



Australia's Bright Future

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An important contribution to the debate about Australia's future prosperity, *The Australian Century*—a new book by former Institute of Public Affairs Research Fellow Asher Judah—sets out a roadmap that will ensure we remain a key economic and political actor over the twenty-first century.

It is easy for modern Australians to forget just how perilous it was for early Europeans undertaking the journey to establish the first Australian colonies so far from the civilised world. As easily forgotten are the precarious conditions early settlers endured in a foreign and largely inhospitable environment. Over time, the establishment of viable crops in the wetter regions around the South Eastern coast and later the foundation of livestock and wool industries were pivotal to creating a sustainable base for the economies to become self-sufficient and grow.

However, it was the discovery of coal in New South Wales and, more importantly, gold in Victoria that would revolutionise the settlements. As a result Australia was able to attract migrants that would help create a thriving private sector and push GDP per capita to levels 40 per cent higher



than that of the United States between 1870 and 1890.

Today, Australia stands on the cusp of an economic opportunity that has the capacity to once again revolutionise its economy and drive Australia into global prominence. This is largely thanks to the predicted rise of 3.1 billion people into the global middle class over the next two decades.

This is the underlying thesis of Judah's refreshingly optimistic take on the huge opportunity that stands in front of Australia over the remainder of the twenty-first century.

Rather than seeing Australia as a support actor in a century dominated by rising prosperity in Asia, Judah prefers to place Australia in the lead role—something he believes few politicians have done in recent years.

While Australia will not be the only nation to take advantage of this incredible growth in global prosperity, Judah believes it is best placed to do so. Australia's advantageous position is affirmed as Judah methodically articulates the huge challenges emerging nations will face as they seek to modernise.

China and India best exemplify these challenges. Over the next 40 years both countries will require an estimated \$10 trillion worth of infrastructure to reach parity with the developed world. China alone will need to build three cities the size of Sydney every year through to 2030 to support its drive to urbanisation. India's current cities, already at bursting point, will need to accommodate another 500 million people in a similar time frame.

Judah is pessimistic about the long-term prosperity of nations once held to be core players, such as France, Germany, Italy and Japan, all of which face structural and demographic problems which will put a hand-break on their future progress. Similarly, due to their geographic locations, all will confront the possibility of destabilising population movements as a result of regional conflicts and the real possibilities of territorial disputes.

Three nations in particular remain best placed— through their geographic location and size, their demographics and their wealth of natural resources—to take advantage of the huge opportunities that exist: Australia, Canada, and the United States.

This is a rare opportunity for Australia. High demand for raw materials, energy and agricultural products is predicted to grow with demand cycles reaching well into this century. Australia, as a major supplier of these commodities, will consequently retain positive terms of trade and long-term strategic importance.

The services sector is also expected to benefit as Australia's expertise in education, wealth management, medicine and technology becomes increasingly important. Just as the commodity boom has fuelled recent growth in Australia's economy, our services sector is predicted to drive the economy to even greater heights.

All of these factors are predicted to increase the value of Australia's exports, stimulate further foreign investment, encourage high employment and attract the best and brightest migrants from

around the world as other nations struggle to overcome challenges Australia finds itself immune to. Thus a virtuous circle will emerge in which Australia will continue to rise in prominence as the century unfolds.

Of course, this does not mean that future growth is a *fait accompli*. Australia is not without its challenges.

Australia's future prosperity is reliant on the success and management of what Judah terms 'population islands', of which he identifies five. Located around the cities of Sydney, Melbourne, Brisbane, Perth, and Adelaide, they make up 60 per cent of the nation's population and 63 per cent of its GDP.

Planning and encouraging the development and success of these disparate yet individually vital islands will be as pivotal to Australia's future success as the mines, gas wells, and farms whose products will be in such high demand.

This will require some difficult decisions, but a more sustained move toward privatisation of government assets, the introduction of user pays infrastructure, and asset transfers to the private sector must underpin any future development.

As Judah rightly notes in his book, our ongoing success is not a sure thing. Although our natural endowments will ensure Australia is blessed with the best opportunity to succeed, any progress and development will be driven by enterprising individuals and businesses taking advantage of the opportunities that exist.

Recent history shows that Australia's economy is in the process of sustained transition, as our manufacturing sector increasingly slows and our mining investment plateaus. Although many of the factors that Judah discusses are of vital importance to our future prosperity, the only way to ensure that prosperity ensues is by making Australia a competitive place to invest and do business. Reforming Australia's taxation and regulatory regimes will therefore also be of vital importance.

Judah's book makes for fascinating reading, with conclusions built upon an extensive body of research. *The Australian Century* makes for an informative and optimistic view of Australia's potential in the future.