

CONTEMPORARY AUSTRALIA

6. The Lucky Country Sara Cousins

From the Monash University National Centre for Australian Studies' course,
developed with Open Learning Australia.

In the sixth week of the course, Sara Cousins asks: Why has Australia managed to avoid many of the crises that beset the world today? Is it just pure luck or has it something to do with good management? Australian prosperity is the envy of many other nations but is this likely to continue for future generations? Australia has always been tied to the world and its own region. Can it escape the negative impact of globalization in the 21st century?

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6.1 What is 'the lucky country'?

The phrase 'the lucky country', originated by author Donald Horne in 1964, has been used in the past few decades to describe Australia as a land of economic opportunity and bountiful natural resources. In fact, the author always intended the phrase to be used in an ironic sense, to point to what he saw as a lazy derivative society lacking innovation and enterprise. Australians were simply riding to prosperity on the sheep's back, enjoying their country's natural advantages in the wool industry. [Read more....](#)

Today, the description is more likely to be used in its original sense, questioning whether or not Australia really is a lucky country for the majority of its citizens.

Until relatively recently, Australia's economy was strongly based around the manufacturing, extractive and [primary industries](#). In the past few decades, however, there has been a broadening of the [export base](#) and less reliance on these major commodities.

6.2 Free Trade versus the Protectionists

Whilst free trade is now the policy of both major political parties, this was not always the case. Australia had its own brand of protectionism right up until the 1970s. The battle between the free traders and the protectionists dominated the political scene in the early period around Federation in 1901. After protectionism was adopted, the influence of the free traders waned. Protectionism meanwhile reigned, and was aligned early on with the federal

system of conciliation and arbitration. The [Conciliation and Arbitration Act 1904](#) was enacted under the new federal industrial power—section 51 (xxxv) of the Constitution—and was designed to compulsorily arbitrate industrial disputes which extended across state borders. [Read more...](#)

Under the Deakin Government in the early 1900s, protective tariffs for the local manufacturing industry came to be linked with favourable wages and conditions for male workers - or the idea of a 'fair and reasonable' wage – and to policies of immigration restriction. The [Immigration Restriction Act 1901](#) restricted migration through the use of a Dictation Test requiring applicants to pass the literacy test in 'any prescribed language'. This Act was purposefully designed to exclude non-European migrants and to protect white labour. In this way, some of the revenue and benefits of high tariffs were redistributed from the owners of capital to white male labour in turn contributing to a healthy employment rate.

With fluctuations in the economic cycle, however, unemployment did rise and fall. During the Great Depression, [unemployment](#) reached a peak of a third of the labour force in 1932. During the Second World War, unemployment figures were an unprecedented 1.1% and stayed at under about 3% during the post-war economic boom period.

6.3 The Boom Period

From about the mid-1940s to the 1970s, Western industrialised nations experienced a sustained period of growth. [Post war migration](#) contributed to economic growth by providing new sources of labour, money and knowledge of the international business community. Major public works like the [Snowy Mountains Hydro-electricity Scheme](#) were undertaken in this period and major housing developments saw urban centres expand rapidly. The country's affluence and rising living standard in the 1960s was reflected in statistics, which revealed that around 70% of Australians owned or were buying their own homes and that Australia had the highest rate of car ownership in the world.

During this boom period, Australia continued to rely on its primary and later mining industries although its manufacturing industry had grown significantly. Tariffs continued to spiral in an ever-increasing manner until the 1970s. At that time, Australia along with New Zealand had the highest tariffs amongst industrial nations.

6.4 Declining Trading Position

This situation was not sustainable - eventually the cost of the protected manufacturing industry and industrial labour had to be paid. Australia's trading position gradually began to decline. Britain applied twice for membership of the 'Common Market' in the 1960s, finally formally joining in 1973. This adversely affected Australia's export industry. Imports from Asia and other more technologically advanced countries began to successfully compete against local manufacturing industries. Globally, there was a retreat from dependence on primary produce. As prices for commodities fell and prices for manufactured goods and services rose, Australia's terms of trade worsened. Australia's reliance on international demand for exports and high commodity prices had placed its economy in a precarious position. This coincided with a period where Australia was still attempting to sustain a protectionist model.

6.5 Economic Reform

The Whitlam Government took the first step towards freer trade policy with a tariff cut of

25% across the board in 1973, and was responsible for removing the last racial barriers to migration to Australia. Internationally, however the economic situation was deteriorating rapidly – the 1970s saw spiralling oil prices, inflation, a wages explosion, and rising unemployment.

It was only in the 1980s that a policy of reducing and eventually seeking to phase out tariffs really became part of the local political and economic orthodoxy. The [Hawke Government](#) came to power in 1983 and embarked on a program of economic reform. This included: further reduction of tariffs; deregulation of the financial system including ‘floating’ the dollar; restructuring of the manufacturing industry, and moves away from the centralised industrial relations system. Skilled migration programs continued and tourism emerged as a new major export for Australia. The need for further economic reforms was emphasised in the mid-1980s by the sharp fall in Australia’s terms of trade and the dollar, with Treasurer Paul Keating warning that Australia was in danger of becoming ‘a banana republic’ or 1st world country with a 3rd world economy. [Read more about history of trade liberalisation since 1960s.](#)

6.6 Internationalisation of Trade Policy

The late 1980s and early 1990s were characterised by a rapid expansion in the flows of international capital, further minimisation of trade barriers and a diversification of Australia’s export base. With the increasing internationalisation of trade particularly after political and economic upheavals in Eastern Europe and the Soviet Bloc, multi-lateral tariff reductions were negotiated through forums like the General Agreement on Tariffs and Trade (GATT), later the [World Trade Organisation \(WTO\)](#), and the [Organisation for Economic Cooperation and Development \(OECD\)](#). Multi-lateral and bi-lateral trade agreements facilitated a new era of economic cooperation, including reform in agricultural, textile and clothing industries, substantial reductions in tariffs and international trade rules for services and intellectual property. Developing countries joined the WTO in increasing numbers hoping to tap into the benefits of the world trading system. [Read more...](#)

The most significant international assembly for Australia in terms of trade policy and economic cooperation in the Asia Pacific region is the [Asia Pacific Economic Cooperation Forum \(APEC\)](#), which includes, along with Australia, countries like China, Indonesia, Japan, Malaysia, the United States and Russia. APEC is currently working towards the goal of free and open trade and investment in the region by 2010 for developed countries and 2020 for developing economies. Australia also actively participates in a series of forums of the [Association of South-East Asian Nations \(ASEAN\)](#) covering interrelated key regional issues such as security, development, and economics. Investment and trade between Australia and ASEAN countries has been expanding since the mid 1970s. Australia’s exports to ASEAN currently account for 16% of its total exports.

6.7 Globalisation and the Technological Revolution

For the past decade, Australia has experienced a period of economic expansion and steady growth averaging at around 3.5% per annum. The economic reforms of the 1980s and 1990s placed Australia in a relatively strong position, which was particularly evident during the Asian financial crisis of the late 1990s [Read more...](#) and the ‘dot.com’ crash in the e-commerce industry in 2000-2001.

Technological innovation in telecommunications, computing, and bio-technology has revolutionised the types of products and services which Australia now exports. The term

‘the [knowledge economy](#)’ encompasses the increasing importance and potential of new technologies in providing countries like Australia with a competitive edge in the global export market. Australia has performed relatively well in recent times compared to other developed economies in terms of investment in human capital, use of internet technology and fostering of other technological innovations. Although, levels of investment in research and development and education continue to be of concern in some sectors.

The fastest growing export sectors in the last two decades have been manufacturing and services. This is a very different export mix to the resource-based commodity focus of Australia’s economy prior to the 1980s. Indeed, resource-based exports have dropped from around 80% to 60% of Australia’s total exports. Read Reserve Bank Governor, Ian McFarlane’s survey of [Australia’s Economy: Past, Present and Future](#).

Technological change has also dramatically changed the way in which the world economy itself operates. [Globalisation](#), or the increasing interdependence of the world’s markets in commodities, services and capital, has meant that national boundaries are becoming less relevant. Methods of information sharing, communication, business systems and transactions all affect economic behaviour. Movement of capital can occur very quickly and the size and pace of direct foreign investment can expand much more rapidly. Increased flows of information and capital facilitate and promote investment and expansion.

6.8 Anti-Globalisation Protests

Not everyone is convinced of the benefits of globalisation and increasing trade liberalisation. Australia, like many other countries, experienced intense anti-globalisation protests at the World Economic Forum’s Asia-Pacific Summit in Melbourne in September 2001. Like the ‘Battle for Seattle’ at the WTO forum in 1999, the [‘S11’ protestors](#) in Melbourne and Sydney included environmentalists and human rights activists, community, religious and indigenous groups, as well as representatives of the labour movement. Many protestors are concerned about the growth of multi-national corporations, their lack of accountability, the influence of foreign capital on domestic policy and the effect this has on local jobs and the environment. See for example, [Green Left Weekly Global Action S11](#) website. Similarly, the adverse effect of free trade policies on workers in particular industries and countries is seen as exploitative of the world’s poor. See for example, OxFam’s [‘Make Trade Fair’...](#)

6.9 Poverty

The major cause of poverty in Australia is unemployment and the challenge for the future is to achieve more equity in income and job distribution, and to avoid creating an increasingly differentiated labour market. While joblessness is a major concern, the level of personal debt incurred by Australians is also at an all time high. The level of [household debt](#) has reached record levels with many families taking advantage of low interest rates, and at the same time savings rates are the lowest they have ever been. This raises a question about the sustainability of current rates of economic expansion.

The [level of socio-economic disadvantage](#) in regional and rural areas is a challenge that governments face in the coming decades. Local industries, often unable to compete with international competitors, close down leading to job losses and reduced career opportunities outside of major urban centres. The capacity of many to adapt to ‘new economy’ is often limited by access to education and training. Major urban areas also have sections of the community that suffer lower employment and income rates. Some economists suggest

tackling these issues through microeconomic reform of the tax system – allowing tax credits to low income earners rather than living wage adjustments which result in the loss of social security benefits and increased tax payable on income. [Read more about poverty in Australia...](#)

6.10 Challenges for Future

The key in the new millennium will most likely be the role that government plays in investing in Australia's human capital, including education and training, and research and development expenditure. Australia's strong future economic outlook has the best chance of being retained through further enhancing the skills and knowledge of Australians and in promoting international economic cooperation.

6.11 Further Reading

Government Organisations

The Commonwealth Treasury
<http://www.treasury.gov.au/>

Reserve Bank of Australia
<http://www.rba.gov.au/>

Department of Foreign Affairs and Trade
<http://www.dfat.gov.au/trade/index.html>
<http://www.dfat.gov.au/facts/innovative/index.html>
<http://www.dfat.gov.au/eau/index.html>

Small Business homepage – Department of Industry, Tourism and Resources
<http://www.industry.gov.au/content/root.cfm?objectid=C08B07BE-CED3-4822-843758F91AB4BF66>

National Office for the Information Economy
<http://www.onlineaustralia.net.au/>

Australian Stock Exchange
<http://www.asx.com.au/asx/homepage/index.jsp>

International Organisations

Organisation for Economic Cooperation and Development
www.oecd.org

World Trade Organisation
www.wto.org

Asia-Pacific Economic Cooperation
<http://www.apecsec.org.sg/>

International Monetary Fund
<http://www.imf.org/>

The World Bank
<http://www.worldbank.org/>

Industry and welfare peak bodies

Australian Council of Social Service
<http://www.acoss.org.au/>

Australian Chamber of Commerce and Industry
<http://www.acci.asn.au/>

Business Council of Australia
<http://www.bca.com.au/>

Resources for study of economics in Australia

Economic Indicators on the Internet
<http://www.aph.gov.au/library/intguide/STATS/ecindicators.htm>

<http://www.aph.gov.au/library/intguide/econ/economy.htm>

Money, Markets and the Economy
<http://www.abc.net.au/money/default.htm>

E-Biz
<http://www.abc.net.au/ebiz/>

The Poor in Australia
<http://www.aph.gov.au/library/intguide/SP/poverty.htm>

Regional Australia – Survey of Reports on Economic Policy Issues
<http://www.aph.gov.au/library/intguide/rural/regionalebrief.htm>

Homelessness in Australia
<http://www.aph.gov.au/library/intguide/sp/homeless.htm>

ABS – Economy and Business
<http://www.abs.gov.au/websitedbs/c311215.nsf/20564c23f3183fdaca25672100813ef1/4a7a0c9295a5ab31ca256a69001d1309!OpenDocument>

ABS – Australia Now
<http://www.abs.gov.au/Ausstats/abs%40.nsf/2.6.2!OpenView&Start=1&Count=100&Expand=2#2>

Parliamentary Library – Internet Guide on Economy
<http://www.aph.gov.au/library/intguide/econ/index.htm>

ABC Online – The Public Record on Economics
<http://www.abc.net.au/public/indexes/economic-meta-index.htm>

Small to Medium Business in Australia
<http://www.abc.net.au/rn/learning/lifelong/features/smallbiz/default.htm>

Economic Issues

The Australian – Business

www.theaustralian.news.com.au/business

Latest News – ABC – Business

www.abc.net.au/news/business/default.htm

Radio National – Barton Lecture – Class in Year 2001

<http://www.abc.net.au/rn/sunspec/stories/s261974.htm>

ABC Radio National Big Ideas – Class

<http://www.abc.net.au/rn/bigidea/stories/s599782.htm>

Ian McFarlane, Governor of Reserve Bank of Australia address on The Australian Economy: Past, Present and Future

http://www.rba.gov.au/Speeches/sp_gov_040402.html

The Evatt Foundation

<http://evatt.labor.net.au/>

Evatt Foundation Paper by Assoc Prof Steve Keen – How to argue with an Economist

<http://evatt.labor.net.au/news/151.html>

Globalisation

Globalisation?

<http://www.australianpolitics.com/issues/globalisation/>

ABC Radio National – The Media Report - Globalisation Debate

<http://www.abc.net.au/rn/talks/8.30/mediarpt/stories/s678261.htm>

The Politics of Globalisation

<http://www.abc.net.au/global/>

Treasurer Peter Costello – Challenges and Benefits of Globalisation

<http://www.treasurer.gov.au/tsr/content/speeches/2001/003.asp>

Commanding Heights – The Battle for the World Economy

<http://www.pbs.org/wgbh/commandingheights/lo/index.html>