

CHAPTER 1

A PLAN FOR AUSTRALIA

THE CHALLENGE

Australia has a golden opportunity to enter a new era of prosperity for all its people. It can be an era of prosperity fairly shared, of a cohesive society, of environmental repair, of community wellbeing.

But this golden opportunity is being squandered. Australia is living for today – who is looking after tomorrow?

While our economy has been growing fast, its foundations are weakening. A neglectful federal government has allowed cracks to appear and widen, too busy blowing away the proceeds of growth to pay attention to necessary repair and prevention work. Worse, the government, lacking in imagination and vision, has failed to lay the foundations for a new era of prosperity and opportunity for all Australians.

Australia's export performance is the worst since World War II. The current account deficit has crashed through the mid-1980s barrier that at the time prompted Paul Keating to warn of Australia becoming a banana republic. Foreign debt has reached a staggering \$450 billion, more than doubling since the election in 1996 of a Coalition government that promised to bring it down.

Much of this foreign debt has funded consumer spending on imports; and, overwhelmingly, household borrowings have been responsible for Australia's current account deficit. Encouraged by a federal government spending spree, Australia has developed a lustful appetite for consuming today while ignoring investment for tomorrow.

Australia's population is ageing, presenting huge new challenges for the nation. How will we pay for the four million additional Australians over the age of 65 in the next forty years? In this ageing Australia, much less than half of Australia's population will be working – earning the income and paying the taxes to support those too old or too young to work.

And where do we find the resources to remedy the social exclusion that is denying thousands of disadvantaged young Australians the life chances their better-off peers take as a birthright?

The answer is: through productivity growth. Today's productivity growth is tomorrow's prosperity. An economy is performing well if it can produce more and more valuable goods and services for each hour worked. That's productivity growth, and that's why we strive for it. Employees who can produce more for each hour they work are well positioned to command pay rises. And productivity growth can produce the taxation revenue needed for achieving our social goals even at lower tax rates.

In an advanced country like Australia, productivity growth should come from working smarter, not ever harder. But Australia's productivity growth has gone into reverse after a record-breaking decade built on the reforms started by the previous Labor government.

Australia desperately needs another round of productivity growth to sustain prosperity and provide opportunity for all in an ageing population. Our country needs a reform program that not only repairs the economy's foundations, but builds new foundations as a firm footing for economically and ecologically sustainable growth.

Any modern reform program must recognise the tectonic shifts occurring in the global centres of economic activity. China is now the world's second largest economy in purchasing-power parity terms, and India is the sixth largest. In just ten years' time China is expected to surpass the United States as the biggest economy in the world, and India is likely to rank third. China and India will soon resume their dominance of the global economy, a place they occupied for most of human history until the eighteenth century.

For its first two hundred years of European settlement, Australia suffered the tyranny of distance from European and American markets. Now, in the twenty-first century, Australia needs to rise to the challenge and seize the opportunities of proximity to an Asian centre of global economic activity whose five biggest economies together will soon be the same size as the nine biggest economies of Europe and North America.

China's economy is broadly complementary with the present structure of the Australian economy, but India's is not. China's industrialisation has made it hungry for Australian raw materials. India has a huge English-speaking population and a strong IT sector, and is churning out millions of tertiary graduates a year – many of them proficient in English. In this, the Asian century, India will be going head-to-head with Australia's expanding service industries.

Confronted with these challenges and opportunities, Australia cannot afford to be content simply with improving coal export handling facilities, as important as these are. Much more than this, Australia needs to produce many more creative people in our universities, since creative talent will be the dominant source of the wealth of nations in the twenty-first century.

But where is the Coalition government's economic reform agenda beyond the 1980s throwback of more and more labour market deregulation?

History will judge the present government a resounding success in governing for electoral cycles. But at no time since 1996

has the Coalition – or Labor for that matter – presented to the Australian people a long-term plan for our nation.

In modern public policy you only get what you can measure (and not always that). If it's hard to measure it's under-valued and under-supplied. Environmental amenity, the happiness deriving from spending more time with family, the wellbeing associated with a cohesive society – these are all too easily neglected in public policy-making.

And so it is with public goods that offer wider benefits for society. The Coalition government has refused to invest properly in education, research and development, and infrastructure – all of which offer wider benefits vital to Australia's future.

At present Australia is turning a profit – the return from the reforms begun by Labor in the early 1980s. But instead of reinvesting some of the profit, the Coalition government is squandering it. This is the time to commit to the greatest investment of all – the talents of our people.

THINKING BIG

Think of our country in twenty years' time, a country with a bigger population boosted by migrants settling in our dynamic regions, taking the pressure off our sprawling cities.

Think of an Australia in which every child has an equal chance of a fulfilling life, the gift of a quality education.

Imagine an Australia where indigenous and non-indigenous people are reconciled, living in harmony in healthy and tolerant communities.

Let us strive for a society that affords its citizens the dignity of a decent quality of life in their later years.

Cherish a creative Australia, where new thinking, new ideas and new works lift the human spirit.

Take pride in an Australia engaged constructively with our neighbours, joined in the world's struggle against poverty and ignorance.