OPINION & ANALYSIS

**Even the lucky country faces ‘age of austerity’**

By Phillip O'Neill

ANOTHER year, but also a new decade that will take us well into the 21st century. How are we placed? Well placed, is my guess. Once again we find ourselves in a lucky region in a lucky country.

Our economy continues to grow and generate jobs and incomes. Our living standards rise each year. We are not at war, our streets are safe.

Our democracy is stable despite a minority federal government and an incompetent state one. Our political patience reflects the comfort that most of us enjoy in daily life.

This comfort also helps us be good to our neighbours, whatever their colour or belief.

Our position in the world also generates optimism. We are surrounded by emerging economies, especially China, that want to buy our raw resources, coal, and our services, even our companies and our property. If economic growth and security seem assured.

Yet 2011 heralds a decade that is already labelled elsewhere in the developed world as “the age of austerity.”

In Europe, where I am working, people seem resigned to many years of recovery from the global financial crisis that started in 2008 and produced the most devastating living economic crash since the Great Depression.

The problem for many European countries is that the global financial crisis is that they had to borrow heavily to rescue floundering banks and pump money into stalled economies. This borrowing resulted in massive government debts that must be repaid.

Last week, five European countries, including by losing up sales tax. Britain, for instance, raised its goods and services tax rate from 17.5 per cent to 20 per cent. In Britain, France, Spain, Italy, Greece and Ireland governments are taking in a package of nasties that includes cuts to welfare spending and community services, increases in the retirement age, increased university fees and cuts to health.

Nobody anticipates a reversal of these measures for some time, hence the “age of austerity” tag.

In Australia, we also enter a decade of discomfort. The misery of the subprime mortgage crisis continues to swamp working-class communities like a slow-moving Queensland flood. Demand growers predict that the decline of the once great mid-west industrial cities is irreversible.

The task for planners in cities such as Detroit, Cleveland and Pittsburgh is to reduce these cities in size in an orderly way rather than allow vast neighbourhoods to turn into ghost suburbs and no-go zones. In California, once the El Dorado state, the land of milk and honey, unemployment now sits ostentatiously at 12 per cent.

The Rudd Labor government acted promptly in September 2008 with aggressive spending to soften the impacts of the global financial crisis. We were aided also by prudent financial regulations that had not been extended to the housing market, indulging too much in the lending binge that brought many overseas banks undone.

The Australian rescue package came at a price. The decade of prosperity beginning in mid-1990s gave John Howard’s Coalition government seven out of eight federal budget surpluses. These enabled treasurer Peter Costello to pay off the entire federal government debt, from $96 billion in 1996 to zero by 2007.

Since the crisis, however, large federal deficits have returned and they will remain for a few years yet. The deficit was $32 billion in 2008-09 and $13 billion in 2009-10, and is estimated at $50 billion in 2010-11, $45 billion in 2011-12 and $30 billion in 2012-13.

So while we don’t hear the “austerity” word from our politicians, we should remember that the stimulus package that saved our bacon was a costly one and needs repaying. And for a few years this will mean a brake on the willingness of politicians to fund the things we all need for our government to maintain a class education and health services and efficient infrastructure to ensure a competitive economy and sustainable, quality living in our cities and regions.

This, then, is the challenge for the new decade: to devise clever ways to shore up our unique, enviable lifestyle, and ensure our strong economy is maintained and strengthened.

Here in Europe the consequences of failing economies and debt laden governments are starting to show in the usual ways. Political debate turns nasty. Public demonstrations become violent. New migrants are vilified. Unemployed youth are blamed for their idleness.

Generosity and pleasantness are displaced by meanness and privacy. We should watch closely how the decade of austerity rolls out in other parts of the world. We should be thankful Australia has other options. But we need to be clever in what we choose.

Professor Phillip O’Neill is director of the Urban Research Centre, University of Western Sydney.

**People really do have a chance to get it right**

Some promises can be made just once, writes Sharlene Guest.

In this month when gym memberships are energetically purchased, weight loss programs are ravenously adhered to and quit smoking endeavours are optimistically begun, many of us begin yet another new year with a desire for self-improvement, trying to enrich our lives and committing to make positive changes.

As one unknown author described it, the start of a brand new, bustling with possibilities, yet as yet unplanned calendar year you can feel as if “life is an exciting book and each new year starts a new chapter”.

While new year’s resolutions often fail, they can be a chance to take steps towards good intentions and can make a positive impact on our lives.

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