

WHITHER AUSTRALIA or WITHER AUSTRALIA?

If not addressed and solved the most critical economic, social and political problems facing Australia will have severe consequences not only in the short term but also for the long term future of the nation. There is an inter- relationship between the problems, the most important of which are:

- * the erosion of the family
- * unemployment
- * rising current account deficit and foreign debt
- * globalization and its many fellow travellers
- * ageing population and the self sustainability of the nation.

Each of these problems has a number of dimensions which in turn raise other issues such as taxation, national savings, superannuation, industry policy etc.

This paper details a set of policy initiatives which address the problems and offer viable solutions.

THE FAMILY

In the view of Nobel Prize winning economist Professor Gary Becker “The family merits the great attention it receives from both scholars and lay persons, for despite major changes over time and enormous variations across social and economic environments, it remains the most influential of all institutions” emphasis added. (i)

The natural family, based on marriage, has throughout history played an essential role in the formation and maintenance of healthy economies, with every person representing the creative potential which is the real wealth of nations. “By having, raising and educating children, the family is both the producer of human capital and its first investor. Above all the family transmits values and virtues, thus creating human capital in the true sense - men and women who are willing to give of themselves, to make commitments, to trust others and cooperate with them. Without this ethical social basis, a strong economy cannot develop or be sustained”. (ii)

The critical relevance of this statement has perhaps never been more evident than in Australia today where divorce and family breakdown are ever rising and, the research evidence leads to the inescapable conclusion that the cost to the community of family breakdown and single and sole parenthood is enormous, not only in taxpayers’ dollars but also in increased juvenile delinquency and adult criminality, homelessness, poverty, drug abuse, welfare dependency and the sexual precociousness and under-achievement educationally and socially of some of the affected children. (iii)

The family is the cornerstone of our society and government policies should be directed towards promoting, supporting, maintaining and protecting the intact family.

The family is composed essentially of a father, mother and children in a wider but necessary relationship of grandparents, grandchildren, aunts, uncles - a kinship of human beings linked by blood, marriage and adoption, structured to bear and rear children, to care for the young, the sick and the old and other human needs.

To restore the family to its proper place as the most influential institution in our society the following policies should be adopted:

- * the education system must turn away from a “value free” approach and must support and encourage the efforts of parents to inculcate in their children ethical and moral values based on common and statute law.
- * steps must be taken to build a legal framework which supports marriage as an institution and a way of life distinguishable from male-female cohabitation and other forms of domestic relationship;

This involves the recognition of marriage as a special contractual relationship characterised by the voluntary exchange of vows.

To support this concept of marriage whilst at the same time allowing divorce, by consensus or on the petition of one partner, amendments will be needed to the Family Law Act to provide sanctions for breach of the contract by punishing marital misconduct, if proven, through judicial determination of compensation in settling the terms of the divorce.

The adoption of these clear principles in relation to the concept of marriage, divorce and marital misconduct will work towards strengthening the institution of marriage and remedying the injustices and uncertainty arising from the Family Law Act 1975 and the undue exercise of judicial discretion. (iv)

- * the institution of marriage should be further strengthened by providing funds for pre-marriage education as a social norm;
- * a Family Impact Statement (FIS) should accompany all Cabinet proposals which in any way impact on the family;
- * give families true freedom of choice and a fairer taxation system by providing a Home Child Care Allowance (HCCA) of \$150 per week to the spouse who remains out of the workforce in single income families to provide fulltime home care for the couple’s dependent children;

Research shows that this measure would significantly reduce unemployment as many mothers are in the workforce through economic necessity and would prefer to be at home particularly when their children are young. (v) The HCCA should be implemented as part of a just family taxation system not as a welfare handout.

- * all child care funding should be abolished except
 - (a) for sole parents with school-aged children, where an income test, including income from other parent if still living, demonstrates a need and

- (b) for parents of children with special needs on a means tested basis.

The funds saved should be redirected to a HCCA;

- * single parenthood should be positively discouraged rather than encouraged as currently it is by the welfare system;
- * the United Nations Convention on the Rights of the Child (UNCRC) should be denounced and replaced by a Charter of Family Rights and Responsibilities.

UNEMPLOYMENT

Australia's unsustainable current account deficit and growing foreign debt \$222 billion net at December 1997 are fundamental obstacles to sustained employment growth. Unless these problems are solved cutting government expenditure, implementing labour market reforms and other micro-economic reforms, low inflation and low interest rates will not lead to a marked or permanent growth in economic activity and thus a sustainable reduction in the level of unemployment.

Economic growth in excess of 4% per annum is necessary to generate enough new jobs to achieve any reduction in unemployment. Sustained growth in excess of 4% per annum will pull in increased imports resulting in further worsening the current account deficit which at some point will place Australia at the mercy of the Global financial markets.

Two policy changes are required to start to address the twin problems of rising current account deficit and foreign debt. These are correcting the structural imbalance in the economy and investing superannuation in the national interest.

CORRECTING THE STRUCTURAL IMBALANCE

Put simply, in Australia, we do not produce enough of what we consume. During the past thirty years successive Australian Governments have allowed or aided and abetted the systematic dismantling of our manufacturing industries. The time has come to rebuild the manufacturing sector, industry by industry, so that exports will increase and imports decrease.

The Federal Government announced an industry policy in November 1997. The success of this should be closely monitored and enhanced if necessary to achieve structural balance.

INVESTMENT OF SUPERANNUATION IN THE NATIONAL INTEREST

More than \$40 billion of Australian superannuation funds are invested offshore generating employment in other countries rather than in Australia. Steps must be taken to have all superannuation funds invested in Australia.

The compulsory component of superannuation should be restructured into a Singapore style provident fund which might be styled as a "National Retirement Savings and Investment Fund".

The Fund should be invested in secure low cost loans to export and import competing manufacturing businesses with a discretionary option for the Fund to take up equity on favourable terms.

The Fund must be free from government interference and investment in government projects, housing and other social objectives should be excluded.

The return on the Fund must always be higher than inflation, fee free and tax exempt to the retirees.

The long-term aim of superannuation policy must be to achieve self funding of retirement by as many workers as possible.

TAXATION REFORM

Reform of Australia's hugely complex taxation system is essential for the long term benefit of the nation. The guiding principles should be simplicity, fairness for individuals and encouragement for business investment and employment growth.

It is considered that the existing wholesale tax system could be restructured rather than be replaced by a GST. However, if the wider reaching GST is preferred then it should be a three tiered tax - a low or negligible tax on necessities, a general rate on ordinary everyday items and a higher rate on luxury items. The rates should be fixed by legislation and not subsequently increased without a clear mandate from the people at a general election.

Simple discretionary family trusts should not be disturbed but all 'artificial' structures and transactions should be outlawed.

Companies whether Australian or transnational and other foreign investors must be made to pay fair tax.

Domestic savings should be encouraged by allowing tax free savings accounts.

GLOBALIZATION AND ITS FELLOW TRAVELLERS

Whilst globalization can be described as the process of companies using modern transportation and communications to shift their capital and technology around the world to exploit the cheapest labour costs to maximise their profits and minimise their taxes, the concept is given a broader meaning in this paper.

Globalization is linked to financial deregulation, free markets, privatisation and structural reform. These concepts either serve the powerful players in the global village or are forced on nations trying to remain competitive in the global village.

The most serious threat is that which derives from financial deregulation, namely "The Markets". The huge financial power of the vast transnational corporations when allied to the banks and other players in the bond markets, equity markets and currency markets is frightening.

The ability of these participants to drive vast sums of money around the world in a matter of seconds seeking the highest returns is usurping the ability of sovereign nations to tackle their own economic and social problems.

It is a chilling thought that before the markets lost faith in Indonesia, the economic fundamentals of the

Indonesian economy were more favourable than those of Australia. The London Economist magazine regards Australia as a high risk country.

Clearly it is time to question the free reign of the markets; time for Australia to stand firm against further freeing up of the markets; time to call a halt to lowering tariffs; time for Australia to canvass the G8 nations and other international forums to impose regulations and controls on the movement of money in and out of countries.

It is certainly NOT the time to sign the Multilateral Agreement on Investment being negotiated by OECD countries.

AGEING POPULATION AND THE SELF SUSTAINABILITY OF THE NATION

Credible evidence is building to suggest a coming world population implosion. (vi) A reasonable prognosis, based on this evidence, is that by year 2040 world population will attain zero growth and will thereafter decline.

What are the implications for Australia?

In 1996 Australia's fertility rate stood at an historical low of 1.8 births per woman which is significantly below the long term population replacement level of around 2.1 births per woman. (vii) Assuming that current levels of immigration, fertility and mortality continue, Australia's population will go into decline even earlier than the world at large. (viii)

Population decline like the ageing of population places an increasingly heavy burden on fewer and fewer workers to pay taxes to support more and more older people. This phenomenon is referred to as the 'dependency ratio'. The dependency ratio rises when the number of working-age people as a proportion of the population falls.

In Australia in 1993, the dependency ratio was 50.1; ie every 100 working people supported 50.1 people younger than 15 or older than 64. If present trends continue this ratio will rise to between 63.6 and 67.4 by the year 2041. (ix) The problem will be exacerbated because economic opportunity will contract due to the fall in demand for goods and services from a declining population.

As the problems in providing more and more sophisticated health care to more and more older citizens from fewer and fewer taxpayers compound, greater pressure will mount for the introduction of euthanasia, physician assisted suicide and for setting age limits for a variety of quality of life medical treatments.

The implications for the value of life both born and unborn, young and old in our society are quite unthinkable. So what is to be done?

Can Australia recreate the past? Would it be possible to replicate the prosperity of the 1950s and 60s with the great influx of migrants and the massive public infrastructure projects and mining and agricultural developments? Perhaps it is possible!

IS THERE A VISIONARY LEADER ON THE NATIONAL STAGE!

National visionary leadership is required if Australia is to be a growing ever more prosperous nation with fair taxes and opportunity for all.

Australia is a huge empty island facing depopulation in the first half of the next century; an island with vast mineral and agricultural resources. Australia has the potential to become the 'clean and green' supplier of food- stuffs, both raw and processed, to the Asia/Pacific region. As living standards improve in the Asia/Pacific region and more and more agricultural land is taken out of production for housing and commercial needs demand for foodstuffs will grow dramatically.

There is a unique opportunity for Australia to train and retrain its unemployed and for example to draw migrants from the pool of 30 million unemployed in Europe, educated, many English speakers, young people who could contribute to the development of Australia and to future population growth. Employment opportunities could be generated from investment in major infrastructure projects such as identified by Professor Lance Endersbee. (Appendix 1) Briefly these are:

The Asian Express Rail Project
The Clarence and Macleay Rivers Project
The Northern Rivers Project

These are just three projects; there are others all of which are vital to the national interest and to our future prosperity. In addition much existing infrastructure could be renewed and updated.

Professor Endersbee identifies a number of policy issues which would need to be addressed; others include:

- * resolution of native title issues;
- * elimination of duplication/triplication of government expenditure by handing back powers to the States and reducing the federal bureaucracy;
- * rebuild the Federation and Federal/State funding arrangements;
- * financial accountability of governments needs to be continually strengthened;
- * the integrity of Australia's quarantine service must be scrupulously maintained;
- * ATSI budgets and administration to be refocussed to achieve health, education and housing norms and eliminate well meaning positive discrimination;
- * welfare provisions to be revised and delivered so as to encourage employment rather than unemployment;
- * abortion laws to be enforced and those which allow 'abortion on demand' to be revised;
- * worthwhile incentives should be provided to married couples upon the birth of their third and subsequent children;

- * immigration procedures to be enhanced to ensure migrants learn and speak English and take up Australian citizenship after a qualifying period and criminal behaviour leads to deportation.

The question remains Whither goest Australia? Will a Government emerge with the leadership, courage and compassion to guarantee future prosperity for all Australians or will Australia wither away?

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