

Solutions to perfect storm remain off the radar

[Economics & Deregulation](#) | [Alan Moran](#)



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A perfect storm has brought the disastrous economic tidings confronting the Australian economy.

The US was the incubator of the present world recession, not only because it is the world's biggest economy.

America's reckless, government-induced credit growth stored up inflation.

All the extra money created went into housing where, as in Australia, many states had land policies that drove up house prices.

On top of this, US government policies required banks to lend to people who had no ability to repay.

The debacle was completed by the credit rating agencies corruptly sanctioning banks' excessive risk taking.

What about Australia? Our banks claim to be more soundly based than others, though this will only be fully tested as house prices continue to fall. We also started off with strong government budgetary positions but these have been swiftly destroyed by Kevin Rudd's spending orgy.

Moreover, we face a massive fall in the value of our exports and have yet to address our long-standing deficit in domestic savings.

Officially, Canberra remains in denial about the depth of the recession.

The Federal Government is projecting a modest downturn and unemployment rising to 7 per cent.

Few in Australia now consider we will get off that lightly.

Even Julia Gillard is promoting a vast training program expansion to offset a generation of missing skills that will accompany the coming job losses. Unfortunately, she cannot be persuaded to abandon her class war-era industrial relations policies.

Prompted by a wish to reward the ALP footsoldiers in the archaic union structures, these will return Australia to an employment sapping, bureaucratic wage determination system.

The Federal Government also seems determined to foist additional costs on businesses with its carbon trading scheme.

This was never a policy that could make any sense in the absence of similar action by other nations.

But recession means Australia's emission trading regime will place an additional burden on some of our most competitive businesses.

Electricity suppliers have demonstrated that the carbon trading tax scheme will leave Victoria with only 10 per cent of its existing electricity supply by 2015.

Similarly, Alcoa has said a carbon tax or trading scheme will force it to scrap the jewels in Victoria's manufacturing crown, the Geelong and Portland smelters.

New investment and improved productivity are essential if Australia is to pull itself out of the present recession. Yet Canberra only has additional impositions in mind.

In addition to new workplace regulations and the carbon tax, we have Stephen Conroy's regulatory restraint of Telstra's investment and revamped environment protection measures since Peter Garrett became the minister.

Policies need to focus on removing waste in the bloated bureaucracy -- a measure that only the new West Australian Government has currently embarked upon. Public servants' excessive remuneration levels also need to be addressed.

Above all, federally and at the state levels, we need to reduce taxation and regulatory costs on industry. And we must encourage greater savings by eliminating taxes on interest payments.

Unfortunately, few of these approaches are presently on governments' radars; hence all we can expect is an intensification of the economic misery.

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