

To anchor the government’s reform program it will this year introduce a “Future Made in Australia Act”.

Although detail is thin, the Act would provide an overarching framework to coordinate government support for industries.

“We will bring together in a comprehensive and co-ordinated way a whole package of new and existing initiatives to boost investment, create jobs and seize the opportunities of a future made in Australia,” Albanese says.

“We want to look at everything that will make a positive difference,” he says, including “investing in new industries – and ensuring that workers and communities will share in the dividend”.

While his speech is not specific about the budget, “future made in Australia” will be a central theme, as will incentives – albeit limited by fiscal constraints and inflationary pressures.

To underpin the case for the government’s direction, Albanese highlights comparable countries that are investing in their industrial base, manufacturing capability and economic sovereignty.

### **‘Not old-fashioned protectionism’**

“This is not old-fashioned protectionism or isolationism – it is the new competition,” he says.

Australia continued to champion global markets, but “equally, we must recognise that the partners we seek are moving to the beat of a new economic reality”.

“We must recognise there is a new and widespread willingness to make economic interventions on the basis of national interest and national sovereignty.”

Albanese points to the US Inflation Reduction Act which will direct nearly US\$400 billion (A\$605 billion) in federal funding to support clean energy and the US CHIPS Act which will direct \$280 billion (A\$422 billion) in new funding to boost research and manufacturing of semiconductors.

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***Read more: Economists say Australia shouldn't try to transition to net zero by aping the mammoth US Inflation Reduction Act***

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The Prime Minister says the European Union has introduced an Economic Security Strategy, Japan has introduced an Economic Security Promotion Act, the Republic of Korea is re-framing its economic policy around national security, and Canada has tightened foreign direct investment in critical minerals.

“All these countries are investing in their industrial base, their manufacturing capability and their economic sovereignty. And – critically – none of this is merely being left to market forces or trusted to the invisible hand.

“The heavy lifting of economic transition and industrial transformation is not being done by individuals, companies or communities on their own.

"It is being facilitated, enabled and empowered by national Governments from every point on the political spectrum. Because this is not about ideology, it's about opportunity – and urgency.

"Australia can't afford to sit on the sidelines".

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## Responses from 42 economists to the question:

*"Which of the options set out below best describes the kind of approach the Australian government should take to the US Inflation Reduction Act? (Pick 1)*

Provide more grants to innovative firms across the entire economy

66.7%

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Provide access to credit for firms in industries that will supply the US projects, such as nickel and lithium mining

16.7%

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Subsidise firms in the same industries that are receiving support in the US, such as battery manufacture

9.5%

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Not provide any support

7.1%

Source: [Economic Society of Australia/The Conversation](#) • [Get the data](#) • [Embed](#) • [Download image](#) • Created with [Datawrapper](#)

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Last month two thirds of the leading economists surveyed by the Economic Society of Australia and The Conversation backed “more grants to innovative firms across the entire economy” as a response to the Inflation Reduction Act. Another quarter backed support specifically tied to renewable energy projects.

Only four of the 42 surveyed counselled against extra support for industry.

Albanese is delivering the speech in Queensland, which he talks up as having “a pivotal role” in realising and building a future made in Australia.

Queensland, in which federal seats are overwhelmingly in Coalition hands, is where Labor needs to make some inroads at next year’s election. At a state level, the Labor government is on the back foot ahead of this year’s election.

Albanese says Australia needs “a new wave of economic reform” “to drive growth, improve competitiveness, lift productivity and create the next generation of prosperity and opportunity”.

In its role as a participant, partner, investor and enabler, the government would be guided by three principles.

“First, we need to act and invest at scale. Moving beyond a ‘spray and pray’ approach where the priority has been minimising government risk, rather than seeking to maximise national reward.

"Second, we need to be more assertive in capitalising on our comparative advantages and building sovereign capability in areas of national interest.

"Our government will be proactive when it comes to backing Australia’s comparative advantages and delivering on our national interests,” he says, pointing to investments made in solar manufacturing, the Hydrogen Headstart program and the Critical Minerals Facility.

“Thirdly, we will continue to strengthen and invest in the foundations of economic success,” ranging from improving the skills base to ensuring a positive regulatory environment.

“We recognise that for Australians to share fully in the rewards, government needs to be prepared to use its size and strength and strategic capacity to absorb some of the risk.

"Only government has the resources to do that, only government can draw together the threads from across the economy and around our nation”.

Albanese says the government is “open to all good ideas” - from business, unions, state and local governments, and across the parliament.

While Australia could not match dollar for dollar the US Inflation Reduction Act, “Australia can absolutely compete for international investment when it comes to our capacity to produce outcomes, the quality of our policies and the power of our incentives”.

Ramping up a rhetoric of urgency, Albanese says: “We need to be clear-eyed about the economic realities of this decade. Recognising that the game has changed - and the role of government needs to evolve.

"Government needs to be more strategic, more sophisticated and a more constructive contributor.

"We need sharper elbows when it comes to marking out our national interest.

"And we need to be willing to break with old orthodoxies and pull new levers to advance the national interest.”

There must be a combination of the private sector and government action to grow the economy.

“Combining market tools, with government action to create wealth and create opportunity.”