

## **Australia is slipping downhill**

By Rowan Callick, *The Australian*, 12 Mar 2015

THE now-defunct *Far Eastern Economic Review* published a front cover 24 years ago that featured a group of Aussie blokes hooning around on a beach, holding stubbies. The headline: “Australia — Time to get serious.”

### **Lee Kuan Yew warning**

The story echoed the warning of Singapore leader Lee Kuan Yew of a decade earlier, that unless Australians got their act together, they’d end up as the poor white trash of Asia.

Bob Hawke took this to heart, later explaining that Lee had been right, and that this had helped motivate the early reforms that followed his 1983 economic summit, which sought, and largely obtained, the support of all sections of Australian society.

By the time the financial crisis struck much of Asia in 1997 and 1998, the boot appeared firmly on the other foot, and Canberra lent a helping hand.

### **Now we’re slipping back downhill into hoonsville**

Now, however, we’re slipping back downhill into hoonsville, and there’s no sign of a brake.

The essential difference between Australia and our neighbours is that our default dependence on government is growing deeper, while theirs is lightening as their household prosperity grows.

Tony Abbott’s popularity, especially among his own colleagues, is rising with each reform that he abandons, with each step he takes away from smaller government.

Our recent state election winners have triumphed on the back of pledges to spend up big, especially on public sector wages and conditions.

### **“We need to transform the Australian economy”**

One of our leading economists, former Reserve Bank board member Warwick McKibbin, told the ABC’s *AM* yesterday that “we need to transform the Australian economy”.

China, as he said, bought us a decade’s respite with soaring terms of trade, but that’s now over. “We wasted that opportunity.”

The context hasn’t been laid out clearly enough, McKibbin said. “The policies that were put into the previous budget are being plucked out one by one.

“The key isn’t just understanding and explaining. It’s to get a bipartisan approach. Either the minor parties or the opposition at some point have to come to the table for Australia’s wellbeing.”

Sadly, there’s a fat chance of that.

Opposition Treasury spokesman Chris Bowen wrote a commentary in *The Australian* on Monday that his take on the economic context is a comparison with Canada, Germany and Greece.

He writes of “good quality structural savings” over 10 years, but only provides as an example, extra tax collection — of “multinationals”.

The earlier critiques of Australia from our neighbours were founded on assumptions that we were lazy and hedonistic, and that our businesses were largely that way too.

### **Problem is the spending of our governments**

That has certainly changed. Australians work hard, and our firms pursue best practice. The weight around our necks now is the spending of our governments, federal and state, and our failure to reorganise how we work in order to boost productivity.

The latter includes through reassessing, as Assistant Treasurer Josh Frydenberg is doing in the commonwealth sphere, our vast panoply of regulations.

### **Australia’s default dependency**

Australia’s default dependency is wrapped in such moralism that calm discussion is all but impossible, let alone serious change.

Meanwhile, we’re slipping downhill, our capacity to keep delivering these non-negotiable services diminishing year by year.

In 2014, our economic growth was lower than all our top 10 trading partners, with the exceptions of Japan and the US. Our global competitiveness, ranked by the World Economic Forum, was seventh out of that top 10 — of which only the US and New Zealand are not in Asia.

The debate about whether pensions should be indexed against CPI or average wages is another example of the entitlement presumption, that will prove increasingly arid as the nation, the states included, accumulates increasing public debt.

Superannuation is one area where we have made progress in terms of self-reliance, and its architect Paul Keating would appear to be right in urging that it be retained for its core purpose.

### **Support people in need rather than out of routine**

Most of our neighbours provide support in cash or services for people who are aged or out of work as they demonstrate need, rather than out of routine.

The attitude that is viewed as especially perverse by people in Asia — one that is often evinced within Australia’s academic elite, in particular — is that all personal income is somehow assumed to be available to the state, whose taxation of it is restrained only by its reticence, foolishness or incompetence, depending on the economist one is talking to.

Thus the common view among many commentators that one's savings for retirement are "only" taxed at 15 per cent — the top marginal income tax rate in Hong Kong, incidentally — by dint of government generosity, or laxity.

Our physical infrastructure is already inferior to that of our three biggest trading partners, in north Asia. Our GDP per head has begun falling.

**We need to work smarter, become more self-reliant again**

We need to work smarter, we need to become more self-reliant again and look to our governments to build partnerships with the private sector to deliver better infrastructure, and to provide a safety net for the unlucky, not a couch for the dependent middle class.

Australia, it's time to get serious. Again.