

Australian ECONOMIC STATISTICS

Trends, Objectives and Policies

ISBN 978-1-921128-28-8

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Australian ECONOMIC STATISTICS

Trends, Objectives and Policies

Robert Prince

The Australian Economy

*A Student's Guide to Current
Economic Conditions*

**Richard Denniss Peter Martin
David Richardson
Jacob Saulwick
Clancy Yeates**

**Includes the
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The Australian Economy

A Student's Guide to Current Economic Conditions

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Chapter 1 • THE COMING BOOM AND HOW TO HANDLE IT • Peter Martin • Economic stimulus at home, economic stimulus abroad and good luck saw Australia avoid recession during the global crisis of 2008-09 just as it did during the global crisis of 2000-01 and set us up for our 20th consecutive year of economic growth, with no end in sight. But booms bring problems as do busts. The Reserve Bank says almost all of our economic growth will be in the mining-rich states of Western Australia, Queensland and to a lesser extent NSW. The rest of Australia stands to suffer as resources move west and north and will be unusually exposed to decisions made in China. The challenge will be how to handle an economy divided and how to insulate ourselves from sharp swings in our fortunes dictated by our overseas customers.

Chapter 2 • CHINA TO THE RESCUE • Clancy Yeates • Australia is no longer guaranteed to catch a cold when the rest of the world sneezes. But how tied are we to the fortunes of China, our new biggest customer? The domestic economy emerged from the global recession in far better shape than most people expected, and much of the credit must go to the surging trade with Asia. Economists say we are now on the cusp of another resources boom, driven by industrialisation in the world's most populous country. What effects might the boom have on our terms of trade, exchange rate, trade balance and current account deficit?

Chapter 3 • THE CHANGING TASK FACING THE RESERVE BANK • Jacob Saulwick • After slashing interest rates to 50-year lows the Reserve Bank is swiftly returning them to normal as the economy rebounds. But how will it define normal? Will it only take into account its inflation target and employment as it says it has in the past or will it extend its role to also attempting to "lean to against the wind" to head off asset and borrowing bubbles as central banks worldwide are resolving to do do?

Chapter 4 • THE RENEWED IMPORTANCE OF PRODUCTIVITY • Richard Denniss and David Richardson • An already fairly fully employed workforce and the aging of our population mean that it'll be more important than ever to squeeze the most out of the workers and infrastructure we have. Why has productivity growth collapsed in recent years and what can be done to revive it? What effect will the new industrial relations system have, and what would be the effect of some of the really bold options for boosting productivity, such as allowing the ATO to use tax file numbers to provide basic banking services? What effect would mooted Henry Tax reforms have on productivity, among them charging for road use, and altering tax incentives to encourage married women to reenter the workforce?

Chapter 5 • THE TWIN CHALLENGES ADDRESSED BY THE 2010 BUDGET • Peter Martin • The Budget is designed to both pay down debt and support those areas of the economy which will get left behind in the coming mining boom. It will be a harder task than stimulating the economy was and will require discipline, in an election year. And it will require the government to chance its arm with forecasting. Where does it think the economy is headed?

The Authors

PETER MARTIN is the Canberra-based economics correspondent for *The Age* and the *Sydney Morning Herald*. A former Treasury economist with an honours degree in economics he has worked as the ABC's economics correspondent and as its Tokyo correspondent. In 1996 he was journalist-in-residence at the Economics Faculty of the University of Melbourne.

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DAVID RICHARDSON has taught economics at the University of New England and the University of Western Australia. In Canberra has worked in the economics section of the Parliamentary Library briefing politicians and worked for Ministers Brian Howe and Senator Nick Bolkus. He is a research fellow at the Australia Institute.

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