

# Crisis? What Crisis?

## Australia after(?) the Economic Crisis

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### Abstract

The global economic crisis is not over for Australia. Instead, its effects have been delayed rather than avoided. China's economic stimulus delayed the impact of the crisis, but as Chinese economy rebalances and its growth slows, Australian policy-makers will have to deal with a series of structural economic vulnerabilities exacerbated by the resources boom. These vulnerabilities include declining demand for resources and high levels of private debt. Australian policy-makers – both political and bureaucratic – maintain through their words and actions that Australia will continue to benefit from Chinese and Asian growth well into the future and that the economy will transition away from the mining boom with few policy innovations required apart from fiscal rectitude. Policy-makers do not view Australia's growing China dependence as a problem. The paper argues that Australia's 'modified' economic liberal policy framework aims to reinforce Australia's current economic 'strengths' and neglects the significance of economic vulnerabilities and the need for a more diverse economic structure. The embrace of economic liberalism is not total, as many commentators note, but the policy framework enables policy-makers to reject policy activism and justify smaller government.

### Introduction

One of the major problems associated with severe financial crises is that they can affect economies long after the initial recovery.<sup>1</sup> This is particularly the case in the contemporary era given the deepening of economic globalisation over the past 30 years. The global *financial* crisis, which brewed in 2007 and reached its financial apogee in late 2008, soon turned into a

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<sup>1</sup> Malcolm Edey (2014) "Reflections of the Financial Crisis", *Address to the CFO Summit 2014*, Gold Coast, 16 March <<http://www.rba.gov.au/speeches/2014/sp-ag-160314.html>>.

North Atlantic *economic* crisis, which continues to the present time. The major issue for Australia is whether the fallout from the crisis becomes truly global and engulfs Asia. After initial shocks to the world economy as a whole – global growth went into reverse in 2009 – Asia recovered relatively quickly as did those countries that fed into the Asian growth dynamic such as Australia. Chinese economic stimulus led to an investment surge that underpinned demand for resources, such as coal and iron ore.

Australia has not had a recession since 1991 and since 2008 has had one of the developed world's best-performed economies. Australia largely avoided the negative impacts of the financial crisis felt in the United States and Europe due to a combination of good luck and, in the immediate aftermath of the crisis, good policy. The Rudd Labor government's fiscal stimulus and the Reserve Bank of Australia's (RBA) lowering of interest rates had a beneficial effect on the Australian economy, stopping the creation of a downward spiral that might have led to recession.<sup>2</sup> The government's haste to stimulate the economy, associated bureaucratic problems, and a general antipathy to government spending, led to intense criticism from the opposition and some commentators, but Australia did perform better than other countries during the key quarters of the crisis and before the Chinese stimulus helped to bolster export growth.<sup>3</sup> Australia clearly benefitted from the decoupling of Asia from the major advanced economies from 2009.

Australian policy-makers – both political and bureaucratic – believe that Australia will continue to benefit from Chinese and Asian growth well into the future and that the economy will transition away from the mining boom with few policy innovations required apart from fiscal

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- <sup>2</sup> Tony McDonald and Steve Morling (2011) "Reasons for Resilience: The Australian Economy and the Global Downturn Part 1", *Economic Roundup*, Issue 2  
<[http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Publications/2011/Economic%20roundup%20issue%202/Downloads/01\\_Part1\\_Resilience.ashx](http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Publications/2011/Economic%20roundup%20issue%202/Downloads/01_Part1_Resilience.ashx)>. Steve Morling and Tony McDonald (2011) "The key quarters: The Australian economy and the global down turn Part 2", *Economic Roundup*, Issue 2  
<[http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Publications/2011/Economic%20roundup%20issue%202/Downloads/02\\_Part2.ashx](http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Publications/2011/Economic%20roundup%20issue%202/Downloads/02_Part2.ashx)>. GDP did decline in the December quarter 2008 (-0.8 per cent) and the March quarter 2011 (-0.4 per cent) on a seasonally adjusted basis. Australian Bureau of Statistics (2014) 5206.0 - *Australian National Accounts: National Income, Expenditure and Product*, September, Table 1  
<<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5206.0Sep%202014?OpenDocument>>.
- <sup>3</sup> News Corp papers in Australia ran vehement campaigns against stimulus policies and government infrastructure projects like the National Broadband Network. For a critique of the stimulus see Tony Makin (2014) *Competitiveness: Reversing the Slide*, [http://www.minerals.org.au/file\\_upload/files/publications/MCA\\_Monograph\\_No.\\_6\\_Australia%E2%80%99s\\_Competitiveness\\_Reversing\\_the\\_Slide\\_by\\_Tony\\_Makin.pdf](http://www.minerals.org.au/file_upload/files/publications/MCA_Monograph_No._6_Australia%E2%80%99s_Competitiveness_Reversing_the_Slide_by_Tony_Makin.pdf)>. For a rebuttal see Treasury (2014) *Response to Professor Tony Makin's Minerals Council of Australia Monograph – 'Australia's Competitiveness: Reversing the Slide'*,  
<<http://www.treasury.gov.au/~media/Treasury/About%20Treasury/Our%20Department/News/Response%20to%20Prof%20Makin/Downloads/PDF/Response-to-Prof-Makin.ashx>>.

rectitude. Despite the instability caused by the crisis, the Abbott government<sup>4</sup> like its predecessor assumes that Asian demand will continue and has acted to shore up this demand by finalising trade agreements with Japan, South Korea and China.<sup>5</sup> The government has developed a pro-resources rhetoric and has repealed the Mineral Resources Rent Tax and the Carbon Tax.<sup>6</sup> It has matched its faith in resources and the demand possibilities associated with growing Asian middle classes with scepticism about the need for a market-based scheme to reduce carbon emissions. According to the Prime Minister, “Coal is good for humanity, coal is good for prosperity, coal is an essential part of our economic future, here in Australia, and right around the world.”<sup>7</sup> It has clearly neglected other sectors such as manufacturing and renewable energy arguing that the “age of entitlement” is over.<sup>8</sup> Abbott argued that “we don’t want to see corporate welfare ... we don’t believe in corporate welfare”.<sup>9</sup> His government, however, has continued to provide support for the mining and gas sector.<sup>10</sup> Despite the political construction of a “budget emergency” to encourage the acceptance of particular policy changes, the Abbott Coalition government has not yet faced a sustained economic downturn.<sup>11</sup>

I contend, however, that the impact of the global crisis on Australia has been delayed rather than avoided. While the Chinese policy stimulus and the boost to investment facilitated a temporary decoupling of Asia from the effects of the North Atlantic crisis, in an integrated and interdependent world economy decoupling can only be a temporary and partial phenomenon.

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<sup>4</sup> The Abbott Liberal-National Coalition was sworn in on 18 September 2013.

<sup>5</sup> Department of Foreign Affairs and Trade (2015) *Free Trade Agreements*, Canberra, Commonwealth of Australia <<http://www.dfat.gov.au/fta/>>.

<sup>6</sup> Lisa Cox, James Massola, Gareth Hutchens (2014) “Mining Tax Repealed after Deal Struck with Palmer”, *Sydney Morning Herald*, 2 September <<http://www.smh.com.au/federal-politics/political-news/mining-tax-repealed-after-deal-struck-with-palmer-20140902-10blcr.html>>. James Whitmore et al (2014) “Carbon tax Repealed: Experts Respond”, *The Conversation*, 17 July <<https://theconversation.com/carbon-tax-repealed-experts-respond-29154>>; Andrew Greene (2014) “Julia Gillard Predicts Return of Carbon Pricing and Mining Tax, Saying ‘Good Reforms Take More Than One Go’”, *ABC News*, 12 November <<http://www.abc.net.au/news/2014-11-11/julia-gillard-predicts-return-carbon-pricing-mining-tax/5883120>>.

<sup>7</sup> Jamie Mckinnell (2014) “Coal Good for Humanity, Says Abbott”, *The Australian*, 13 October <<http://www.theaustralian.com.au/news/latest-news/coal-good-for-humanity-says-abbott/story-fn3dxiwe-1227089105190>>.

<sup>8</sup> Joe Hockey (2014) “Interview with Steve Austin, ABC 612 Brisbane”, *Transcript*, 3 February <<http://jbh.ministers.treasury.gov.au/transcript/002-2014/>>.

<sup>9</sup> Abbott cited in Lenore Taylor (2014) “Tony Abbott Declares an End to ‘Corporate Welfare’”, *The Guardian*, 18 December <[http://www.theguardian.com/world/2013/dec/18/tony-abbott-declares-an-end-to-corporate-welfare?CMP=ema\\_792](http://www.theguardian.com/world/2013/dec/18/tony-abbott-declares-an-end-to-corporate-welfare?CMP=ema_792)>.

<sup>10</sup> Alexander White (2014) “Why Does Australian PM Tony Abbott Support Fossil Fuel Subsidies?”, *The Guardian*, 3 February <<http://www.theguardian.com/environment/southern-crossroads/2014/feb/02/fossil-fuel-subsidies-tony-abbott-spc-ardmona-corporate-welfare>>.

<sup>11</sup> Johnathon Swan (2014) “Economists Sceptical of Abbott's ‘Budget Emergency’”, *Sydney Morning Herald*, 30 April <<http://www.smh.com.au/federal-politics/political-news/economists-sceptical-of-abbotts-budget-emergency-20140430-zr1uo.html>>.

The Chinese economy must rebalance and it will do so sooner – in an orderly way – or later – in a more chaotic way.<sup>12</sup> This will profoundly affect the Australian economy.

I also argue that Australia’s long period of growth and the post-crisis mining boom have served to hide a series of structural and historical economic vulnerabilities in the Australian economy. These include vulnerability to declines in international demand for resources and international financial supply. The rebalancing of the Chinese economy from investment to consumption will lead to declining Chinese demand for resources at the same time as supply from other countries increases. Meanwhile, the sustained high level of the Australian dollar during the boom has weakened the non-mining tradable sector of the economy and led to a loss of manufacturing capacity.<sup>13</sup> Manufacturing’s decline diminishes opportunities for the sector to contribute to productivity and export growth when the Australian dollar falls.<sup>14</sup> High levels of foreign and household debt mean that Australia remains vulnerable to global financial instability.<sup>15</sup> Private debt levels now provide limits on future credit-fuelled growth.

As these vulnerabilities become clearer, Australian policy-makers will need to find new sources of growth and convince the Australian population of the need for policy change. This is when economic leadership and new policy ideas will be particularly vital. The paper argues that Australia’s ‘modified’ economic liberal policy framework aims to reinforce Australia’s current economic ‘strengths’ and neglects the significance of economic vulnerabilities and the importance of economic diversity. The embrace of economic liberalism is not total, as many commentators note, but selective economic liberalism enables policy-makers to reject policy activism and limit the scope of fiscal policy.

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<sup>12</sup> Michael Pettis (2013) *The Great Rebalancing: Trade, Conflict, and the Perilous Road Ahead for the World Economy*, Princeton, Princeton University Press.

<sup>13</sup> Peter Downes, Kevin Hanslow and Peter Tulip (2014) “The Effect of the Mining Boom on the Australian Economy”, *Research Discussion Paper*, RDP 2014-08 <<http://www.rba.gov.au/publications/rdp/2014/pdf/rdp2014-08.pdf>>.

<sup>14</sup> Tom Conley (2014) “Managed Decline to Rapid Demise: Abbott’s Car Industry Gamble”, *The Conversation*, 13 February <<https://theconversation.com/managed-decline-to-rapid-demise-abbotts-car-industry-gamble-23124>>.

<sup>15</sup> Anthony Kryger (2014) *Australia’s Foreign Debt: A Quick Guide*, Parliamentary Library, Canberra, Commonwealth of Australia <[http://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/pubs/rp/rp1415/Quick\\_Guides/AustForeignDebt](http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1415/Quick_Guides/AustForeignDebt)>. Net foreign debt has increased from 15.2 per cent of GDP in 1983-84 to 54.6 per cent in 2013-14. In that year the public sector accounted for 26.1 per cent of net foreign debt (up from 1.2 per cent in 2005-06) and the private sector 73.9 per cent (down from 98.8 per cent in 2005-06).

The paper firstly reviews arguments about decoupling and possible trajectories of the Chinese economy. It then assesses the impact of the global crisis and its aftermath, providing a brief narrative of economic developments and vulnerabilities. The following section then turns to a review of economic policy through a consideration of the interplay between luck, skill and faith.

## **Crisis, Decoupling and Globalisation**

The course of the global crisis has been extensively covered and will not be repeated here. Instead, I want to focus on two competing narratives about the global economic crisis – centred on the ideas of decoupling and globalisation.<sup>16</sup> This debate matters for Australia, given the importance of Asia, particularly China, for Australia's economy. Australia has placed a considerable amount of faith in China and the adequacy of the economic liberal policy framework to ensure future prosperity. Continued growth in China and other developing economies and commodity exporters like Australia gave the decoupling thesis considerable weight. The real issue for assessing decoupling, however, is whether the concept is a short- or long-term proposition. Over the longer-term, extensive economic globalisation – the global integration of financial and trade flows and associated interdependence effects – means that the impact of the global crisis (and policy responses to the crisis) will eventually be transmitted around the world as the world economy rebalances. As Pettis argues:

The crisis that began in the United States ... has or will adversely affect the whole world, although not at the same time ... The global system ... is a system in which every part is affected by every other part through the capital and current accounts ... If the great trade and capital imbalances of the previous decade caused the global crisis, the crisis cannot be said to have ended until these imbalances have been reversed. Although we are seeing some adjustment, in general the global economy has barely adjusted in the aggregate.<sup>17</sup>

Decoupling can only be a temporary phenomenon in an integrated and interdependent world, still heavily reliant on European and North American consumption. Nevertheless, changing regional trade patterns, especially greater intra-regional trade, does mean that Asia is less dependent on external demand than it was previously, although this is often overstated. Intra-regional trade

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<sup>16</sup> Yin-Wong Cheung and Frank Westermann (eds) *Global Interdependence, Decoupling, and Recoupling*, Cambridge, MIT Press.

<sup>17</sup> Pettis, *The Great Rebalancing*, pp. 2, 12 & 178.

went backwards after the Asian financial crisis, recovering to 46.6 per cent of total trade in 1999, 51.1 per cent in 2006 and 53.3 per cent in 2013.<sup>18</sup>

While the impact of the first stage of the crisis led to a global credit freeze and a slowdown in growth in the United States, Europe and Japan, the immediate financial impact on developing Asia was less severe. In September 2008, however, with the collapse of Lehman Brothers and the global contagion that ensued, assertions of decoupling appeared ludicrous as growing risk aversion as globalisation showed how quickly shocks could be transmitted around the world.<sup>19</sup> In the following months, contagion quickly spread to the trade arena. World trade contracted by about 20 per cent from peak to trough; trade contraction in Asia was even worse.<sup>20</sup> In its initial stages, the trade collapse was worse than during the Great Depression, although trade then recovered more quickly.

Asia's subsequent recovery, however, once again sparked talk of decoupling.<sup>21</sup> Further support emerged when China embarked on a major investment boom, which in turn encouraged an investment boom in commodity exporting countries like Australia and in other Asian countries supplying China with intermediate goods. Looking at the impact of China on the wider Asian economy requires consideration of global production sharing and regional production networks (RPNs) or what are sometimes called global (or regional) value chains or supply chains. This has made Asia more interconnected, which has been beneficial during a period of economic expansion. Athukorala argues that:

The PRC's imports of components from countries in ASEAN and other developing East Asia countries have grown rapidly, in line with the equally rapid expansion of manufacturing exports from the PRC to extraregional markets, mostly in North America and Europe. ... The PRC's emergence as a major trading power and an investment location has not been a zero-sum proposition from the perspective of the region.

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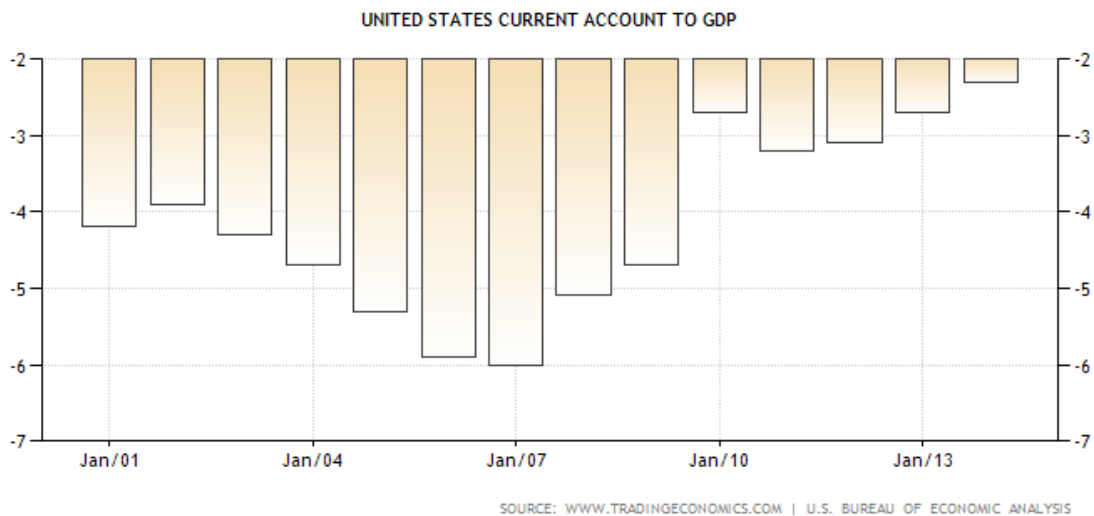
<sup>18</sup> WTO International Trade Statistics, various years <[http://www.wto.org/english/res\\_e/statis\\_e/statis\\_e.htm](http://www.wto.org/english/res_e/statis_e/statis_e.htm)>

<sup>19</sup> Luci Ellis (2014) "The Global Financial Crisis: Causes, Consequences and Countermeasures", *Remarks to the Centre for Strategic Economic Studies' 'Emerging from the Global Storm: Growth and Climate Change Policies in Australia Conference'*, Victoria University, Melbourne, 15 April <<http://www.rba.gov.au/publications/bulletin/2009/may/pdf/bu-0509-4.pdf>>.

<sup>20</sup> Barry Eichengreen and Kevin O'Rourke (2010) "What do the New Data Tell Us", *Vox*, 8 March <<http://www.voxeu.org/article/tale-two-depressions-what-do-new-data-tell-us-february-2010-update>>.

<sup>21</sup> Anonymous (2010) "Asia Decoupling?" *The Economist*, 23 July <[http://www.economist.com/blogs/freexchange/2010/07/asias\\_economy](http://www.economist.com/blogs/freexchange/2010/07/asias_economy)>.

He argues, however, against the idea of decoupling as do Craig, Elias and Noone who contend that “despite the strong growth in intra-regional trade, the bulk of the region’s exports of final goods (both consumption and capital goods) still go to major advanced economies, such as the United States, the European Union and Japan”.<sup>22</sup> The investment-led current account surplus strategy of China and Asian mercantilist states requires other countries to run deficits with the United States the most important source of current account deficits. Interestingly the US current account deficit (CAD) has declined from 6 per cent of GDP in 2007 to 2.3 per cent of GDP in 2014.<sup>23</sup> With the rise of the US Dollar, it is likely that the US CAD will rise once again, but the question is how far? Will the deficit economies continue to be willing to go along with the economic strategies of surplus countries?

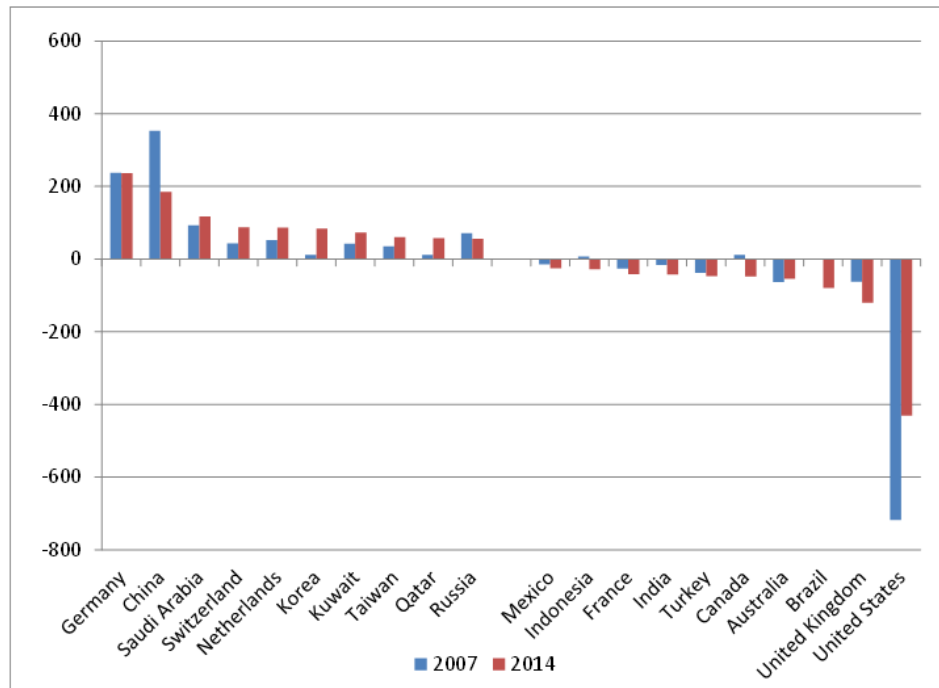



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<sup>22</sup> Ashley Craig, Stephen Elias and Clare Noone (2011) “Destinations and Uses of East Asian Merchandise Exports” *RBA Bulletin*, June Quarter <<http://www.rba.gov.au/publications/bulletin/2011/jun/2.html>>. For an earlier formulation see Barry Eichengreen and Yung Chul Park (2008) *Asia and the Decoupling Myth*, May <[http://eml.berkeley.edu/~eichengr/asia\\_decoup\\_myth.pdf](http://eml.berkeley.edu/~eichengr/asia_decoup_myth.pdf)>.

<sup>23</sup> Trading Economics <<http://www.tradingeconomics.com/united-states/current-account-to-gdp>>.

**Top 10 Global Current Account Surpluses and Deficits  
USD Billions**



Source: IMF

While extra-regional exports still matter for Asia, the immediate problem for Asia (and Australia) is the trajectory of the Chinese economy. A pick-up in demand in North America and Europe will not have an immediate benefit for those countries now more dependent on China.<sup>24</sup> While a slowdown in the Chinese economy caused by a rebalancing away from investment towards consumption will not necessarily be a disaster for China, it will cause problems for China’s major import sources.<sup>25</sup> This is, of course, the benign scenario: a period of stagnation or a political crisis in China would have disastrous effects on the Asian economy. A geo-political crisis in Asia would also deeply affect the Asian economies and Australia. In sum, dependence on China could shift from an asset to a burden in coming years, as Chinese growth reverts to the mean.<sup>26</sup>

<sup>24</sup> Michael Arnold (2013) “‘Decoupling’ Returns to Bite Asia”, *The Wall Street Journal*, 1 August <<http://blogs.wsj.com/economics/2013/08/01/decoupling-comes-back-to-bite-asia/>>.

<sup>25</sup> Ross Garnaut, Cai Fang and Ligang Song (2013) “China’s new strategy for long-term growth and development” in Ross Garnaut, Cai Fang and Ligang Song (eds) *China: A New Model for Growth and Development*, Canberra Australian National University E-Press.

<sup>26</sup> Lant Pritchett and Lawrence Summers (2013) “Asiaphoria Meets Regression to the Mean” <<http://www.frbsf.org/economic-research/events/2013/november/asia-economic-policy-conference/program/files/Asiaphoria-Meet-Regression-to-the-Mean.pdf>>. According to Pritchett and Summers: “predicting future levels of output by the extrapolating the current growth rate into even the near, much less the distant, future is on very weak scientific footing. The single most robust and striking fact about



Australia is now the most China-dependent economy in the world. Australian exports to China have grown from 8.5% of the total in 2003-04 to 32.5% in 2013-14 – and they continue to grow. Australia’s dependence on its top three export destinations has also increased over the past ten years. The top three accounted for 33.7% (Japan 15.7%, US 9.5% and China 8.5%) in 2003-04, rising to 55.1% (China 32.5%, Japan 15.8% and South Korea 6.8%) by 2013-14. The top five now account for 63.7%, up from 47.7%.<sup>27</sup> The RBA reports that “in 2011, the basic metals & fabricated metal industry [in China] ... directly accounted for one-quarter of the total output of Australia’s mining industry in 2011, and more than 60 per cent of all Australian exports to China.”<sup>28</sup> A slowdown in this sector of the Chinese economy will have a negative effect on Australian exports.

More worryingly, not only is Australia more China-dependent, but so is most of the rest of Asia. This means that a China slowdown (or worse) will also hit Australia’s exports to Japan and South Korea – our second and third-largest export destinations. All of this export growth to China hitherto occurred without a free trade agreement. It is possible that the China-Australia Free Trade Agreement (ChAFTA) will help to diversify Australia’s export mix to China – more agriculture, more services – but it might also just make the Australian economy more vulnerable down the track as Australia becomes even more dependent on China for earning foreign exchange. Australia and the rest of Asia are not only reliant on their own policy-makers but on the ability of Chinese policy-makers to manage the Chinese economy through a period of transition.

It will be Australia’s good luck if China’s economic policy-makers engineer a stable transition from investment to consumption, but even the best-case scenario will have negative impacts on existing Australian exports. As the RBA suggests:

Dollar for dollar, Chinese investment appears to absorb more than twice as much Australian value-added output as Chinese household consumption. This largely reflects the significant

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cross-national growth rates is regression to the mean.” For a critique see Stephen Grenville (2013) “Will Asia’s rapid growth continue?” *Lowy Interpreter*, 19 November  
<<http://www.lowyinterpreter.org/post/2013/11/19/Will-Asias-rapid-growth-continue-larry-summers.aspx?COLLCC=2143762004&>>.

<sup>27</sup> Martin Parkinson (2014) “Looking Ahead: Challenges and Opportunities for Australia”, *Address to the Committee for Economic Development of Australia (CEDA)*, 27 November  
<<http://www.treasury.gov.au/PublicationsAndMedia/Speeches/2014/CEDA-27112014>>.

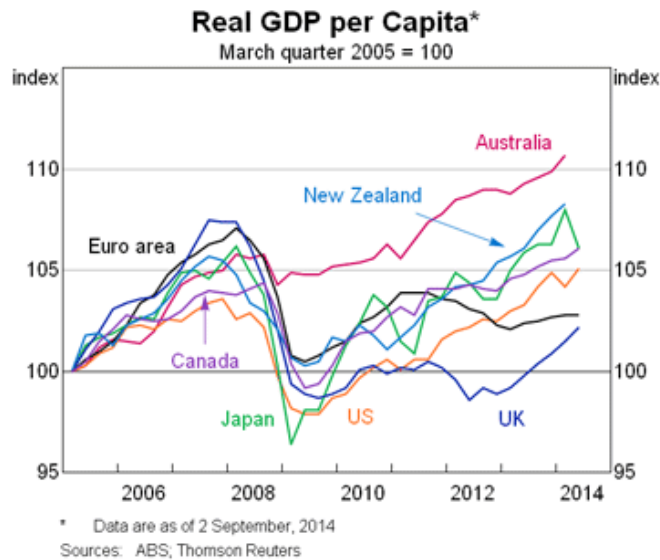
<sup>28</sup> Gerard Kelly (2014) “Chinese Rebalancing and Australian Exports”, *RBA Bulletin*, December Quarter  
<<http://www.rba.gov.au/publications/bulletin/2014/dec/pdf/bu-1214-4.pdf>>.

role of resource commodities in Australia’s exports to China, which are used more intensively in investment than consumption. Simple analysis using the WIOD suggests that a shift from investment to consumption in China is likely to weigh on the growth of demand for Australia’s mineral resources, although a rise in demand by Chinese households for food products and services could provide some offset.<sup>29</sup>

Australian policy-makers exhibit a profound faith in the skill of Chinese economic policy-makers to manage China’s economy through a period of difficult economic rebalancing.<sup>30</sup> However, before we consider the economic policy landscape it is important to understand two significant Australian economic vulnerabilities from the world political economy.

## Australian Economic Vulnerabilities

It is difficult to talk about economic vulnerabilities when the performance of the Australian economy has been a standout on most economic variables. Australia has not had a recession for 24 years and since the crisis growth in Australia has been strong compared to other developed economies.



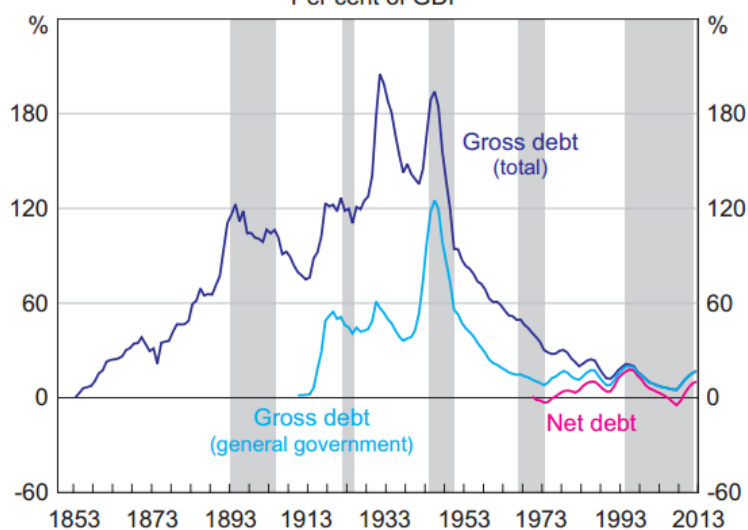
Source: <<http://www.rba.gov.au/speeches/2014/sp-gov-030914.html>>.

<sup>29</sup> Gerard Kelly (2014) “Chinese Rebalancing and Australian Exports”, *RBA Bulletin*, December Quarter <<http://www.rba.gov.au/publications/bulletin/2014/dec/pdf/bu-1214-4.pdf>>.

<sup>30</sup> Dena Sadeghian, Graham White and Patrick D’Arcy (2013) “Macroeconomic Management in China”, *RBA Bulletin*, June Quarter <<http://www.rba.gov.au/publications/bulletin/2013/jun/pdf/bu-0613-2.pdf>>.

Despite the deterioration of revenues after the crisis and the Coalition’s rhetoric of a “debt emergency”, Australia’s public debt is comparatively and historically low as the charts below show.<sup>31</sup> The pay down of debt during the Howard years enabled the Rudd government to stimulate the economy via fiscal policy during the early stages of the crisis and before the impact of the Chinese economic stimulus had time to carry through to Australia. It is possible to argue, however, that given the boost to tax revenues during the 2000s Australia could have been in a better fiscal position in 2008.

**Graph 7**  
**Public Debt in Australia\***  
 Per cent of GDP



\* Federal, state and local governments; financial years; shaded regions represent expansionary phases of the terms of trade  
 Sources: ABS; Atkin *et al* (2014); Australian Government budget papers; Australian Office of Financial Management; Australian Treasury; RBA; Vamplew (1987)

Source: Reserve Bank of Australia

<<http://www.rba.gov.au/publications/bulletin/2014/mar/pdf/bu-0314-6.pdf>>

<sup>31</sup> Tim Atkin, Mark Caputo, Tim Robinson and Hao Wang (2014) “Australia after the Terms of Trade Boom”, *RBA Bulletin*, March Quarter <<http://www.rba.gov.au/publications/bulletin/2014/mar/pdf/bu-0314-6.pdf>>. Emma Griffiths (2013) “Abbott Vows to Tackle ‘Budget Emergency’”, *ABC News*, 17 May <<http://www.abc.net.au/news/2013-05-16/abbott-vows-to-keep-tax-cuts/4694860>>.

**Table 1: Net Public Debt**

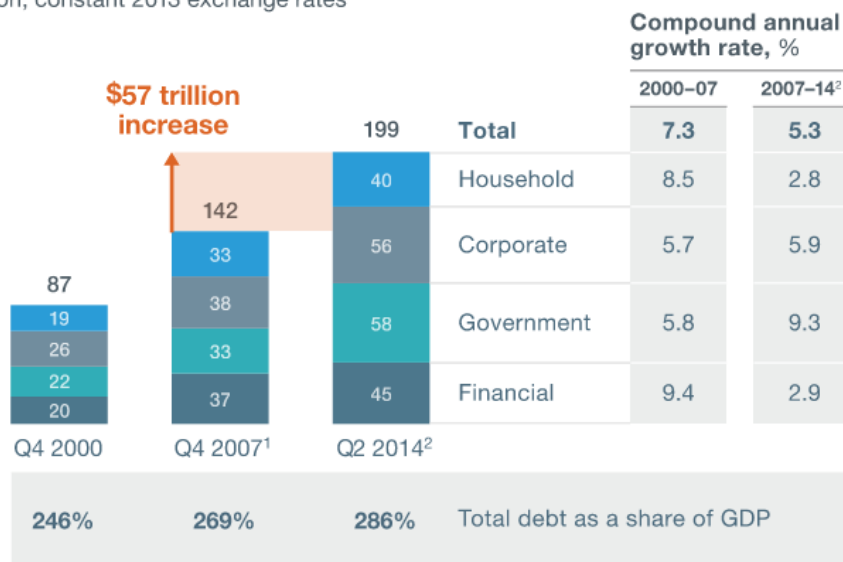
	Per cent of GDP	
	2007	2013(b)
US	46.5	87.4
Euro Area	52.1	74.9
UK	38.4	84.8
Australia(a)	-3.8	12.1

(a) Financial years 2007/08 and 2013/14  
 (b) Estimates  
 Sources: Australian Treasury; IMF

Source: Reserve Bank of Australia <<http://www.rba.gov.au/speeches/2014/sp-ag-160314.html>>

Overall debt has increased significantly since the global crisis, with all categories showing increases. The global stock of debt outstanding has increased from 269 per cent of GDP to 286 per cent.<sup>32</sup>

**Global stock of debt outstanding,**  
 \$ trillion, constant 2013 exchange rates



<sup>1</sup>Figures do not sum to total, because of rounding.

<sup>2</sup>Q2 2014 data for advanced economies and China; Q4 2013 data for other developing countries.

Source: Bank for International Settlements; Haver Analytics; International Monetary Fund *World Economic Outlook*; national sources; McKinsey Global Institute analysis

<sup>32</sup> Richard Dobbs et al (2015) *Debt and (Not Much) Deleveraging*, McKinsey Global Institute <[http://www.mckinsey.com/insights/economic\\_studies/debt\\_and\\_not\\_much\\_deleveraging](http://www.mckinsey.com/insights/economic_studies/debt_and_not_much_deleveraging)>.

While Australia does not have a profound *public* debt problem, it has had a significant structural increase in *private* debt. This rise in household debt is a global phenomenon as Jorda et al argue:

the sharp increase of credit-to-GDP ratios in advanced economies in the 20th century has been first and foremost a result of the rapid growth of loans secured on real estate ... The intermediation of household savings for productive investment in the business sector—the standard textbook role of the financial sector—constitutes only a minor share of the business of banking today ... Mortgage lending booms were only loosely associated with financial crisis risks before WWII, but real estate credit has become a more important predictor of impending financial fragility in the postwar era.<sup>33</sup>

In relation to Australia, Reserve Bank Assistant Governor Ric Battellino argued in 2007:

For Australia, we have data on credit going back 150 years and it is certainly the case that there is no domestic precedent for what has happened over the past 30 years. The closest previous experiences were those in the 1880s and 1920s.<sup>34</sup>

Those close experiences he nominates eventually turned into severe economic crises for Australia. In recent years, Australia has had a low level of non-performing loans compared to other developed economies, partly because the economy has remained buoyant. In the lead up to the crisis, the Australian financial sector focused on the domestic economy – lending money for houses rather than getting involved in dubious financial instruments emerging from the United States.<sup>35</sup> Australian financial regulation had also responded to earlier domestic financial problems. Ken Henry, Secretary to the Treasury from 2001-2011 argues that “Australian banks have benefited from years of rigorous supervision by better than world-class financial regulators. That quality of supervision is no accident. An important feature of our regulatory infrastructure, for many years, has been a common understanding between governments, the regulators and the regulated of the importance of prudential regulation.”<sup>36</sup> The consensus among policy-makers was

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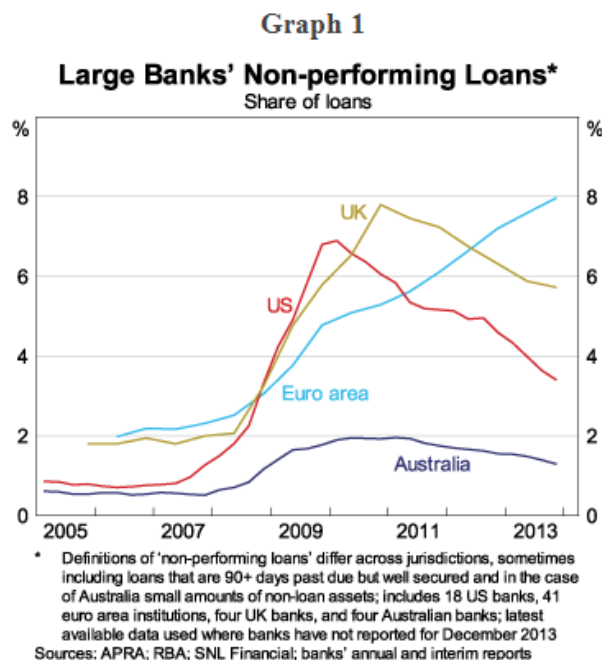
<sup>33</sup> Òscar Jordá, Moritz Schularick and Alan M. Taylor The Great Mortgaging: Housing Finance, Crises, and Business Cycles, *Working Paper*, <<http://www.frbsf.org/economic-research/publications/working-papers/wp2014-23.pdf>>.

<sup>34</sup> Ric Battellino (2007) “Some Observations on Financial Trends”, *RBA Bulletin*, October <<http://www.rba.gov.au/publications/bulletin/2007/oct/pdf/bu-1007-3.pdf>>.

<sup>35</sup> Ellis, The Global Financial Crisis; Guy Debelle (2009) “Some Effects of the Global Financial Crisis on Australian Financial Market”, *Speech to the Finance Professions Forum*, 31 March <<http://www.rba.gov.au/speeches/2009/sp-ag-310309.html>>.

<sup>36</sup> See Ken Henry (2011) “The Australian Banking System - Challenges in the Post Global Financial Crisis Environment”, *Economic Roundup*, Issue 1 <<http://www.treasury.gov.au/PublicationsAndMedia/Publications/2011/Economic-Roundup-Issue-1/Report/The-Australian-banking-system-challenges-in-the-post-global-financial-crisis-environment>>.

that the Australian financial system had performed well despite the need for large deposit and wholesale funding guarantees over 2008-10.<sup>37</sup>



Nevertheless, the rise in debt means that Australia remains vulnerable to changing financial sentiments. The Bank for International Settlements argues that the size of Australia's financial sector relative to the economy also increases vulnerability.<sup>38</sup> Indeed, the RBA has become increasingly worried about household debt.<sup>39</sup>

Households being willing to increase their debt and lower the share of current income being saved was a striking feature of Australia's economic landscape from the early 1990s until just prior to the financial crisis. Consumption spending consistently rose faster than income ... Households are servicing that higher debt quite well ... But ... it seems unlikely that household

<sup>37</sup> Ric Battellino (2010) "Aspects of Australia's Finances", *Address to Financial Executives International of Australia*, Sydney, 15 June <<http://www.rba.gov.au/publications/bulletin/2010/sep/pdf/bu-0910-14.pdf>>; Carl Schwartz (2010) "The Australian Government Guarantee Scheme", *RBA Bulletin*, March Quarter <<http://www.rba.gov.au/publications/bulletin/2010/mar/pdf/bu-0310-4.pdf>>; Bernadette Donovan and Adam Gorajek (2011) "Developments in the Structure of the Australian Financial System", *RBA Bulletin*, June Quarter <<http://www.rba.gov.au/publications/bulletin/2011/jun/pdf/bu-0611-5.pdf>>.

<sup>38</sup> Stephen G Cecchetti and Enisse Kharroubi (2012) "Reassessing the Impact of Finance on Growth", *BIS Working Papers*, No 381, July <<http://www.bis.org/publ/work381.pdf>>. The authors argue: "show that the level of financial development is good only up to a point, after which it becomes a drag on growth [and that] focusing on advanced economies ... a fast-growing financial sector is detrimental to aggregate productivity growth ... The faster the financial sector grows, the slower the economy as a whole grows." See also Robin Greenwood and David Scharfstein (2013) "The Growth of Finance", *Journal of Economic Perspectives*, 27(2).

<sup>39</sup> Mark Mulligan (2014) "RBA Governor Glenn Stevens Warns of Housing Bubble Risk", *Sydney Morning Herald*, 3 September <<http://www.smh.com.au/business/the-economy/rba-governor-glenn-stevens-warns-of-housing-bubble-risk-20140903-10bv7j.html>>.

debt can rise like that again. Nor would it be desirable. So while we can expect that household consumption spending can grow in line with income, or maybe a little faster given the rise in net worth over the past two years, the odds are against households being a driver of strong growth the way they were a decade ago.<sup>40</sup>

The RBA would probably act to restrict the shift to a higher ratio and aim to cut the expansion of credit by increasing interest rates or resorting to macro-prudential regulations to restrict the growth of housing finance. The Murray Inquiry, which reported in December 2014, recommended higher capital standards, narrower mortgage risk-weighting differences, improved loss absorbing and recapitalisation capacity, a greater focus on crisis management and the introduction of a leverage ratio. The Inquiry report argued, “more can be done to strengthen the resilience of Australia’s financial system to avoid or limit the costs of future financial crises, which can deeply damage an economy and have lasting effects on people’s lives”. The report also noted that, “Australian financial system assets have grown from the equivalent of around two years’ worth of nominal gross domestic product (GDP) in 1997 to more than three years’ worth of nominal GDP.”<sup>41</sup>

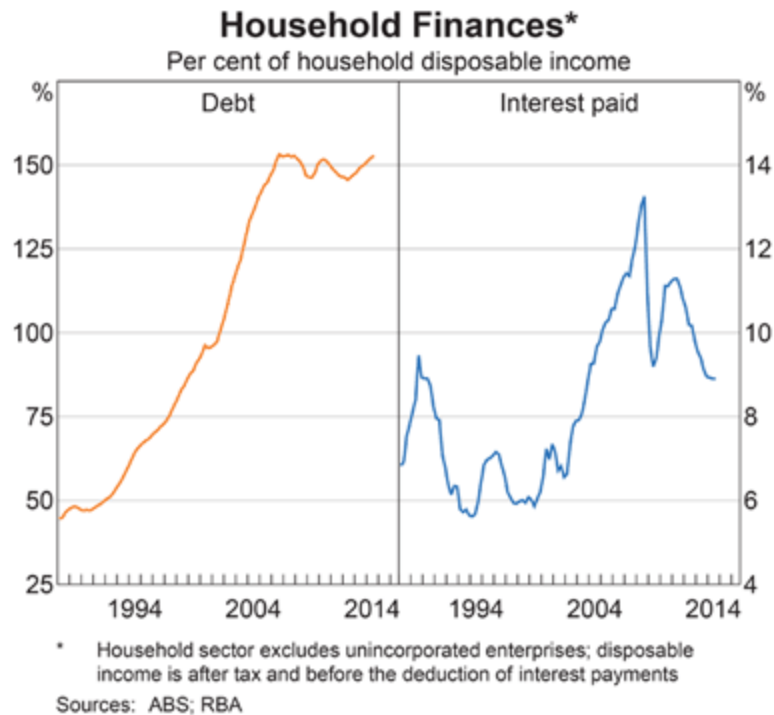
For pessimists the level of household debt as a percentage of GDP (or more importantly as a percentage of disposable income) means a period of deleveraging or consolidation (at best) is imminent.<sup>42</sup> Given that household debt to disposable income in Australia went from around 50 per cent to 150 per cent before consolidating in the late 2000s, there is a growing perception that it cannot go even further to perhaps 250 per cent of disposable income. As noted above, many have made similar arguments about the inevitable need for China to move beyond an investment focus and restructure its economy to give a greater weighting to consumption. There is a possibility, however, that changes will continue to be delayed and that populations and policy-makers will continue to act as though high Chinese growth will persist indefinitely and that growing private debt is not a problem.

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<sup>40</sup> Glenn Stevens (2014) “The Economic Scene”, *Address to CEDA Luncheon*, Adelaide, 3 September <<http://www.rba.gov.au/speeches/2014/sp-gov-030914.html>>.

<sup>41</sup> David Murray (2014) *Financial System Inquiry Final Report*, November, Canberra, Commonwealth of Australia <[http://fsi.gov.au/files/2014/12/FSI\\_Final\\_Report\\_Consolidated20141210.pdf](http://fsi.gov.au/files/2014/12/FSI_Final_Report_Consolidated20141210.pdf)>.

<sup>42</sup> Phillip Soos and Paul D. Egan (2014) “Australia’s Addiction to Private Debt”, *Macro Business*, 15 October <<http://www.macrobusiness.com.au/2014/10/australias-addiction-to-private-debt/>>.



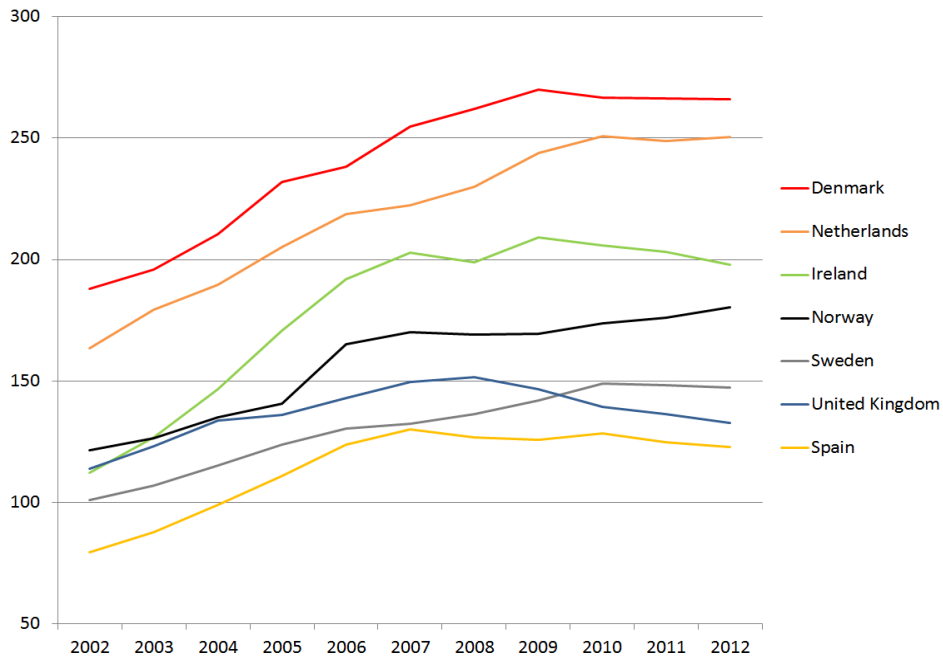
The high household debt to income ratio for the Netherlands and Denmark ‘shows’ that it is possible to go to higher ratio even if not desirable. If debt were to increase in Australia, this would fit the major Australian commercial banks’ agenda at least in the short-to-medium term. While the banks have reduced their call on overseas sources of funds and increased their deposit funding, a renewed expansion in credit would reverse this trend.<sup>43</sup> Our banking sector makes its profits in the housing arena and wants rising house prices to encourage more borrowing to pay for pricier homes and encourage investor speculation in continuing price rises. However, if Australia reached a debt to income ratio of 250, what would happen then? How the Netherlands deleverages from its high debt levels will provide an interesting case study for Australia. Deleveraging while incomes are growing strongly would be a lot easier than during a period of declining income or recession. Income is clearly on the decline in Australia.<sup>44</sup> Regardless, a major source of growth in Australia (and other developed economies) over the past 25 years or so is either now constrained or soon will be. Mix all of these possibilities with low growth (or recession) and the rise of public debt (generated in the main to deal with the earlier crisis) and the financial vulnerabilities become clearer.

<sup>43</sup> Chris Stewart, Benn Robertson and Alexandra Heath (2013) “Trends in the Funding and Lending Behaviour of Australian Banks”, *Research Discussion Paper*, 2013-15  
<<http://www.rba.gov.au/publications/rdp/2013/pdf/rdp2013-15.pdf>>.

<sup>44</sup> Jacob Greber (2014) “National Income Recession ‘Already Here’”, *Australian Financial Review*, 2 December  
<[http://www.afr.com/p/national/national\\_income\\_recession\\_already\\_2sLhoU9Etf0C0g0M5xvujI](http://www.afr.com/p/national/national_income_recession_already_2sLhoU9Etf0C0g0M5xvujI)>.



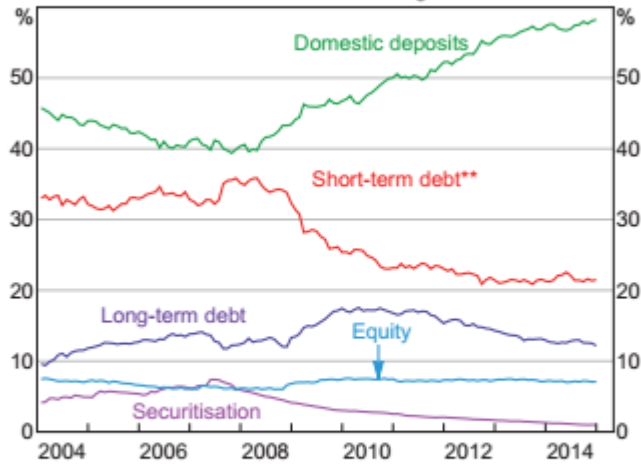
## Household Debt to Income Ratio Selected European Countries



Source: Eurostat

<http://ec.europa.eu/eurostat/tgm/table.do?tab=table&plugin=1&language=en&pcode=tec00104>.

## Funding Composition of Banks in Australia\* Share of total funding



\* Adjusted for movements in foreign exchange rates; tenor of debt is estimated on a residual maturity basis

\*\* Includes deposits and intragroup funding from non-residents

Sources: APRA; RBA; Standard & Poor's

Source: RBA <http://www.rba.gov.au/chart-pack/pdf/chart-pack.pdf?accessed=2015-02-05-19-15-00>.

A question for Australia's future is whether history provides any clues about future trajectories. The 1890s depression in Australia revealed how external developments could exacerbate domestic economic problems. The substantial decline in the demand and price of commodities and the decline in foreign sources of capital intensified the problems caused by over-expansion in the wool industry, property speculation, banking collapse and over-investment by colonial governments in infrastructure.<sup>45</sup> Australia felt the Great Depression acutely because access to long-term borrowings, necessary to service existing debts, was substantially restricted.<sup>46</sup> Rolling over debt was no longer possible after the crash of 1929. Unemployment reached nearly 30 per cent in Australia and governments were unable to find a way out of the downward spiral of despair. Increased recourse to foreign borrowing in the late 1920s accompanied the decline of Australian exports. Australia's terms of trade deteriorated by 39 per cent between 1929 and 1933, after deteriorating by 20 per cent between 1925 and 1929.<sup>47</sup> Public debt during this period was high – about 128 per cent of GDP – because of government efforts to develop the economy through the provision of infrastructure and industry support.<sup>48</sup> Today foreign debt does not excite any passions as it did in the 1980s and 1990s. Australians and their policy-makers have decided that it is no longer a problem.

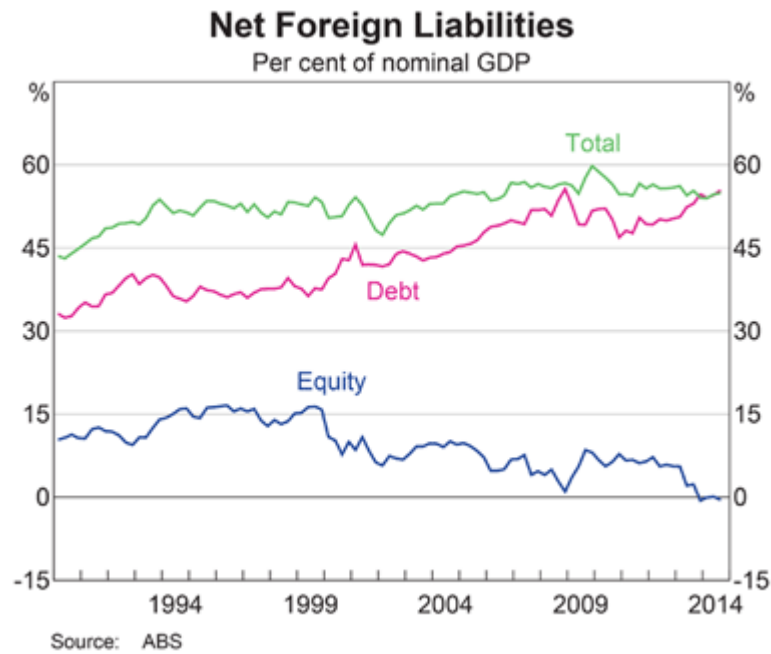
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<sup>45</sup> Rodney Maddock and Ian W. McLean (1987) "The Australian Economy in the Very Long Run" in Rodney Maddock and Ian W. McLean (eds), *The Australian Economy in the Long Run*, Melbourne, Cambridge University Press, p. 11-12; Kenwood, *Australian Economic Institutions Since Federation*, p. 3.

<sup>46</sup> Alan L. Loughheed, *Australia and the World Economy*, Melbourne, McPhee Gribble/Penguin, pp. 20-22 & 27-29.

<sup>47</sup> David Meredith and Barrie Dyster (1999) *Australia in the Global Economy: Continuity and Change*, Melbourne, Cambridge University Press, pp. 114-9.

<sup>48</sup> Meredith and Dyster, *Australia in the Global Economy*, p. 111.



Nevertheless, these historical vulnerabilities show the potential for Australia to suffer when the terms of trade declines precipitously and debt increases.<sup>49</sup> The major story in Australia, however, has been the upside of the boom. According to Connolly et al. the “value of Australia’s resource exports increased more than fivefold over the 10 years to 2012 and ... accounts for over 10 per cent of nominal GDP.”<sup>50</sup> Chinese imports now account for well over 60 per cent of global iron ore exports. Australia exported over \$40 billion worth of iron ore to China in 2012-13. Iron Ore now accounts for 20 per cent of all exports.<sup>51</sup>

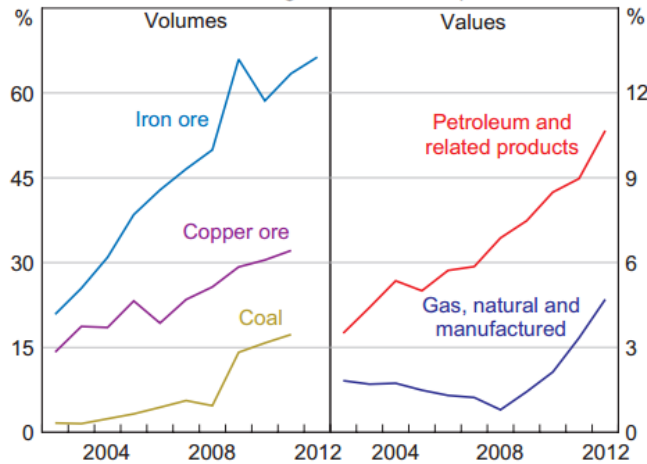
<sup>49</sup> Tom Conley (2009) *The Vulnerable Country: Australia and the Global Economy*, Sydney, UNSW Press.

<sup>50</sup> Ellis Connolly, Jarkko Jääskelä and Michelle van der Merwe (2013) “The Performance of Resource-Exporting Economies”, *RBA Bulletin*, September Quarter <<http://www.rba.gov.au/publications/bulletin/2013/sep/pdf/bu-0913-3.pdf>>.

<sup>51</sup> Tom Conley (2014) “Australia’s China Dependence and Whether India Could be the Next Big Thing”, *Big P Political Economy*, 18 February <<http://tomjconley.blogspot.com.au/2014/02/australias-china-dependence-and-whether.html>>.

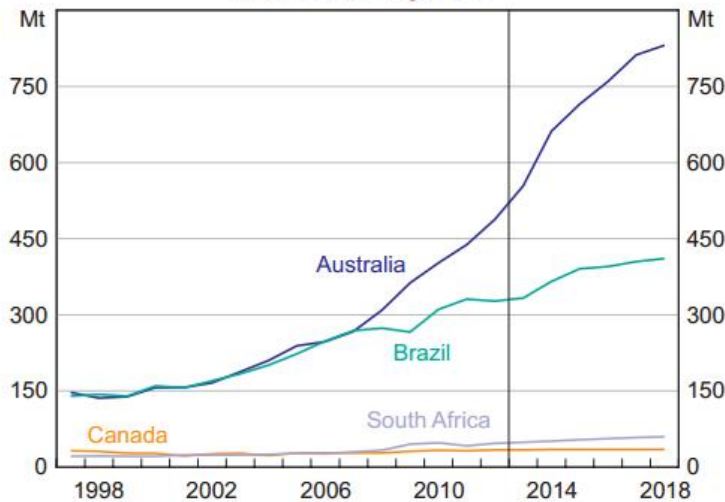
### China – Resource Imports

As a share of global resource exports



Sources: Bureau of Resources and Energy Economics (BREE); International Energy Agency (IEA); UNCTADstat

### Iron Ore Exports\*

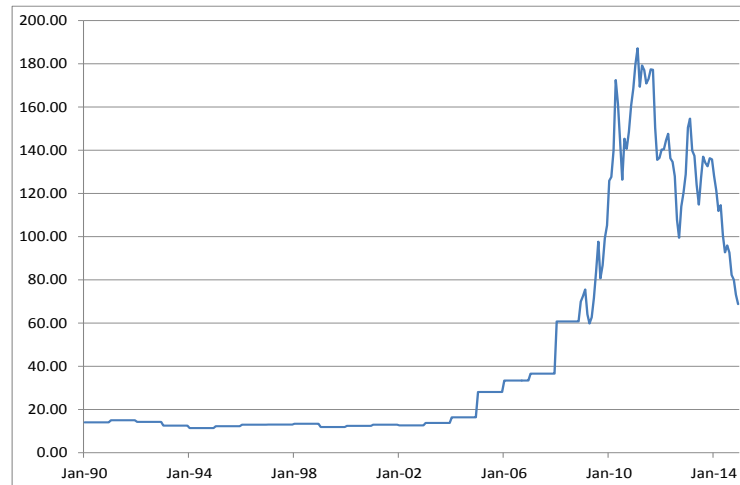


\* Data from 2013 onwards are a forecast  
Source: BREE

Prices for Australia's largest exports have declined substantially in recent times. Iron ore has fallen from a high of \$US187.18 a tonne in February 2011 to under \$US70 in early 2015. While this is still well above the lows of the 1990s and early 2000s, there is a growing consensus that the price will fall to under \$US50.<sup>52</sup>

<sup>52</sup> Index Mundi <<http://www.indexmundi.com/commodities/?commodity=iron-ore&months=300>>.

### Iron Ore Price in USD per Dry Metric Ton

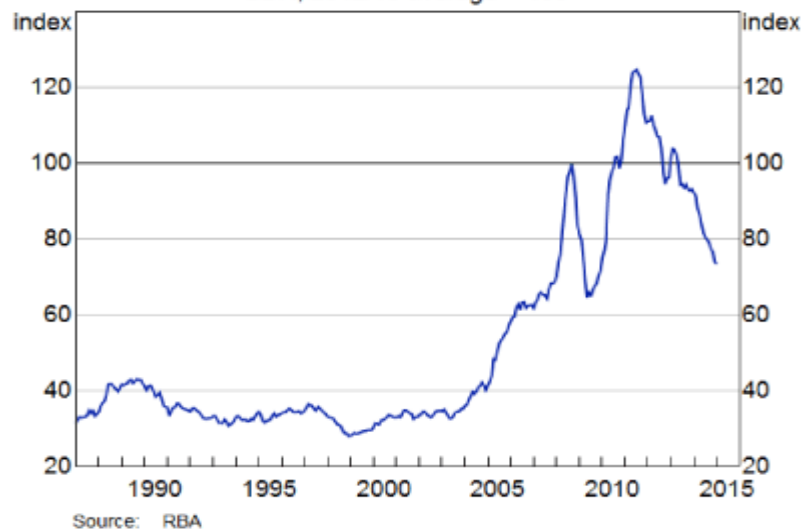


Index Mundi <<http://www.indexmundi.com/commodities/?commodity=iron-ore&months=300>>.

The price of coal has also fallen precipitously. Australian thermal coal fell from a high of \$US192.86 per metric ton in July 2008 to \$US66.68 in December 2014.<sup>53</sup> Australian Coal exporters also face potential obstacles in China as the Chinese government attempts to cut coal imports and revitalise its domestic coal industry. China is also seeking to diversify its sources of supply of the key resources it imports from Australia. This is the nature of the commodity cycle (even if the current one has already been a particularly long one).

### RBA Index of Commodity Prices

SDR, 2012/13 average = 100



Source: RBA (2015) *Index of Commodity Prices*

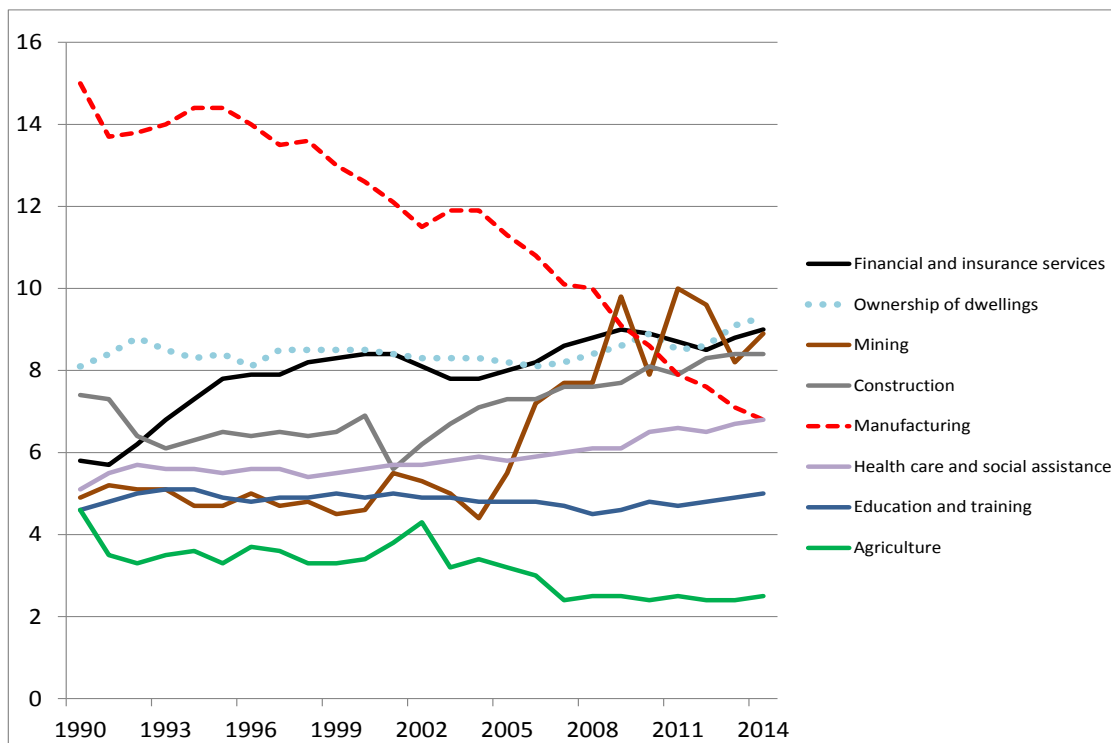
<<http://www.rba.gov.au/statistics/frequency/commodity-prices/2015/icp-0115.html>>.

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<sup>53</sup> Index Mundi <<http://www.indexmundi.com/commodities/?commodity=coal-australian&months=300>>.

While mining has clearly dominated the economy over the last 10 years, the other two sectors contributing most to growth have been finance and construction. The RBA states, in a manner of fact way, “the mining boom is estimated to have boosted real per capita household disposable income by 13 per cent over the decade to 2013. The boom contributed to a large appreciation of the Australian dollar that has weighed on other industries exposed to trade, such as manufacturing and agriculture.”<sup>54</sup> They could have also added the negative effect on services exports such as education and tourism. Service industries, however, have a greater ability to adjust given the infrastructure that exists in both arenas. Tourism facilities can recover with new investment and universities serve a large domestic market with international students a valuable addition. Manufacturing is the only sector to have declined over the period from 2003-2013. Manufacturing’s contribution to gross value added has declined from 11.9 per cent in 2004 to 6.8 per cent in 2014. Mining increased from 4.4 per cent of GVA in 2004 to 10.0 per cent in 2011 before falling to 8.9 per cent in 2014.<sup>55</sup>

**Industry Sector Contribution to Gross Value-Added  
Selected Industries**



<sup>54</sup> Downes, Hanslow and Tulip, “The Effect of the Mining Boom on the Australian Economy”.

<sup>55</sup> ABS (2015) “Table 5. Gross Value Added (GVA) by Industry”, 5204.0 - Australian System of National Accounts, 2013-14 <<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5204.02013-14?OpenDocument>>.

## Luck, Skill and Faith

We can't rely on luck. In this country we must make our own luck.<sup>56</sup>

China and India are only in the early stages of catching up with the living standards of the developed world and this process could have a very long way to run.<sup>57</sup>

I believe we stand at the threshold of an era of unprecedented growth due to demand generated by China and, in the future, India.<sup>58</sup>

There's no crisis at all in the Australian economy.<sup>59</sup>

We are at risk of succumbing to the European disease, we are at risk of becoming a second-rate nation living on its luck.<sup>60</sup>

The 'luck' narrative in Australian economic history provides an important point of departure to appraise the trajectory of the Australian economy. It allows a simplification of assessments of Australian economic policy into a binary of luck versus (policy) skill. A third element of this equation – faith – builds on the dichotomy: faith that Australia's good luck will continue and that the policy framework will be sufficient to deal with crises or take advantage of opportunities. The dominant narrative is that Australian economic policy-makers in the 1980s, 1990s and early 2000s heroically transformed the economy by embracing economic liberalism and that this reform process has stalled partly because of the boom and partly because of a lack of policy initiative. As the Treasury Secretary from 2011-2014 Martin Parkinson argues:

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<sup>56</sup> Kevin Rudd (2008) "Building Australia's Economic Future", *Address to Lord Mayor's Business Breakfast*, Perth, 21 January <<http://pmtranscripts.dpvc.gov.au/browse.php?did=15725>>.

<sup>57</sup> Ken Henry (2009) *The Shape of Things to Come: Long Run Forces Affecting the Australian Economy in Coming Decades*, *Address to the Queensland University of Technology Business Leaders' Forum*, 22 October <[http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Speeches/2009/The%20shape%20of%20things%20to%20come/Downloads/PDF/QUT\\_Address.ashx](http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Speeches/2009/The%20shape%20of%20things%20to%20come/Downloads/PDF/QUT_Address.ashx)>.

<sup>58</sup> Former BHP Chairman Don Argus in AAP (2009) "Save Locals From Foreign Businesses: Argus", *Sydney Morning Herald*, 22 October <<http://news.smh.com.au/breaking-news-business/save-locals-from-foreign-business-argus-20091022-hagj.html>>>

<sup>59</sup> Joe Hockey cited in AAP (2014) "Australian Economy is Not in Trouble, Joe Hockey tells NZ", *Sydney Morning Herald*, 26 July <<http://www.smh.com.au/business/the-economy/australian-economy-is-not-in-trouble-joe-hockey-tells-nz-20140726-zx6ie.html#ixzz3FTaerQ6H>>.

<sup>60</sup> Tony Abbott cited in Ellen Whinnett (2015) "Prime Minister Tony Abbott says Australia at Risk of being a 'Second-Rate Nation'", *Herald Sun*, 23 January <<http://www.heraldsun.com.au/news/prime-minister-tony-abbott-says-australia-at-risk-of-being-a-second-rate-nation/story-fni0fiyv-1227195175187>>.

Australia is not immune from economic cycles. But the economic reforms of the 1980s, 1990s and 2000s mean that recessions will happen less frequently and be less severe, on average, than if we still had the economic policies and structures of the 1970s. The conclusion that I would like you to take away is that the 23 years of continuous economic growth that Australia has experienced ... was neither an accident nor was it easy. It was built on the tough decisions made by governments in the 1980s, 1990s and 2000s.<sup>61</sup>

Donald Horne's original 1960s formulation of the lucky country posited that Australia had succeeded because of its luck rather than its industriousness or innovation, but it did not deny the fact that Australia was, indeed, lucky.<sup>62</sup> The luck appeared to run out when stagflation and poor economic management in the 1970s ended in severe recession in the early 1980s. By the middle of that decade, it was common for commentators to pronounce the lucky country well and truly dead. Hawke Labor government Minister, Barry Jones, argued in 1985 that, "we can no longer assume that minerals, wheat and wool alone will carry the 'Lucky Country' towards higher living standards ... We have to diversify and extend our skills base."<sup>63</sup> Labor Treasurer, Paul Keating, gave this new view dramatic emphasis with his infamous 'banana republic' warning in May 1986, which captures well the fears of the policy community about resource dependence and manufacturing decline.

We took the view in the 1970s – it's the old cargo cult mentality of Australia that she'll be right. This is the lucky country, we can dig up another mound of rock and someone will buy it from us, or we can sell a bit of wheat and bit of wool and we will just sort of muddle through ... In the 1970s ... we became a third world economy selling raw materials and food and we let the sophisticated industrial side fall apart ... We must let Australians know truthfully, honestly, earnestly, just what sort of international hole Australia is in. It's the price of our commodities – they are as bad in real terms since the Depression ... If this government cannot get the adjustment, get manufacturing going again and keep moderate wage outcomes and a sensible economic policy, then Australia is basically done for ... If in the final analysis Australia is so undisciplined, so disinterested in its salvation and its economic well being, that it doesn't deal with these fundamental problems ... the only thing to do is to slow the growth down to a

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<sup>61</sup> Martin Parkinson (2014) "Reflections on Australia's Era of Economic Reform", *Address to the European Australian Business Council*, Sydney, 5 December  
<[http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Speeches/2014/Reflections%20on%20Australias%20era%20of%20economic%20reform/Downloads/PDF/reflections\\_eco\\_reform\\_speech.aspx](http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Speeches/2014/Reflections%20on%20Australias%20era%20of%20economic%20reform/Downloads/PDF/reflections_eco_reform_speech.aspx)>. Parkinson was at this time Secretary to the Australian Treasury.

<sup>62</sup> Donald Horne (1964) *The Lucky Country: Australia in the Sixties*, Melbourne, Penguin.

<sup>63</sup> Barry Jones cited in Michael Thompson-Noel (1985) "Dunlop Olympic Waves the Flag for Australia's High Technology", *Financial Times*, 10 January.



canter. Once you slow the growth under 3 per cent, unemployment starts to rise ... Then you are gone. You are a banana republic.<sup>64</sup>

The growing policy consensus was that Australia's decline was a fundamental outcome of the prevalence of protectionist attitudes in Australia. Resource pessimism, based on a long-term decline in Australia's terms of trade and a concomitant conviction about the need for a more diversified economy, played a pivotal role in justifying the wide-ranging changes to Australia's political economy in the 1980s and 1990s.<sup>65</sup> The aim was to encourage a more diversified economy that would shift away from Australia's traditional reliance on resources.

The first stage in the international reassessment of Australia came during and after the Asian financial crisis. Paul Krugman argued:

Australia, in case you didn't know, is the miracle economy of the world financial crisis. Even though most of its exports go either to Japan or to the stricken tigers, Australia has managed to ride out the storm so far without even a serious slowdown. The key to this resilience has been a policy of benign neglect toward the exchange rate.<sup>66</sup>

During the dot.com bubble, however, with the continuing decline of the Australian dollar Australia was criticised as an "old economy" unable to take advantage of technological opportunities.<sup>67</sup> After Australia avoided recession in 2001, the commentary once again returned to Australia as the miracle economy.<sup>68</sup> The terms of trade continued its upward trajectory until the global crisis hit and the lucky country rhetoric returned once again and went global.<sup>69</sup> Between September 2008 and June 2009 the terms of trade fell, but then increased again to reach a new peak in September 2011. Since that time it has continued to fall.

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<sup>64</sup> Paul Keating speaking on a wall phone in the kitchen of a function centre to radio personality John Laws on 14 May 1986, cited in Richard H. Snape, Lisa Gropp and Tas Luttrell (1998) *Australian Trade Policy: 1965-1997*, Sydney, Allen & Unwin, pp. 84-5.

<sup>65</sup> Tim Atkin, Mark Caputo, Tim Robinson and Hao Wang (2014) "Macroeconomic Consequences of Terms of Trade Episodes, Past and Present", *Research Discussion Paper* <<http://www.rba.gov.au/publications/rdp/2014/pdf/rdp2014-01.pdf>>.

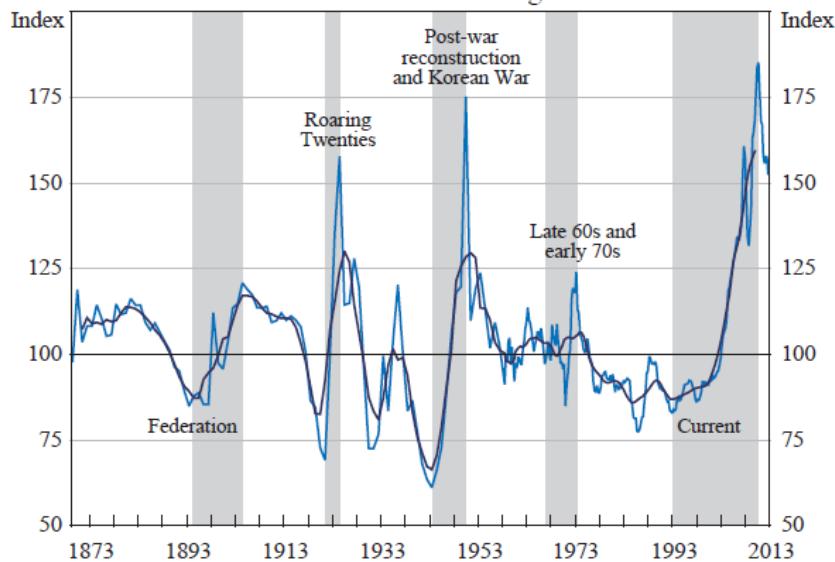
<sup>66</sup> Paul Krugman (1998) "I Know What the Hedgies Did Last Summer", *Fortune*, 21 December <[http://archive.fortune.com/magazines/fortune/fortune\\_archive/1998/12/21/252674/index.htm](http://archive.fortune.com/magazines/fortune/fortune_archive/1998/12/21/252674/index.htm)>.

<sup>67</sup> David Hale (2000) "Aussie.com" *The International Economy*, May, 14(3): 48-55; John Vinocur (2000) "Will the New Economy Leave Australia Behind?", *International Herald Tribune*, 19 April <[http://www.nytimes.com/2000/04/19/news/19iht-aussies.2.t\\_2.html](http://www.nytimes.com/2000/04/19/news/19iht-aussies.2.t_2.html)>.

<sup>68</sup> Ian Henderson (2002) "Analysts Revive Miracle Economy Tag" *The Australian*, 21 January.

<sup>69</sup> Mark Peart (2006) "WTO Lauds 'Impressive' Aussie Economy", *National Business Review*, 7 March <<http://www.nbr.co.nz/article/wto-lauds-impressive-aussie-economy>>; Eric Ellis (2011) Finance Minister of the Year 2011: Swan Confounds his Domestic Sceptics", <<http://www.euromoney.com/Article/2897778/Finance-minister-of-the-year-2011-Swan-confounds-his-domestic-sceptics.html>>.

**Figure 1: Terms of Trade**  
1900/01–1999/2000 average = 100



Notes: Dates correspond to December quarter of calendar year; annual data to 1958/59, quarterly data thereafter; shaded regions represent major expansions in the terms of trade; smoothed line is a five-year centred moving average

Sources: ABS; Gillitzer and Kearns (2005); authors' calculations

Australia avoided the worst of the financial crisis due to a combination of good luck and good policy. The good luck was mainly to do with Australia's geography and geology; the good policy involved a rapid fiscal and monetary policy response that provided a timely stimulus to the Australian economy. The Rudd government's stimulus and the RBA's cutting of interest rates helped to maintain spending during the crisis. Both played a role in mitigating the worst of the crisis at its height and helped Australia to avoid the negative spiral of declining house prices, declining demand, higher unemployment leading to lower prices, declining demand and escalating unemployment and so on. However, as Quiggin points out:

The Labor government failed to defend the stimulus policy against conservative attacks, instead focusing its efforts on defusing the issue through a rapid return to budget surplus. At the same time, and despite some promising initial responses, the crisis provoked no rethinking of the dogmatic commitment to small government, adopted in response to the perceived need to be seen as 'economically conservative'.<sup>70</sup>

<sup>70</sup> John Quiggin (2013) "Macroeconomic Policy after the Global Financial Crisis", *Risk and Sustainable Management Group Working Paper Series* <[http://www.uq.edu.au/rsmg/WP/Australian\\_Public\\_Policy/WPP13\\_3.pdf](http://www.uq.edu.au/rsmg/WP/Australian_Public_Policy/WPP13_3.pdf)>.

Labor set itself up for criticism by its continual emphasis that it was economically conservative before the crisis and stressing the need to return to smaller government in its aftermath.<sup>71</sup> Despite Rudd's rhetoric about the "extreme capitalism" that had led to the crisis, his government made little effort to increase regulation of financial entities or executive remuneration.<sup>72</sup> Rudd also asserted that he was a supporter of industry policy, but the government made few efforts to diversify the economy or to push back against the negative effects of resource domination and the high dollar. Bureaucratic policy-makers – both past and present acted as the government's liberal conscience, consistently arguing that governments should facilitate the shift towards resources and other dominant sectors of the economy. The two areas of significant policy innovation were resources taxation and the development of a market-based scheme to limit emissions. These two schemes attracted considerable opposition and the forms that both took were weaker than first envisaged. The Abbott government ultimately repealed both.

Undoubtedly, the potential for policy flexibility during and after the crisis had to do with earlier good policies and good luck. The floating of the dollar and the liberalisation of the labour market helped to avoid the wage and inflationary pressures that emerged during earlier terms of trade booms.<sup>73</sup> Australia grew strongly in the years before the crisis, receiving a massive boost to income, which helped the Howard government to improve Australia's fiscal position with little effort. It cut taxes and increased spending as well.<sup>74</sup> As a result, there is much contemporary criticism of the growth of so-called middle class welfare in Australia.<sup>75</sup> Also important has been

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<sup>71</sup> Kenneth Davidson (2007) "ALP Falls for Coalition's 'Myths'", *The Age*, 5 November <<http://www.theage.com.au/news/business/alp-falls-for-coalitions-myths/2007/11/04/1194117878684.html?page=fullpage>>.

<sup>72</sup> Kevin Rudd (2009) "The Global Financial Crisis", *The Monthly*, February. Rudd argued that "We must also build stronger supervisory frameworks to provide incentives for more responsible corporate conduct, including executive remuneration".

<sup>73</sup> Atkin, Caputo, Robinson and Wang, "Macroeconomic Consequences of Terms of Trade Episodes, Past and Present".

<sup>74</sup> Peter Martin (2013) "Hey, Big Spender: Howard the King of the Loose Purse Strings", *Sydney Morning Herald*, 11 January <<http://www.smh.com.au/federal-politics/political-news/hey-big-spender-howard-the-king-of-the-loose-purse-strings-20130110-2cj32.html>>; Kirsty Laurie and Jason McDonald (2008) *A Perspective on Trends in Australian Government Spending*, Canberra, Australian Treasury <[http://lowpollutionfuture.treasury.gov.au/documents/1352/PDF/03\\_spending\\_growth.pdf](http://lowpollutionfuture.treasury.gov.au/documents/1352/PDF/03_spending_growth.pdf)>.

<sup>75</sup> Luke Buckmaster (2009) "Money for Nothing? Australia in the Global Middle Class Welfare Debate", *Research Paper No. 31 2008–09*, Canberra, Parliamentary Library, Parliament of Australia <[http://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/pubs/rp/rp0809/09rp31#\\_Toc229967806](http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp0809/09rp31#_Toc229967806)>; Tony Abbott (2008) "Even the Rich Need a Helping Handout", *The Australian*, 21 April <<http://www.theaustralian.com.au/opinion/even-the-rich-need-a-helping-handout/story-e6frg6zo-111116113956>>.



Continuing demand from China over the next few years reinforced such opinions. According to Abbott government Treasurer, Joe Hockey:

The bottom line is the world's going to want commodities because of the emerging middle class, particularly in Asia but also in Africa and various other places ... I don't think there's any commodities (downturn) — I think that's market trash. I think we've got to deal with the reality of where the world's going to be in the next 30 years. They're going to want commodities.<sup>82</sup>

According to the Reserve Bank of Australia, even if growth slows in China:

there will continue to be a huge appetite for commodities of many kinds. Some of this demand can be satisfied by local Chinese production, but given the competitiveness of Australian production in a number of commodities, China is likely to be a large market for Australian resource exports for some time to come.<sup>83</sup>

This interpretation exhibits great faith that there will be an alternative market for Australian exports even after developing Asian economies become less resource intensive and ascend the income ladder.

Not everyone is sure about the adequacy of resources to underpin a wealthy advanced capitalist country. Charlton argues that the rise of China is a “once-in-a-century” event that “helps explain why Australia has experienced two decades of unprecedented prosperity, why our house prices have soared, why we survived the financial crisis.” Charlton contends that governments have used the temporary revenue from this once-off event to fund permanent tax cuts and spending increases<sup>84</sup>. Another major concern is the decline of manufacturing. In the mid-1970s Bob Gregory argued – in a formulation that became known as the “Gregory Thesis” – the growth of the mineral sector in Australia was creating pressures for structural change in other sectors of the economy that went well beyond the impact of tariffs.<sup>85</sup> The thesis was an Australian pre-cursor to the “Dutch Disease”, used to explain the impact of Dutch oil exports, a rising guilder and a

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<sup>82</sup> Joe Hockey cited in David Crowe (2014) “Bullish Hockey has Faith in Boom”, *The Australian*, 10 October <<http://www.theaustralian.com.au/news/bullish-hockey-has-faith-in-boom/story-e6frg6n6-1227085657032>>. See also David Crowe (2014) <<http://www.theaustralian.com.au/national-affairs/foreign-affairs/andrew-robb-leads-the-way-in-pushing-china-exports/story-fn59nm2j-1226869212645?login=1>>.

<sup>83</sup> Alexandra Heath (2014) “The Domestic Outlook and the Role of Mining”, *Address to the NSW Mining Industry & Suppliers Conference*, Sydney 21 November <<http://www.rba.gov.au/speeches/2014/sp-so-211114.html>>.

<sup>84</sup> Charlton, “Dragon’s Tail”, p. 53.

<sup>85</sup> Robert Gregory (1976) “Some Implications of the Growth of the Mineral Sector”, *The Australian Journal of Agricultural Economics* 20(2).

struggling manufacturing sector. Both terms designate the negative impact resource booms can have on other sectors of the economy, particularly manufacturing, through the effects of a temporary rise in the exchange rate. In the wash-up, if resource demand is not sustained, important sectors of the economy are diminished and the economy becomes less diverse. Despite the Rudd governments constant railing against what it called the “two-speed economy” (the Gillard government referred to a “multi-speed economy as a point of distinction”, few policy actions were taken to support affected industries or lower the exchange rate.<sup>86</sup>

Unfortunately, according to Charlton, China’s growth model cannot be sustained. Following Pettis, he argues the investment-led model leads to poor investment decisions that lead eventually to debt crises. China will be no different in this regard than “the United States in the 1920s, Germany in the 1930s, the Soviet Union from the late 1940s to the early 1960s, Brazil from the late 1950s to the late 1970s, Japan in the 1980s or Dubai in the 1990s”.<sup>87</sup>

While Treasury Secretary Ken Henry argued that, “the structural change in Australia’s terms of trade” means that there will have to be a “change in the structure of the Australian economy”. Governments should not resist these structural changes by assisting the manufacturing sector. Instead, governments should support the transition of workers to those “businesses in the Australian economy which do have a long term future with the sorts of terms of trade that we are confronting”.<sup>88</sup> More recently, Henry argued, “we should be comfortable with the fact that a country’s pattern of national endowments favours some industries and products over others.”<sup>89</sup>

Henry criticises what he sees as a dominant mercantilist narrative that rates all policies in terms of their impact on international export competitiveness. Henry argues that the Abbott government key business actors have been selective of their support for market mechanisms in the area of climate change. Unfortunately, the economic liberal agenda often becomes a cover for pro-business, low tax, inequitable policy changes that are labelled as ‘reform’. Henry’s general

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<sup>86</sup> Tom Conley and Elizabeth van Acker (2011) “Whatever Happened to Industry Policy in Australia?”, *Australian Journal of Political Science*, 46(3).

<sup>87</sup> Charlton, “Dragon’s Tail”, pp. 44-5.

<sup>88</sup> Henry appearing before the Senate Select Committee on the Scrutiny of New Taxes (2010) “Reference: National Mining Tax”, *Official Committee Hansard*, Canberra, 22 November <[http://www.aph.gov.au/~media/wopapub/senate/senate/committee/S13370\\_pdf.ashx](http://www.aph.gov.au/~media/wopapub/senate/senate/committee/S13370_pdf.ashx)>. See for detailed discussion Tom Conley (2010) “Keep on Booming” *Big P Political Economy*, 2 December <<http://tomjconley.blogspot.com.au/2010/12/keep-on-booming.html>>.

<sup>89</sup> Ken Henry (2014) “Public Policy Resilience and the Reform Narrative”, *Address to the Crawford School of Public Policy*, 16 September <[https://crawford.anu.edu.au/sites/default/files/news/files/2014-09/ken\\_henry\\_-\\_public\\_policy\\_and\\_the\\_reform\\_narrative\\_.pdf](https://crawford.anu.edu.au/sites/default/files/news/files/2014-09/ken_henry_-_public_policy_and_the_reform_narrative_.pdf)>.

argument, then, is that policy should support existing strengths and allow market forces to allocate resources efficiently. Australia should return to a more pure form of economic liberalism that avoids mercantilist rhetoric about international competitiveness.

Another key economic bureaucrat, former head of the Productivity Commission Gary Banks, worries about the return of what he calls rent-seeking in the Australian economy and an abandonment of economic liberal reform.<sup>90</sup> Banks' critique of current economic policies in Australia sees little role for government apart from providing an 'internationally competitive' environment that favours existing strong industries and creates greater workplace flexibility. He equates union opposition to further industrial relations changes to the mining industry's opposition to the mining tax. Both, he argues, are examples of rent-seeking. For these former policy-makers turned commentators, policy-makers have lost their way and have failed to make the case for further liberal reforms. Another major figure in the Australian economic policy debate, Ross Garnaut, also argues that Australia has failed to continue with necessary liberalising reforms. He argues that the boom, especially in its second phase after the financial crisis, has led to reform complacency and misspent income.<sup>91</sup>

Quiggin heartily disagrees with this increasingly influential 'liberal' critique, arguing that in the aftermath of the crisis, policy-makers

regarded the GFC as a once-off shock, never to be repeated. Australia's success in managing the crisis has been seen as proof that our macroeconomic policies and institutions are in no need of change, while the catastrophic failures of similar policies and institutions in other developed countries have been largely ignored.

For Quiggin, the main problem for Australia, as in most other advanced capitalist economies, is the dominance of what he calls market liberalism and an obsession with small government.<sup>92</sup>

Edwards criticises most of these writers for being obsessed with crisis, for misinterpreting the boom and overstating policy failure and profligacy. He argues that, "pessimistic accounts of Australia's economic experiences over the last ten years are wrong" and that "the dire warnings

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<sup>90</sup> Gary Banks (2013) "Return of the Rent-Seeking Society?", *Stan Kelly Lecture*, Melbourne, 15 August <[http://pams.com.au/ECOSOC/StaticContent/Images/Stan\\_Kelly\\_Lecture\\_2013\\_Gary\\_Banks.pdf](http://pams.com.au/ECOSOC/StaticContent/Images/Stan_Kelly_Lecture_2013_Gary_Banks.pdf)>.

<sup>91</sup> Ross Garnaut (2013) *Dog Days: Australia after the Boom*, Melbourne, Redback.

<sup>92</sup> John Quiggin (2012) *Zombie Economics: How Dead Ideas Still Walk among Us*, Princeton, Princeton University Press.

about Australia's future will probably also be wrong".<sup>93</sup> In his account, the mining boom has barely begun, although it is changing from an investment phase and high prices to an export phase with lower prices.<sup>94</sup> Increased demand will come from Japan and South Korea as well. "Within a few years", he speculates, "it is possible that Japan will once again be Australia's biggest export market". Emerging Asia "could underpin Australian prosperity for decades to come".<sup>95</sup> His most controversial contention, however, is that commentators and policy-makers have exaggerated the boom: "the mining boom has been but one more episode in Australia's uninterrupted expansion over more than two decades, and in some respects not the most important one. Australian output grew faster in the ten years before the mining boom began than it has since."<sup>96</sup> Edwards provides an important corrective to overly pessimistic accounts of Australia's economic performance, but he understates the significance of the boom and the vulnerabilities that have built up in the Australian economy. The comparison with the period before the boom disregards Australia's performance compared to other advanced economies. Edwards, like most policy-makers and liberal commentators, has a profound belief that all that is required for future economic success is to maintain the liberal faith. As the RBA concludes, "the expected decline in the terms of trade over coming years will pose challenges for both firms and policymakers. Nevertheless, the greater flexibility present in the economy today – such as the wages system and the floating exchange rate – should help to facilitate the necessary adjustments."<sup>97</sup>

The economic liberal narrative argues that policy-makers should accentuate the factors behind Australia's luck. I argue that Australia should use its luck to underpin a more diverse economy that systematically redistributes the proceeds of the luck – the resource endowment – across time and space. The danger of the economic liberal framework, modified and selective as it may be in practice, is the associated abandonment of the idea that governments can and should shape the economy and use fiscal policy to redistribute wealth and advantage across Australian society. This may mean that Australia ends up with a less diverse economic structure increasingly prone to crises and unable to adapt to global economic and technological change. While policy-makers have not always fully embraced economic liberalism, it has provided a useful yardstick to assess

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<sup>93</sup> John Edwards (2014) *Beyond the Boom*, Melbourne, Penguin, p. 6.

<sup>94</sup> Edwards, *Beyond the Boom*, p. 6.

<sup>95</sup> Edwards, *Beyond the Boom*, p. 7.

<sup>96</sup> Edwards, *Beyond the Boom*, p. 8. The RBA's findings about the extent of the boom differ from Edwards'.

<sup>97</sup> Tim Atkin, Mark Caputo, Tim Robinson and Hao Wang (2014) "Australia after the Terms of Trade Boom", *RBA Bulletin*, March Quarter <<http://www.rba.gov.au/publications/bulletin/2014/mar/pdf/bu-0314-6.pdf>>.



‘successful’ economic policy. Coming years will provide a test for these dominant economic narratives as continuing economic instability could lead to popular reactions against liberalisation. While supporters of economic liberalism may see this as a problem, I argue we should not assess economic policy proposals and changes based on whether they fit an idealised economic liberal narrative.

With rising concern about pollution and climate change, it is perhaps more urgent than ever to increase the diversity of Australia’s productive capacity and export profile. However, in the arena of renewable technologies and pollution reduction, Australia under the Abbott government has chosen to move backwards. The government has abolished a carbon price, cut funding to the CSIRO by \$110 million, rushed approval for risky coal mines in Queensland, defunded the Climate Commission, and attempted to cut the Renewable Energy Target and abolish the Clean Energy Finance Corporation. Its direct action plan pays polluters to pollute less instead of taxing them.<sup>98</sup>

The Abbott government appears wedded to the view that a resource-based economy can continue to underpin prosperity in Australia; that climate action is largely unnecessary and that the economy will seamlessly transition to a more diverse export structure. The solution, according to Treasurer, Joe Hockey, is smaller government:

We face a number of challenges across a range of areas such as growth and productivity, demographic trends and fiscal sustainability. But we have a road map to deal with those challenges. We will begin by reducing the size of government. We will cut taxes, eliminate the carbon and mining taxes, cut the company tax rate, and deliver personal income tax cuts without the carbon tax. We will reduce the burden of regulation on individuals and on business.<sup>99</sup>

The Abbott government’s rhetoric of “Labor’s debt and deficit disaster” may provide problems for itself if it makes it more difficult for it to stimulate the economy if growth falters or

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<sup>98</sup> Mike Secombe (2014) “On the Hunt for an Environment Plan”, *The Saturday Paper*, 6-12 December <<https://www.thesaturdaypaper.com.au/news/politics/2014/12/06/greg-hunts-hostile-attack-the-environment/14177844001333>>.

<sup>99</sup> Joe Hockey (2013) “The Task Ahead”, *Address to the Centre for Independent Studies*, Sydney, 8 November <<http://jbh.ministers.treasury.gov.au/speech/002-2013/>>. See also Joe Hockey (2014) *Address to Australian Institute of Company Directors’ Annual Dinner*, Adelaide 6 November <<http://jbh.ministers.treasury.gov.au/speech/024-2014/>>.

declines.<sup>100</sup> If this were the case, it might have the opposite effect to the Rudd government's stimulus, exacerbating the impact of a sustained decline of Chinese demand. Given the Reserve Bank's concerns about the housing market and the already low level of interest rates, there may be a more limited scope for monetary policy in any future economic downturn.

## Conclusion

As Australian policy-makers contemplate the lessons of recent years and deal with new challenges thrown up by the global economy it will be worthwhile remembering why policy-makers thought Australia was doomed in the 1980s. What they will find is that some of the key problems of the 1980s remain. While the economy has been more productive, more efficient and, perhaps most important, less inflation-prone, the economy remains resource dependent and has become less diverse. There is also now a higher level of household and foreign debt that will have to be consolidated at some stage.

Interpretation of the sustainability of resource demand and debt matters a lot. If the terms of trade were to remain high, policy-makers would be remiss in trying to resist structural change in the economy towards greater resources domination. Australians would not want an economy dominated by agriculture as it was in the immediate post-war period and for a most of the time before that (gold booms notwithstanding). While wool was clearly Australia's most important export for a long period, it is not even in the top 20 today.<sup>101</sup> Likewise, if debt expansion could continue indefinitely, policy-makers would be foolish to try to push back against speculative asset price rises. Unfortunately, history shows that resource booms are (eventually) followed by periods of collapsing prices and that high levels of debt (eventually) lead to forced deleveraging that exacerbates the impact of economic downturns.

Structural change will be ongoing, but there is still a role for policy, beyond providing a low tax environment and competitive markets. There is a role for government in encouraging growth in new sectors through market mechanisms like an emissions trading scheme; in supporting established industries to become more productive, and in providing infrastructure. There is also a

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<sup>100</sup> Ian Verrinder (2014) "Hockey Faces his Wayne Swan Moment", *The Drum*, 15 September <<http://www.abc.net.au/news/2014-09-15/verrender-hockey-faces-his-wayne-swan-moment/5743202>>.

<sup>101</sup> Department of Foreign Affairs and Trade (2014) *Composition of Trade*, Canberra, Commonwealth of Australia

wider role for policy in attempting to redistribute the benefits of growth and the success of particular sectors. As Cingano argues, “policies to reduce income inequalities should not only be pursued to improve social outcomes but also to sustain long-term growth. Redistribution policies via taxes and transfers are a key tool to ensure the benefits of growth are more broadly distributed and the results suggest they need not be expected to undermine growth.”<sup>102</sup>

This paper has shown that Australian economic policy has *not yet* had to respond to the sort of crises experienced by most other advanced economies. Continuing growth in Australia since the crisis has provided an economic environment for Australian policy-makers vastly different from economies affected by economic stagnation and high levels of public debt. The continuing demand for resources, albeit in the context of falling prices, has provided ongoing stimulus to the economy. The relatively benign economic environment hitherto leads to the argument that Australia’s economic problems lay in front of it rather than behind it. The global crisis is not yet over for Australia.

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<sup>102</sup> Frederico Cingano (2014) *Trends in Income Inequality and its Impact on Economic Growth*, Paris, OECD <[http://www.oecd-ilibrary.org/social-issues-migration-health/trends-in-income-inequality-and-its-impact-on-economic-growth\\_5jxrjncwxv6j-en](http://www.oecd-ilibrary.org/social-issues-migration-health/trends-in-income-inequality-and-its-impact-on-economic-growth_5jxrjncwxv6j-en)>.