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A 2020 vision for the Australian economy - a Zero Waste of Australians

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The upcoming 2020 Summit in Canberra aims to ‘harness the best ideas for building a modern Australia that is ready for the challenges of the 21st century’.

Everyone is encouraged to envision what Australia should be in 2020. My long standing vision for the economy has been consistently undermined by poor government policy. Some say if you repeat something enough times eventually it is heard. So in that spirit here is my vision again.

I want an economy that generates a Zero Waste of Australians and works in harmony with our environment.

The development and productive use of our human capacity is the only real enduring investment that a nation can make. How we educate our children, provide them with skills and guarantee them enough work is crucial to maximising their potential. Government’s role in this process is critical.

But over the last 30 years, Australian government policy has deliberately denied many of us the chance to achieve our potential.

The neo-liberal pursuit of smaller government and increased reliance on the “market” to allocate resources and distribute economic outcomes has undermined the state responsibility to ensure everyone can learn and work.

Despite the claims of mainstream economists, reliance on the market fails us in many ways. It cannot achieve sophisticated social aims like equity across people and place; it fails to safeguard our natural environment; and it is indifferent as to whether 5 per cent are without enough work or 10 per cent.

The small government push has changed the mix of economic policy for the worse. Monetary policy – RBA decisions about interest rates – is now the primary tool for modifying spending and economic activity. Higher interest rates aim to slow the economy and stifle inflation by squeezing our spending. Relentless interest rate rises create unemployment which scar significant numbers of the lower income earners and transfer intergenerational disadvantage to their children.

Conversely, fiscal policy – government spending and taxation – has been downgraded to reduce the “government footprint”.

In prioritising monetary policy, successive governments have given policy responsibility to the RBA, an unelected body which bears no electoral scrutiny for the damage its decisions cause. In turn, government denies responsibility because it claims the RBA is independent despite it appointing the RBA board.

My vision requires a return to the primacy of fiscal policy, which will make the elected government more accountable for their policy decisions.

A reliance on monetary policy is dangerous because it is a “blunt” policy instrument. Its impact is unpredictable and it disproportionately hurts lower income earners already struggling with huge debts. It is a brutal way of modifying spending.

Conversely, fiscal policy outcomes are relatively predictable and can be easily targeted to avoid damaging those most in need. You can also slow the economy overall but still stimulate some areas by changing the mix of spending and tax policy. It is not the one-trick pony that is monetary policy.

My Zero Waste vision requires a recognition that taxes can go up and down. Tax rises are now politically unpalatable because of the ideological emphasis on individual choice over collective good.

In restoring the primacy of fiscal policy, my vision also requires we abandon the obsession with fiscal surpluses. Surpluses signal a failed, unimaginative government.

Since 1996 the Federal government has ripped over \$100 billion out of the economy, thus destroying purchasing power which all of us could have enjoyed. Around 1.5 per cent of our total annual production is being lost each year to surpluses.

Imagine what 100 billion dollars could have bought if the government had a vision to maximise the potential of all Australians!

We could have created a world class public education system. A recent OECD report shows that Australia is one of the worst OECD countries in terms of public expenditure on education. We particularly neglect early childhood education. Despite the vast majority of our kids being in public education, federal policy has led to funding for private schools growing 3 times the rate of spending on public schools. But private enrolments are not growing proportionately.

We could have introduced employment guarantees to ensure that everyone had work. Instead, we currently have 1.6 million Australians without enough work. We also abandoned quality apprenticeship training and neglected vocational education, which have combined to produce our skills shortage.

The Federal government could have introduced a youth guarantee to ensure all kids had adequate schooling, training or a job. Instead, 15% of 15-19 year olds are unemployed and a rising proportion of our youth are neither in schooling, training or work. Teenage homelessness is soaring.

So many other opportunities have been lost by the ideological pursuit of budget surpluses: first-class dental health; a film industry to rival New Zealand’s; an unsurpassed

public transport system; indigenous well-being; well resourced hospitals; pristine natural waterways as opposed to the Murray-Darling mess; and such.

Who knows, if some of this lost spending power had have gone in to research we might have discovered a cure for cancer or aids!

My 2020 vision requires we stop running wasteful budget surpluses. Responsible economic management requires government to redeploy the wealth the nation creates to improve public services and infrastructure.

That's my 2020 vision - a Zero Waste of Australians. But I won't be holding my breath given the noises coming from Canberra about higher surpluses!