



Things are getting better all the time

A snapshot of Australian living standards in the long run

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EXECUTIVE SUMMARY

- Australians have come a long way over these past two centuries, as evidenced by the numerous improvements in our health, education, and material living standards.
- As diseases are increasingly being conquered thanks to medical technologies, nutritional improvements and cleaner living environments, we are surmounting the perilous hurdle of infant mortality to live, on average, to an older age with each passing generation.
- Successive generations of Australians are even growing taller, thanks to our generally improving health status.
- This country has also enjoyed remarkable economic progress in the long run, with average Australians today benefiting from the fruits of rising national incomes, wages and household wealth which are unprecedented in a historical context.
- There are more people employed by the private sector now than in any other period in Australian history, and more women than ever are making an active contribution to the workforce.
- Our land is yielding even more food to feed ourselves and a hungry world, and our capacity to deliver mineral resources for domestic and global advanced production has never been as great as today.
- The vast improvement in Australian material living standards are arguably no better evidenced than by the historically high extent of motor vehicle usage, and the electrical appliances and electronic devices which fill up our larger homes.
- The present generation of Australians are the most educated in history, with more people enrolling in universities and other higher education institutions than ever before.
- Life has been getting better for most Australians, and it could be even better today if it were not for intrusive government regulations and wasteful spending which makes housing less affordable and contributes to cost of living pressures.
- Reducing the size and scope of government will be instrumental to securing rising living standards in the future, as this will harness opportunities for enterprising Australians to discover new ways of improving the economic and social circumstances of others.

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INTRODUCTION

Australia has come a long way over the past two centuries, but the great question of our time is will the progress of the past continue into the future?

It is perhaps all too easy for modern Australians to forget that the first European settlers, whose transportation to Australia was once described as 'at least as risky as modern efforts to send a man to the moon,'¹ initially struggled through a most precarious existence within a harsh, inhospitable environment.

The fledgling colony was established as a prison outpost of the British Empire and, lacking in agricultural self-sufficiency, was forced to send for emergency food supplies as initial livestock and poultry perished, and soils initially proved uncooperative for growing crops.² Even by 1820, historical estimates of Australia's per capita income showed it was still close to subsistence levels, and on par with incomes prevailing in Asia and Africa at the time.³

But a variety of complex factors helped Australians pull themselves out of the economic mire.

It was discovered, in time, that climactic and topographical conditions on this continent were most conducive to the growing of the best quality wool and livestock on the planet, as well as extensive crop yields especially in the wetter precincts hugging the Australian eastern seaboard.

Not long after the formation of the agricultural sector substantial coal deposits were discovered in New South Wales and, later, gold in Victoria, which all helped expand and diversify the private sector. This allowed ordinary people to acquire their own incomes and ensured that government stepped aside from the near-total economic control that exemplified the convict era.

An underappreciated contributor to the beneficent wave of economic prosperity, which led to our remarkable transition from subsistence income to the richest country on earth by the late nineteenth century, were our inherited British economic, legal, political, and social institutions which spurred individual creativity and ingenuity, and allowed enterprising Australians to attain ample reward for effort.

With the market economy representing a part of the broader fabric of civil society, it should come as no surprise that social conditions substantially improved, even for the poorest Australians, as rising incomes were deployed in efforts to ensure improved health outcomes and a better education.

¹ Phrase attributed to iconic Australian economic historian, Noel Butlin. H. M. Boot, 1998, 'Government and the Colonial Economies', *Australian Economic History Review* 38 (1): 74-101, p. 74.

² Geoffrey Blainey, [1966] 2001, *The Tyranny of Distance: How Distance Shaped Australia's History*, Macmillan, Sydney.

³ Jakob B. Madsen, 'The Australian Productivity Miracle, 1800-2010: The Role of Innovations, Human Capital and Natural Resources', Monash University, Department of Economics, Working Paper.

It should come as no surprise, either, that as more Australians shared in the act of acquiring market incomes and building savings nest eggs, and as more Australians shared in vanquishing lower life expectancies, high mortality rates and communicable diseases, and as more Australians shared in the experience of becoming more literate and numerate, the likes of which the world had never previously seen, they would come to demand their share of political representation as substantive equals.

This is why Australia was among those countries which led the charge for more representative government, with South Australia introducing manhood suffrage in 1856 followed by the right of women to vote during the final decade of the nineteenth century.⁴

It is no understatement to submit that the story of Australia is one in which its residents have become healthier, smarter, wealthier, more open, and more connected with each other, with all of these outcomes tending to feed into each other in a virtuous circle of improvement.

A century later, evidence of continuous improvement in the economic and social circumstances enjoyed by many Australians still remains evident, but there is always some element of concern within the community, not entirely unjustified, that a better life into the future cannot be an outcome taken for granted.

Whilst there has certainly been a strain of complacency that improvements in our lives will simply arrive, as if manna from heaven, there are several emergent forces at work within modern Australian society that appears to be becoming more resistant to the necessary changes needed for new vistas of progress to be made accessible.

Some degree of government involvement in our affairs is deemed necessary to ensure the equal rights of all are equally respected, especially through the protection of life, limb and property of individuals, but when 'Australian democracy has come to look upon the state as a vast public utility'⁵ the scene is set for excessive degrees of government intervention intruding on our equal freedoms and stifling our capacities to discover our own paths for improvement.

Our public commentaries abound with instances of excessive regulation impeding Australians from cooperating with each other, economically and socially, in ways that do not render harm to others, of uncompetitive taxation which hampers our ability to truck, trade and barter with people domestically and internationally, and of wasteful spending which encourages unproductive behaviours, such as 'rent seeking,' and makes Australians more reliant upon government itself.

All of these manifestations of over-government make us less wealthy than we should be, and our social lives less dynamic and fulfilling than what it promises to be.

⁴ The right to vote in general elections, unfortunately, was not extended to indigenous Australians at the federal level until the 1960s, although South Australia granted suffrage to indigenous women as early as 1894. <http://australia.gov.au/about-australia/australian-story/austn-suffragettes>.

⁵ W. K. Hancock, [1930] 1961, *Australia*, Jacaranda Press, Brisbane, p. 55.

Government is, ultimately, a conservative set of institutions because, once the walls of intervention are erected, it seems extremely difficult to pull the walls back down.

Once the veneer of their rhetorical argumentation is stripped back, it is not difficult to identify all those vested interests earning artificial incomes and rents from public sector activities. Academics, major banks, manufacturers, renewable energy companies, welfare recipients, and even taxi drivers, conservatively defend their privileges at the cost of even greater generalised progress for all. The most popular modern arguments for the more intensive application of government force are as varied as they are extensive:

- It is alleged that progress comes at the cost of inequality, mainly portrayed as growing gaps between the rich and the poor.
- It is alleged that progress comes at the cost of environmental degradation, ranging from the destruction of landscapes through to human-induced warming of global temperatures.
- It is alleged that progress has most certainly delivered a bounty of products, but that consumers are either psychologically suffering from the burdens of choosing from the cornucopia of abundance for themselves, or that some products, such as alcohol, energy-dense foods and tobacco, are risky and hence should be withheld from consumers altogether (or, at least, not cheaply).

But perhaps the most curious feature of modern Australia is that large numbers of people, especially the politically disconnected who have benefited enormously from the legacy of long run economic and social improvements, seem to be persuaded by these arguments for greater public sector interference in our lives.

Witness the curious juxtaposition of the Australian who wastes little time acquiring the new gadget or assuming the latest fashion, but in almost the same breath demands more of the very government that crimps possibilities to actually provide such conveniences for people.

If the demands for ever-more government are met by obliging politicians and the bureaucratic class, as they typically tend to do, this further threatens the capacity of individuals to freely broach the future frontiers of progress.

Australians have indeed come a long way; this fact is made abundantly clear by the statistical evidence. We should be proud of that.

But to give ourselves the best shot at ensuring that life keeps on getting better for everybody, in as many dimensions of human endeavour as possible, we need to free ourselves from the tightening shackles of burdensome government presently affixed about our ankles.

1 MANY THINGS ARE GETTING BETTER

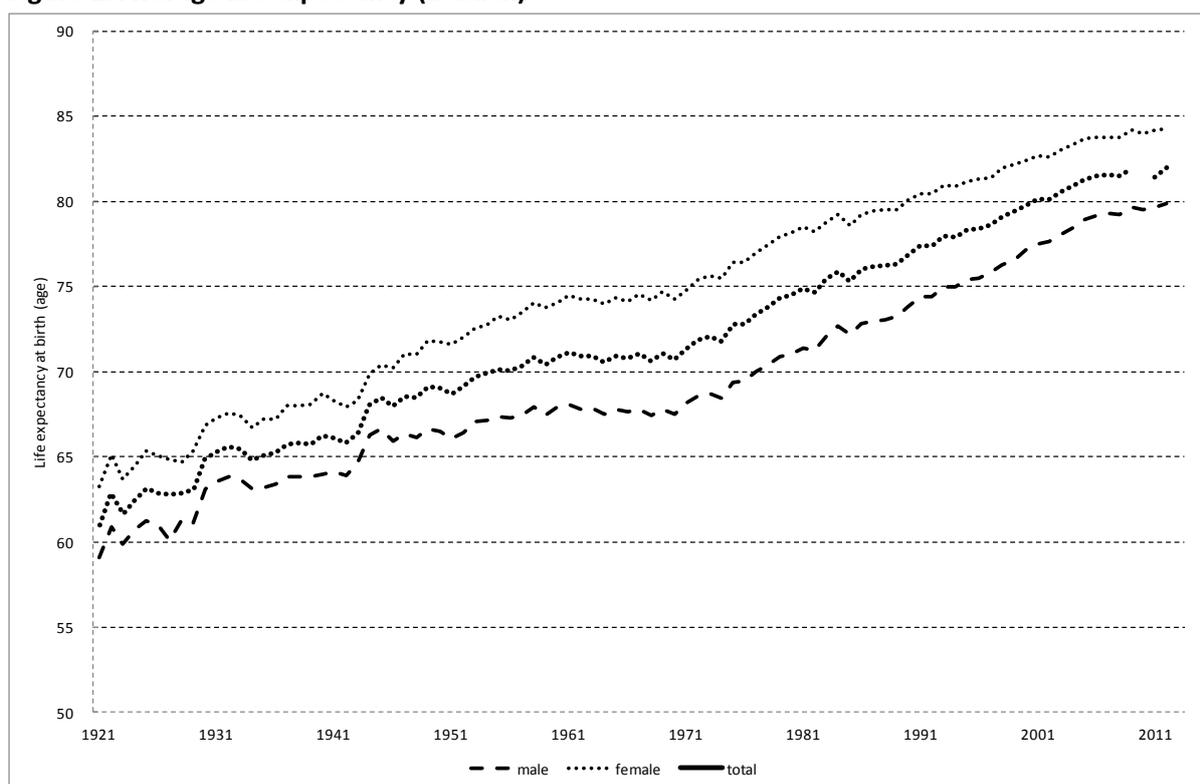
1.1 Life expectancy

For much of human history death came at an early age, with 20 to 35 years being the typical average life span.⁶ Even in early nineteenth-century England and Wales, life expectancy at birth hovered at around 40 years of age.⁷

Life expectancy at birth has improved significantly for both males and females in Australia since the early twentieth century, to now vastly exceed that of our ancestors.

Males born in 1921 were expected to live until the age of 59, and females until the age of 63. By contrast, males born in 2012 are expected to live until the age of 80, whereas females are expected to live until 84 years of age.

Figure 1: Average life expectancy (at birth)



Average number of years a newborn is expected to live if current mortality rates continue to apply.

Source: Human Mortality Database; Australian Bureau of Statistics.

⁶ John R Wilmoth, 2009, 'Increase of Human Longevity: Past, Present and Future', <http://www.ipss.go.jp/seminar/j/seminar14/program/john.pdf>.

⁷ Simon Szreter and Graham Mooney, 1998, 'Urbanization, Mortality, and the Standard of Living Debate: New Estimates of the Expectation of Life at Birth in Nineteenth-Century British Cities', *The Economic History Review* 51 (1): 84-112.

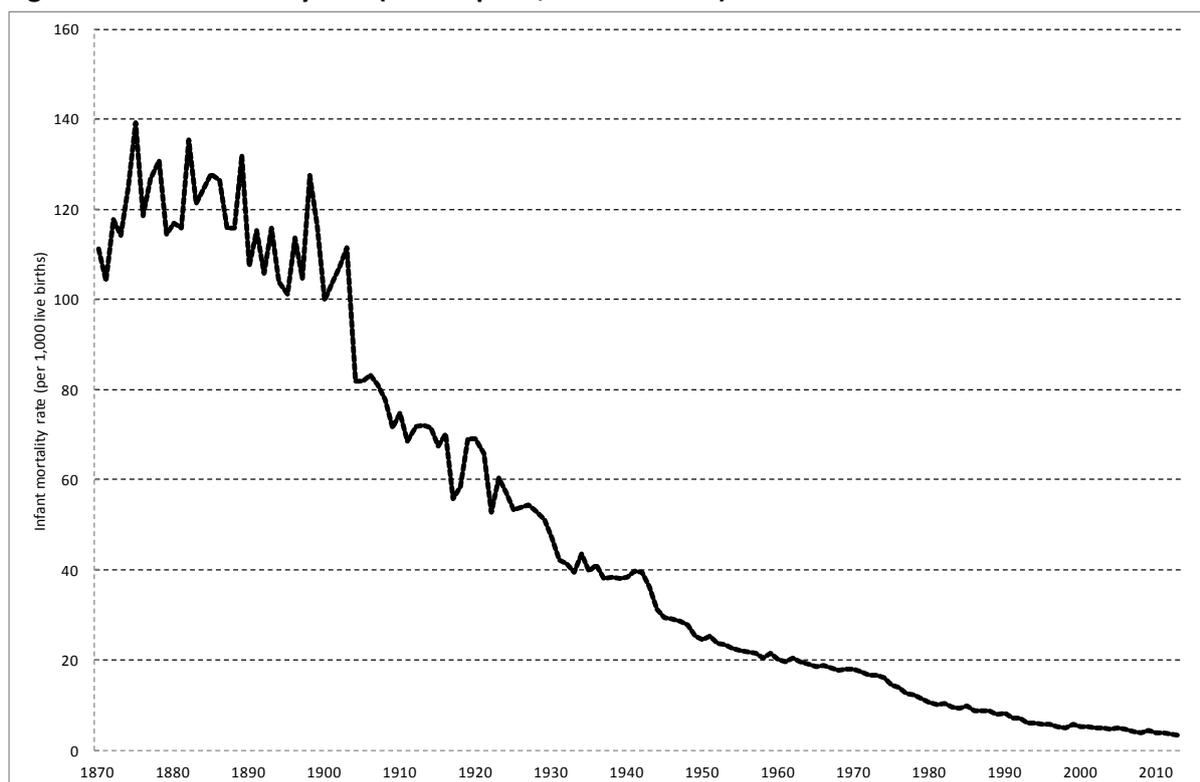
1.2 Infant mortality

The act of birth was not only a precarious event for many mothers prior to the twentieth century, but even more so for infants, as many lost their lives at birth. A study of infant mortality during the late nineteenth century described 'seasonal variations in [infant] deaths and the heavy incidence of death in the first six months of life' caused by 'undifferentiated pathogenic micro-organisms,' which are 'still endemic in Third World countries today.'⁸

The rate of Australian infant mortality has precipitously declined since the late nineteenth century, dropping from as high as 139 deaths per 1,000 live births in 1875 to three deaths per 1,000 live births in 2013. Even ten years ago, there were close to five deaths per 1,000 live births, illustrating the generalised trend toward improvement for this indicator.

These trends have been driven by a range of factors, including improvements in prenatal and postnatal care, declines in infectious diseases, improved sanitation, new medicines, mass vaccinations, and improvements in birth conditions.⁹

Figure 2: Infant mortality rate (deaths per 1,000 live births)



Number of deaths of babies under one year of age per 1,000 live births.

Source: Australian Bureau of Statistics.

⁸ M Durey, 1982, 'Brief lives: Infant mortality in Perth, 1870-1914', *Studies in Western Australian History* 5: 62-71.

⁹ Australian Bureau of Statistics, *Measures of Australia's Progress*, 2010, cat. no. 1370.0.

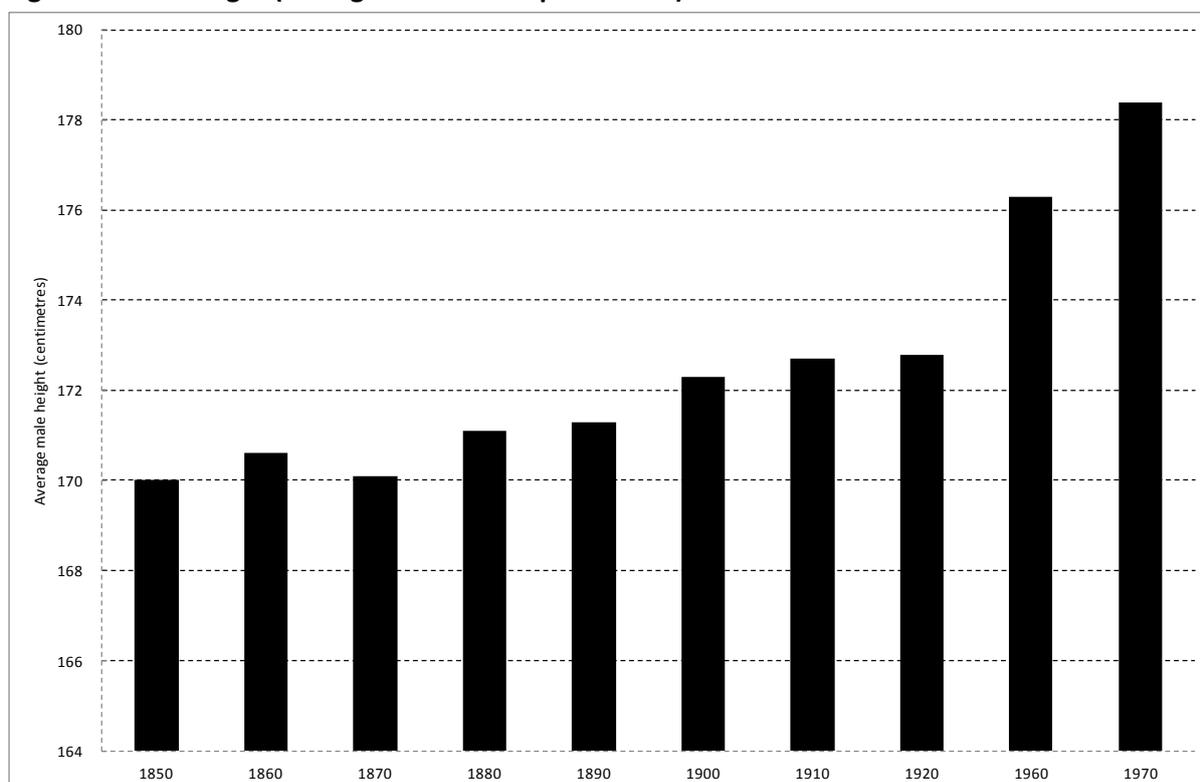
1.3 Human height

Long run trends in average human height have long been a field of interests for epidemiologists and health practitioners, observing how the changes in average heights are influenced by nutrition and disease.

Economists have also taken a greater interest in biological measures of living standards, establishing links between stature and various economic indicators, such as earnings, over the long run. Analysis also suggests correlation between height and measures of social status.

The average height for Australian males has increased by nearly twenty centimetres from the mid-nineteenth century to late twentieth century. The Australian Bureau of Statistics have also undertaken periodic health status surveys, finding that average adult male height has increased by 0.8 centimetres from 1995 to 2012.¹⁰

Figure 3: Male height (average centimetres per decade)



Average male height by birth decade, centimetre equivalents.

Source: Joerg Baten and Matthias Blum, *Economic History of Developing Regions* (2012).

¹⁰ Australian Bureau of Statistics, *Australian Health Survey: First Results, 2011-12*, cat. no. 4364.0.55.001.

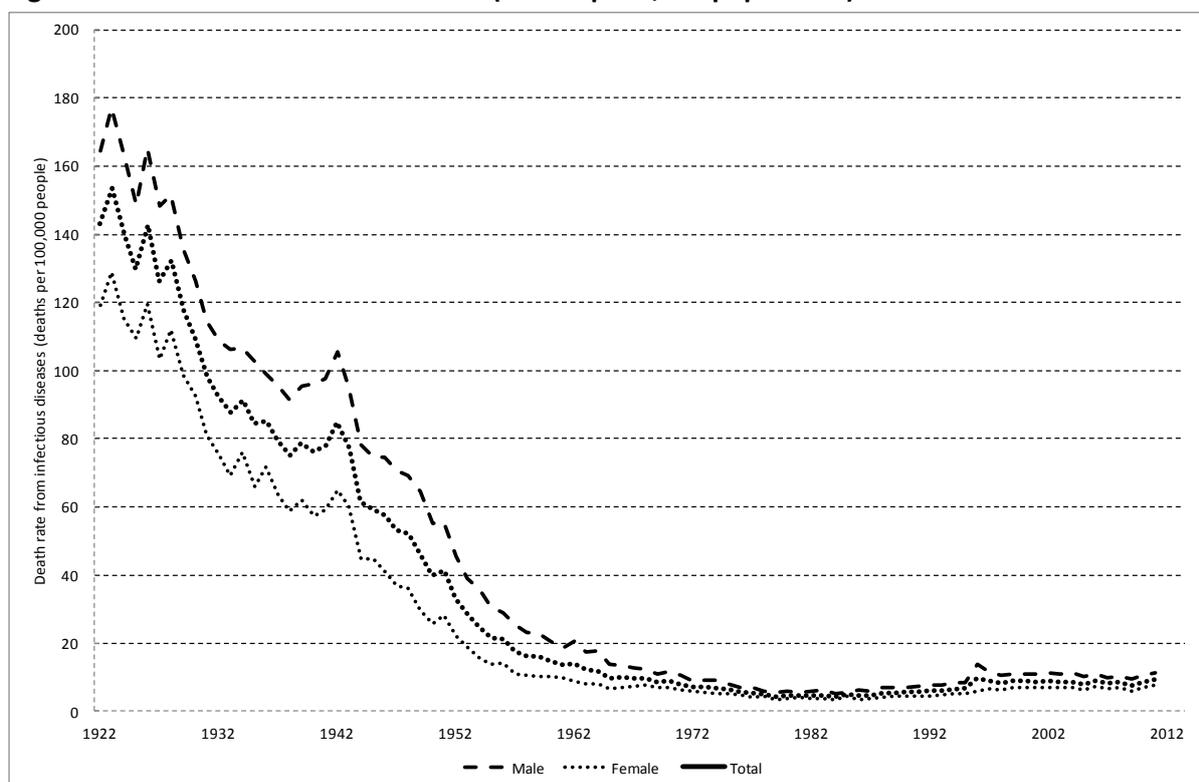
1.4 Infectious diseases

One of the key determinants of Australians living longer and healthier lives is the long term reduction in deaths attributable to infectious and parasitic diseases, such as cholera, typhoid fever, polio, smallpox, and measles. These diseases have long proven a scourge to human existence, with various bacterial and viral infections wiping out vast segments of populations at various times in history.

In the early 1920s it was estimated that about 143 people per 1,000 died annually as a result of infectious and parasitic diseases. As a result of vaccines, better public health measures, and new medicines, about nine people per 1,000 died in 2011 as a result of these diseases.

The number of cases of people suffering from other ailments, such as sudden infant death syndrome (SIDS) and acquired immune deficiency syndrome (AIDS), has also decreased.

Figure 4: Infectious diseases death rate (deaths per 1,000 population)



Number of deaths from intestinal and other bacterial diseases, sexually transmitted infections, viral infections, and other infectious and parasitic diseases, per 1,000 people.

Source: Australian Institute of Health and Welfare.

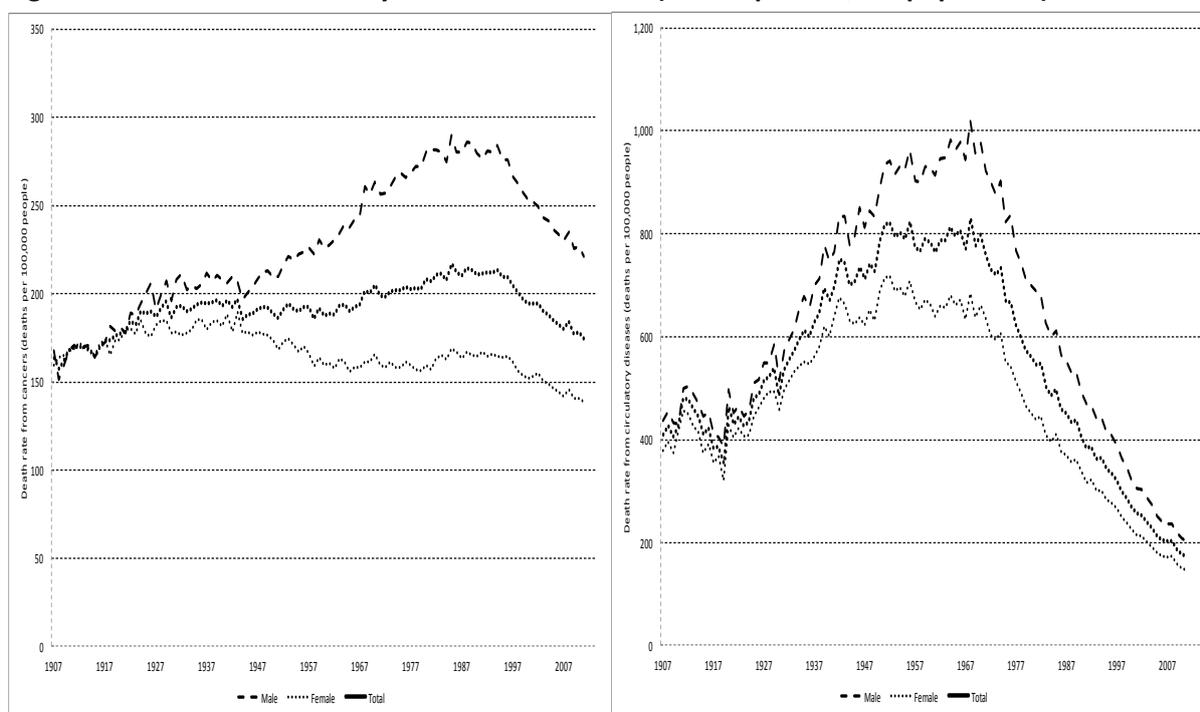
1.5 Cancer and circulatory diseases

Despite general improvements to human health, cancer and circulatory diseases continue to serve as major causes of human mortality in Australia. Even so, there are some encouraging signs of improvement, at least in recent decades, by way of declining mortality rates resulting from these ailments.

The overall death rate from cancer (left-hand diagram) has started to fall modestly since the mid-1990s, thanks in no small part to better treatment, as well as a heightened public awareness of symptoms. Survival rates from cancer have also improved.

The right-hand diagram shows the Australian death rate attributable to circulatory diseases, such as cardiovascular diseases and rheumatic fever, has declined considerably since the late 1960s.

Figure 5: Cancer and circulatory diseases death rates (deaths per 100,000 population)



Cancer refers to deaths from all neoplasms (cancer) per 100,000 people (left-hand diagram). Circulatory diseases (right-hand diagram) refer to deaths from rheumatic fever and heart diseases, heart diseases, cerebrovascular diseases, and other circulatory system diseases, per 100,000 people.

Source: Australian Institute of Health and Welfare.

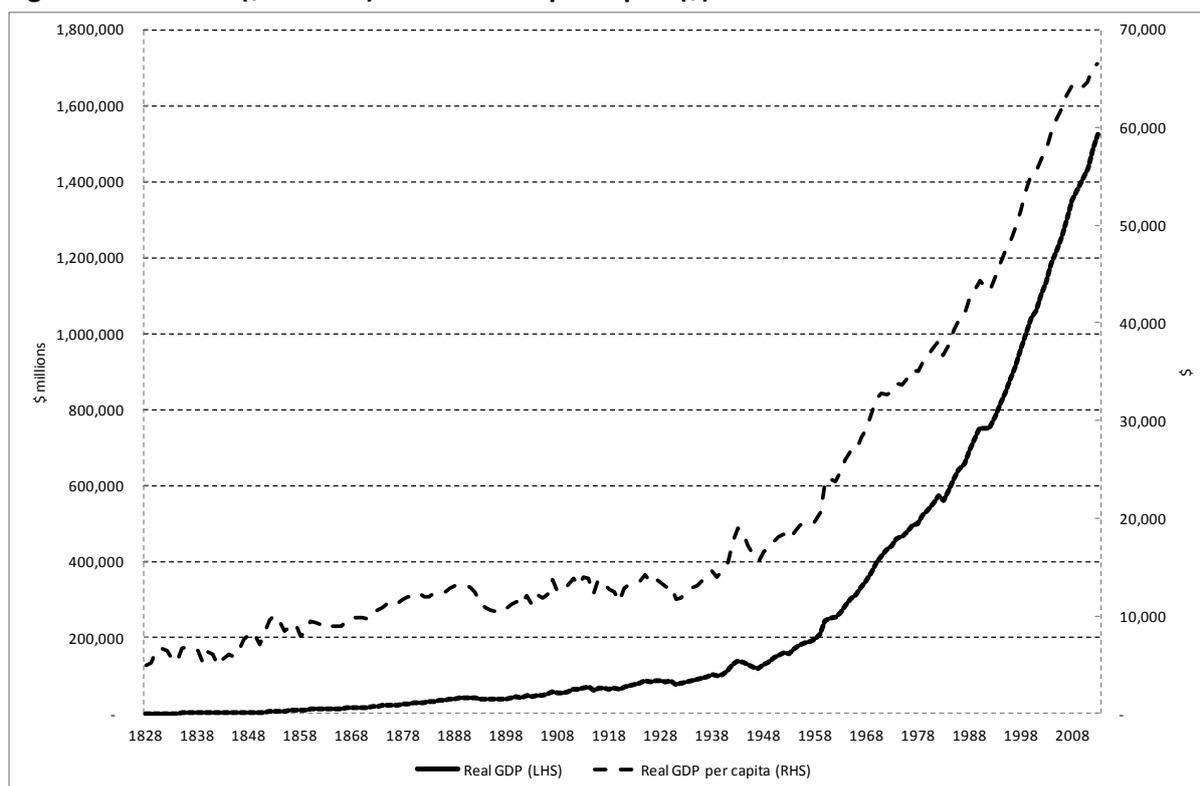
1.6 Economic output

The most commonly used measure of economic performance, and indeed progress, is national output or 'gross domestic product' (GDP). GDP provides a measurement of the market value of all final goods and services produced in a country during a given year. Expressing GDP in per capita terms provides a gauge of the level of material living standards enjoyed, on average, by each person.

Adjusting for inflation, the real GDP of Australia has risen substantially from about \$284 million in 1828, not long after the establishment of the wool industry, to about \$1.5 trillion in 2013. The average annual per person output in this country has grown from about \$4,880 to \$66,537 over the same period.

The economic growth feeding into annual additions to GDP, and influencing GDP per capita, is pivotal to the living standards enjoyed by the average Australian today, not least since it has allowed them to escape the 'solitary, poor, nasty, brutish, and short' existences of their ancestors.

Figure 6: Real GDP (\$ millions) and real GDP per capita (\$)



Market value of final goods and services produced in a given year. GDP is also expressed in per capita terms.

Source: Measuring Worth; Australian Bureau of Statistics.

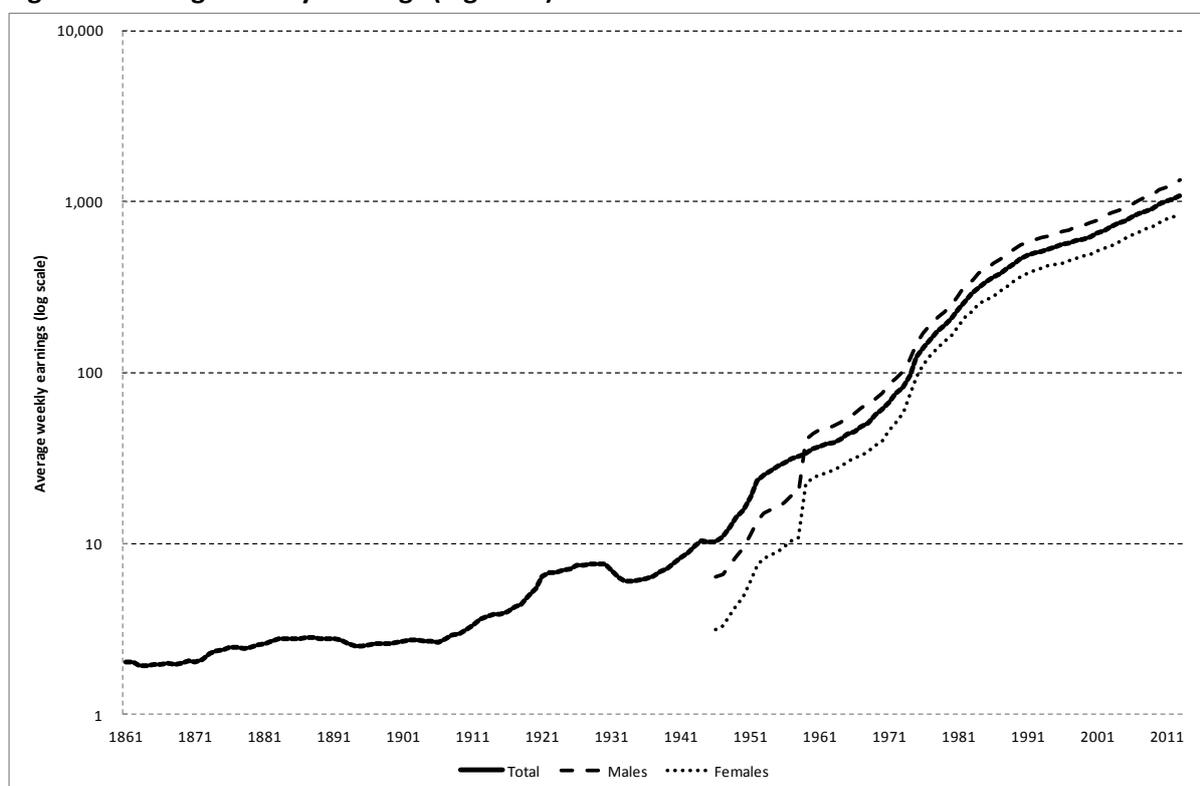
1.7 Earnings

The ability to earn an income enables an individual to purchase goods and services, including food, clothing, shelter, transport and entertain, and to meet various financial commitments. It also staves off absolute poverty, and all the troubling economic and social consequences that would entail.

In the early 1860s a worker, roughly three times more likely labouring in a menial farming or rudimentary manufacturing job than now, would earn a little over \$2 per week. In 2013 a worker would, on average, take home almost \$1,100 a week in earnings.

Even though price inflation has also risen dramatically over that period, a worker on average earnings is still well ahead in real terms over time, enabling him or her to enjoy more of the amenities of life as provided through markets.

Figure 7: Average weekly earnings (log scale)



Average gross earnings of employees attained during a working week. This chart is expressed in log scale, illustrating proportional changes in average weekly earnings rates over time.

Source: Measuring Worth; Australian Bureau of Statistics.

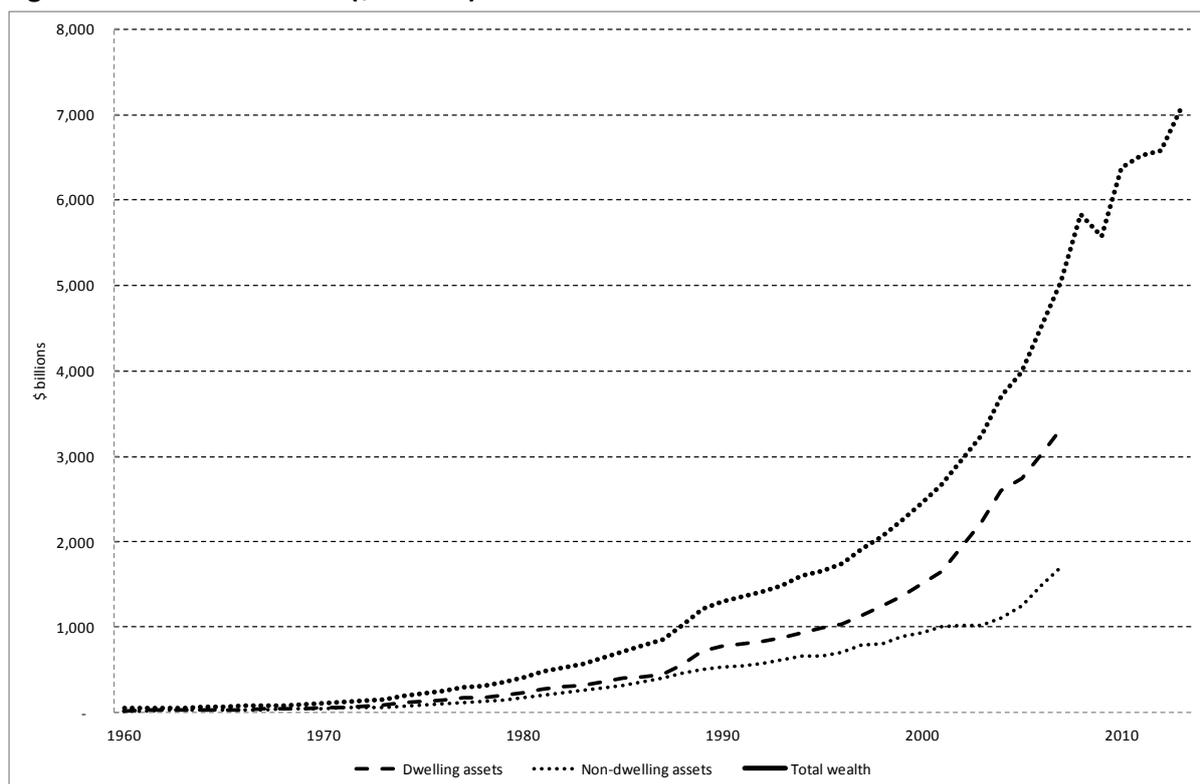
1.8 Household wealth

In addition to regular incomes earned through providing labour services, householders own an array of other economic resources that support their consumption, augment their overall wellbeing, and usefully serve as a hedge against poverty. These resources include houses and the other dwellings, bank deposits, balances in superannuation funds, and other assets.

Since the early 1960s the value of household wealth in Australia has increased substantially. In 1960, the total value of wealth owned by households was estimated at \$46 billion. In 2013 household wealth was valued at a little over \$7 trillion. This increase has been attributable to factors including rising property values and the uptake in superannuation, especially since the introduction of compulsory superannuation regulations in the early 1990s.

Whilst some economic and financial commentators have expressed concerns about the accumulation of greater debts by the household sector, official statistics have shown that the overall value of assets continues to exceed indebtedness by a significant margin.¹¹

Figure 8: Household wealth (\$ billions)



Value of dwelling and non-dwelling assets owned by households.

Source: Commonwealth Treasury; Australian Bureau of Statistics.

¹¹ Australian Bureau of Statistics, Australian Social Trends, 2014, cat. no. 4102.0.

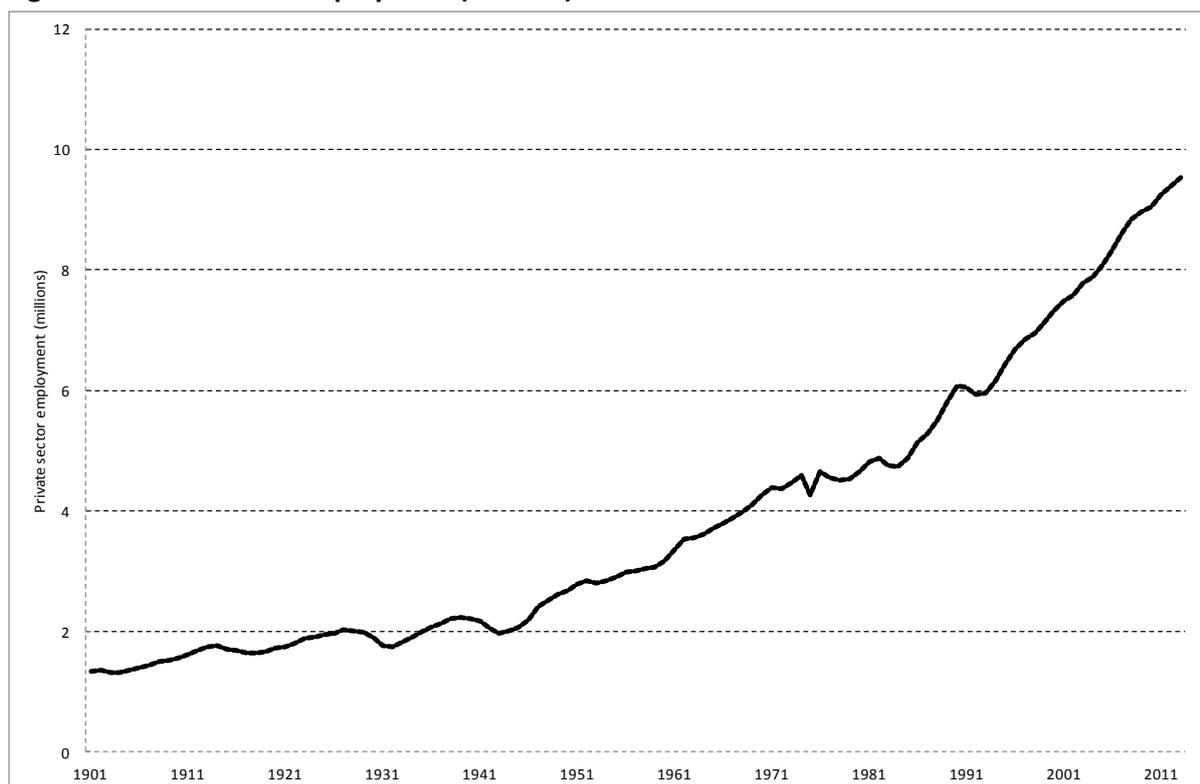
1.9 Private sector employment

Another indicator of economic wellbeing is the number of people employed by private sector entities. Growth in this area indicates that more individuals are being economically engaged to provide goods and services for other people, both located in Australia and overseas, in a voluntary and mutually beneficial manner.

At the beginning of the twentieth century it was estimated that about 1.3 million people worked within the private sector. In 2013 about 9.5 million Australians worked in the private sector. Despite periodic fluctuations as a consequence of the ebb and flow of business cycles, the long term trend has been for growth in the numbers of private sector employees.

The number of public sector workers has also increased during this period. However, in recent decades growth in government employment has tended to be capped somewhat by privatisation initiatives, whereby the control and management of assets, and the sector in which those operating those assets are classified, have been transferred from the government to private sector.

Figure 9: Private sector employment (millions)



Number of employees working in private sector.

Source: Barnard, Butlin and Pincus, Australian Economic Review (1977); Australian Bureau of Statistics.

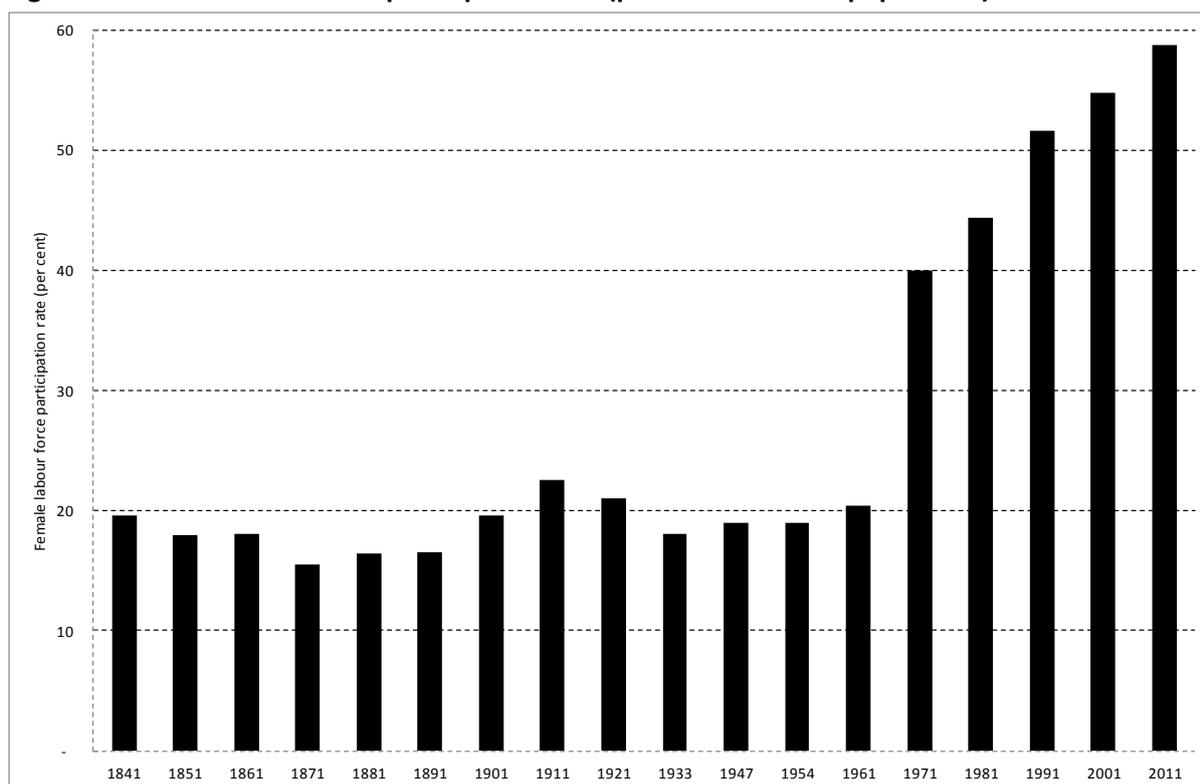
1.10 Female labour market participation

The economic prosperity of Australia has been influenced, to no small degree, by the increasing capacity of women to independently earn their own incomes and, more broadly, contribute to the market process.

During the nineteenth century less than 20 per cent of the Australian female population was engaged in the labour force, with most undertaking cleaning and child raising duties in the home and, in most cases, having meagre amounts of assets next to their names. This left most women dependent upon men for their sustenance.

As a result of legal liberalisations (including the end of the 'marriage bar' on female public servants), rising educational attainment, childcare availability and reductions in other barriers against economic participation, female labour force participation rates have improved dramatically to nearly 60 per cent by 2011.

Figure 10: Female labour force participation rate (per cent of female population)



Number of women aged 15 and above engaged in the labour force, as a share of the total female population.

Source: A. M. Endres, *Source Papers in Economic History*, ANU (1984); Reserve Bank of Australia; Australian Bureau of Statistics.

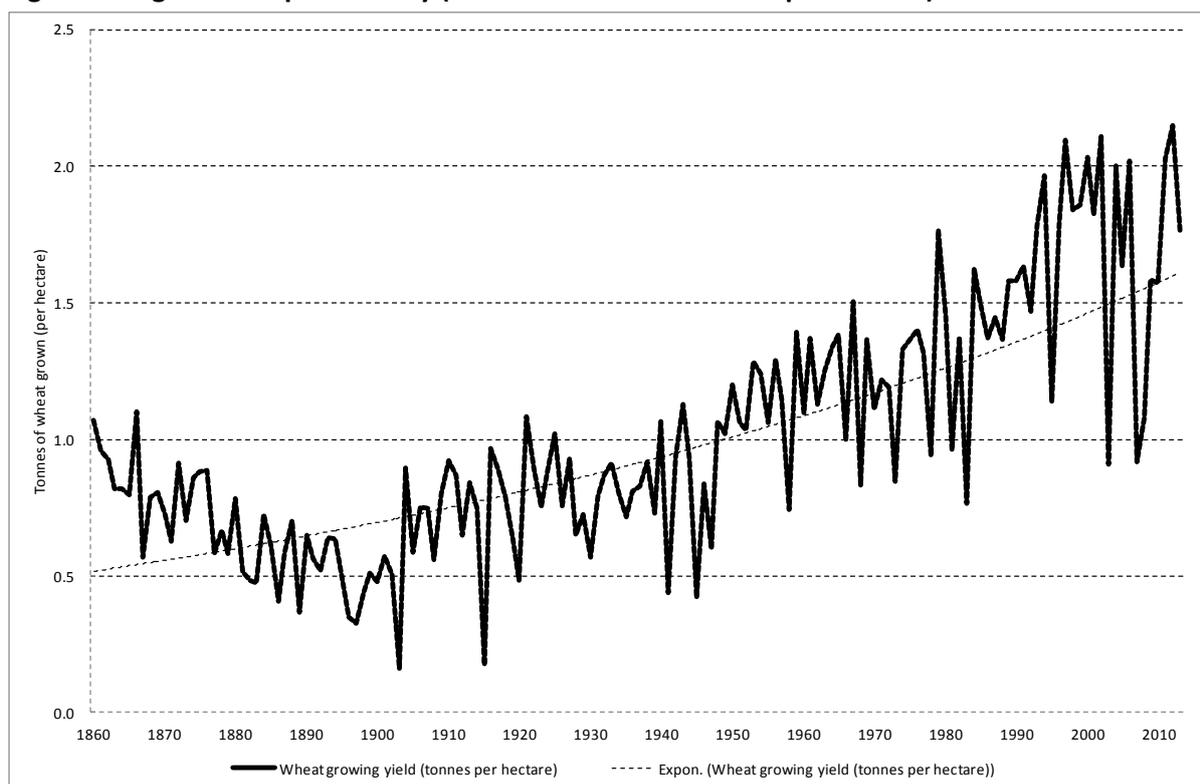
1.11 Agricultural productivity

A growing economy is generally characterised as one which is increasingly productive, whereby more output is being produced with fewer resources being absorbed in the process. With its abundant land and farming ingenuity, Australians have long demonstrated an increasing capacity to feed themselves and the rest of the world.

One indication of improved productivity in the Australian agriculture sector is the long run improvement in wheat yields. Since the 1950s the average tonnage amount of wheat harvested per hectare has consistently broken the one tonne per hectare mark. Yields are now more consistently reaching two tonnes per hectare, even in spite of drought and other adverse weather conditions.

These trends have been attributed to improvements in farming practices, including the use of more efficient machinery and supply chain innovations, and the introduction of wheat varieties better suited to the Australian environment.¹²

Figure 11: Agricultural productivity (tonnes of wheat harvested per hectare)



Tonnes of wheat harvested per hectare.

Source: B. R. Mitchell; Australian Bureau of Statistics; Australian Bureau of Agricultural and Resource Economics and Sciences.

¹² Australian Bureau of Statistics, Year Book Australia, 2006, cat. no. 1301.0.

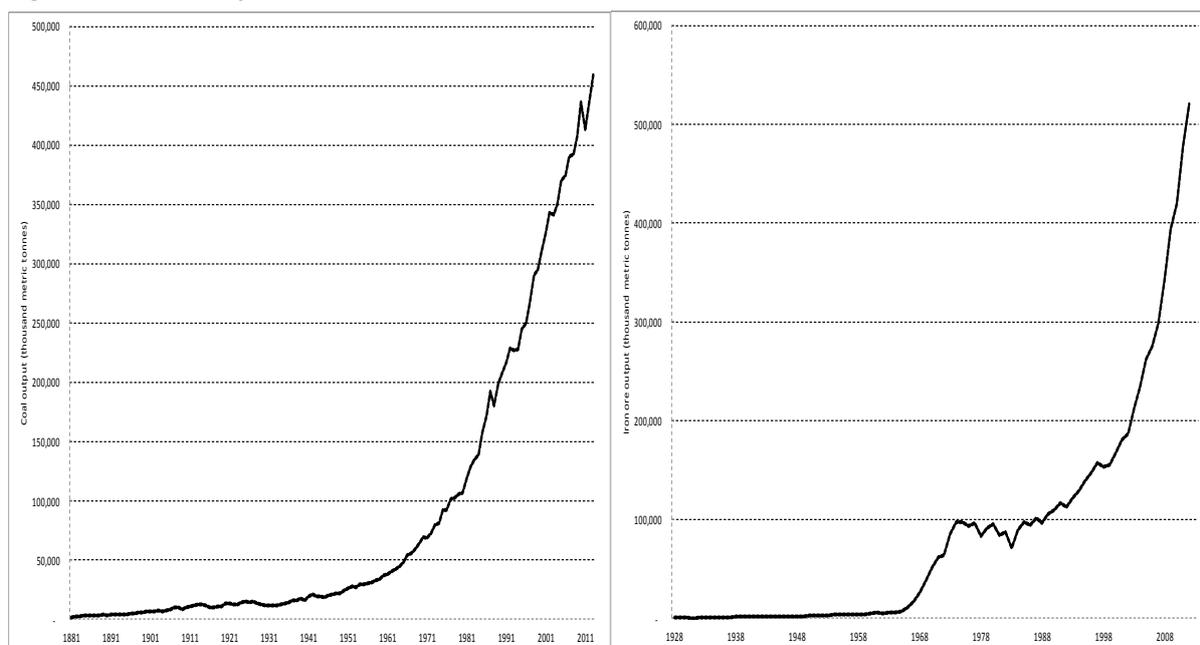
1.12 Mineral production

Since the discoveries of coal deposits in the Hunter region of New South Wales in the late eighteenth century, Australia has served as a global 'superpower' of minerals supply for domestic and international production purposes.

In Australia the production of black and brown coal has increased significantly, as shown in the left-hand diagram where total production has risen from about two million metric tonnes in 1881 to about 459 billion metric tonnes in 2013. Iron ore production (right-hand diagram) has also shown impressive gains in historical time, including as a result of the lifting of iron ore export embargoes in the 1960s, increasing from about 494,000 metric tonnes in 1928 to about 521 million metric tonnes in 2012.

As the recent terms of trade boom and mass relocation of labour toward the resource states illustrated most acutely, mining now plays a major role in economic prosperity.

Figure 12: Mineral production (thousands of metric tonnes)



Total coal production, in thousands of metric tonnes (left-hand diagram). Total iron ore production, in thousands of metric tonnes (right-hand diagram).

Source: B. R. Mitchell; Australian Bureau of Agricultural and Resource Economics and Sciences; Bureau of Resources and Energy Economics.

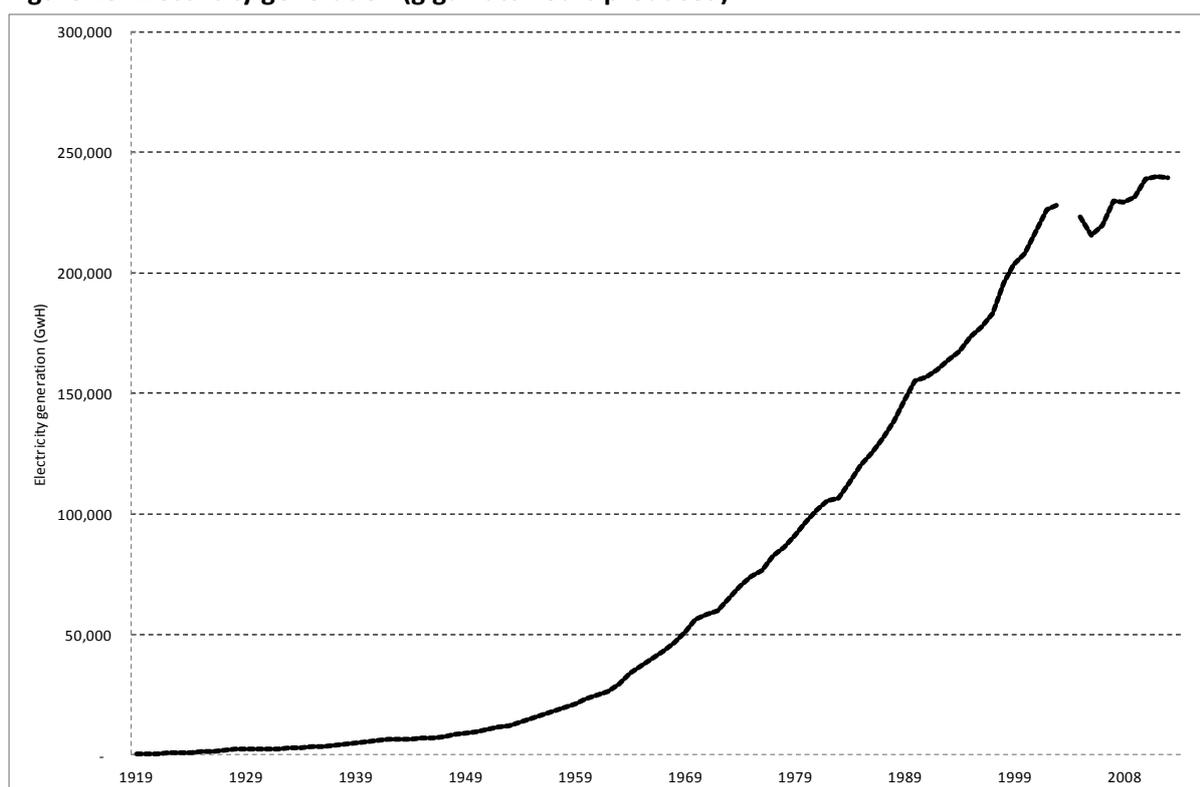
1.13 Electricity generation

Electricity has dramatically improved the economic and social circumstances of Australians, replacing less efficient energy alternatives - such as water and steam, wind, and wood - in the delivery of manufactured products, as well as providing light and heating in homes.

In Australia the earliest recorded displays of electricity usage were reported during the 1860s, with the first power stations in Victoria developed by the private sector.¹³ In 1919 electricity generators produced 461 gigawatt-hours of electricity for business and household concerns. This level of production has increased dramatically in subsequent years, to almost 240,000 gigawatt-hours of electricity in 2012. During this period the proportion of homes with electricity has substantially risen to near-saturation levels today.

Australian electricity is primarily generated from our bountiful, and relatively cheap, coal deposits, mainly located along the eastern seaboard. In recent years there have been increasing concerns about rising electricity prices, attributable to some degree to government regulations mandating the uptake of expensive renewable energy sources.

Figure 13: Electricity generation (gigawatt-hours produced)



Electricity generation, in gigawatt-hours.

Source: B. R. Mitchell; International Energy Agency.

¹³ Dictionary on Electricity, http://www.ewh.ieee.org/r10/nsw/subpages/history/electricity_in_australia.pdf.

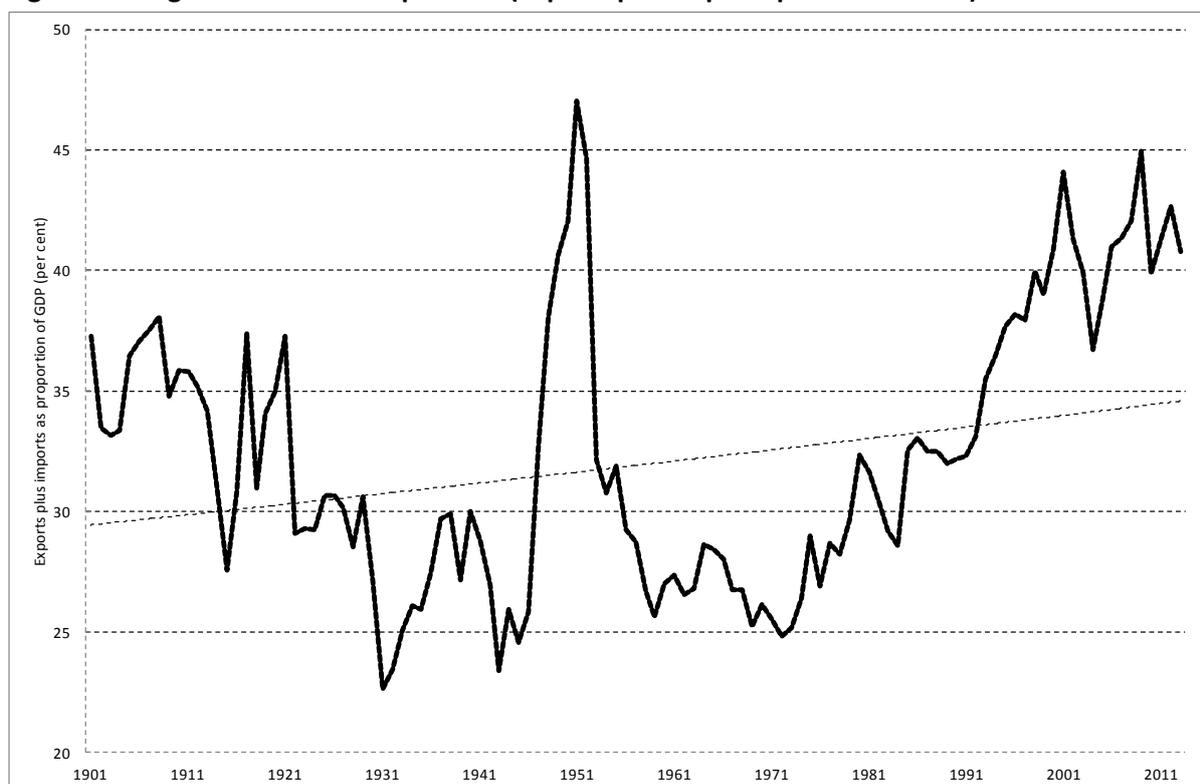
1.14 Economic openness

As a small and open economy, the long run economic performance of Australia has been heavily influenced by its ability to trade goods and services across political borders. Indeed, studies have illustrated there is a positive association between the degree of economic openness of a country and its economic performance.

At the time of Federation, exports plus imports accounted for about 37 per cent of GDP. Despite periodic fluctuations, partly caused by terms of trade changes, wars and others factors, this ratio has gradually increased to about 41 per cent in 2013.

The long term trend has been for the Australian economy to become more open with the passage of time, particularly since the 1970s as a consequence of tariff reductions and the liberalisation of capital and financial flows.

Figure 14: Degree of economic openness (exports plus imports per cent of GDP)



Total value of exports plus imports as a percentage of gross domestic product.

Source: Reserve Bank of Australia (M. W. Butlin); Australian Bureau of Statistics.

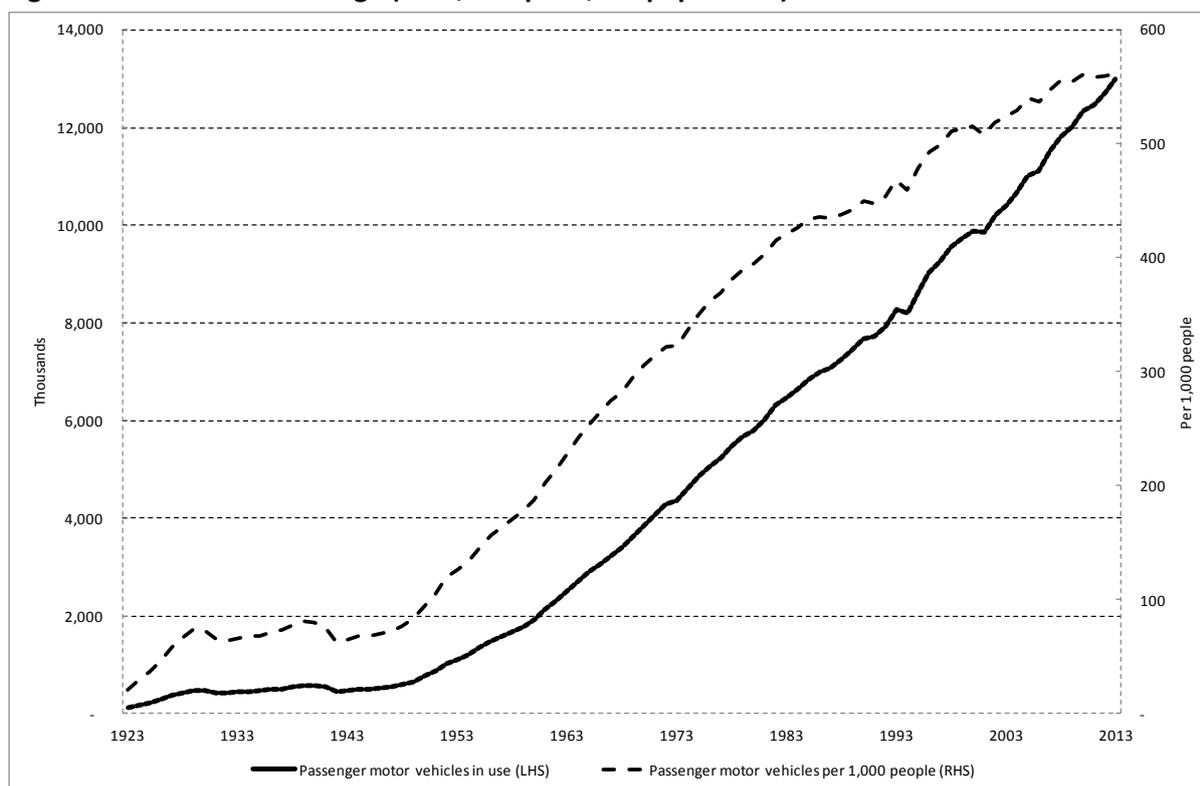
1.15 Motor vehicles

The extent of motor vehicle usage is another commonly used indicator for economic prosperity, as this provides some information about the ability of individuals and families to attain a relatively expensive item (i.e., a vehicle) for their own purposes.

In the early 1920s there were about 117,000 motor vehicles in use across Australia (21 vehicles per 1,000 population). While road networks were already reasonably extensive, especially between major cities, even until the 1950s car ownership and usage was considered something of an elite affair.¹⁴ By 2013 there were about 13 million motor vehicles used, equating to 562 vehicles per 1,000 people in Australia.

The motor vehicle has long been represented as a powerful aid to mobility for most people, enabling individuals to go wherever they want, and whenever they want, even if vehicles have been somewhat displaced by air travel mainly for interstate trips.

Figure 15: Motor vehicle usage (total, and per 1,000 population)



Number of passenger motor vehicles in use, and passenger motor vehicle use per 1,000 people.

Source: B. R. Mitchell; Australian Bureau of Statistics.

¹⁴ Robert Lee, 2003, 'Linking a Nation: Australia's Transport and Communications 1788-1970', <http://www.environment.gov.au/resource/linking-nation-australias-transport-and-communications-1788-1970-10>.

1.16 Household appliance and entertainment equipment

The extent of household ownership of appliances and entertainment equipment illustrates the degree of material prosperity enjoyed by individuals and families. Electrical and electronic goods have also played an important role in reducing the laborious intensity of home production, allowing women in particular to pursue work and other options with their time.

The diffusion of appliances and equipment in the average Australia household has been rapid over time, with products formerly considered luxurious, such as air conditioning, dishwashers, refrigerators and televisions, are now commonplace in almost every home. Even the extent of pay-television has risen in recent decades, from five per cent in 1996 to 29 per cent in 2011.¹⁵

The growing prevalence of electronic equipment, whitegoods and other products in the home has been greatly facilitated by substantial improvements in their affordability for even low income earners. For a range of common household items, ranging from kettles and toasters to televisions, it has been estimated that the number of hours of work needed to earn sufficient income to buy them has declined dramatically.¹⁶

Table 1: Appliance and equipment ownership rates (per cent of households)

	1950s	1960s	1970s	1980s	1990s	2000s	2010s
Air conditioner					33 (1994)	64 (2008)	73 (2011)
Computer					44 (1998)	78 (2009)	83 (2011)
Dishwasher					25 (1994)	45 (2008)	52 (2011)
Refrigerator		94 (1960)			100 (1994)	100 (2008)	100 (2011)
Television	1 (1956)	87 (1966)	92 (1976)			96 (2003)	99 (2011)
Washing machine	40 (1955)	60 (1960)			94 (1994)	97 (2008)	98 (2011)

Percentage of household ownership of selected appliances and equipment.

Source: Tony Dingle, *Journal of Australian Studies* (2009); Australian Bureau of Statistics; Australian Communications and Media Authority; Bureau of Transport and Communications Economics.

¹⁵ Data sourced from Australian Bureau of Statistics and Screen Australia statistics.

¹⁶ Julie Novak, 2014, 'Life Under Capitalism. Bigger! Better! Cheaper!', *IPA Review* 65 (4): 13-17.

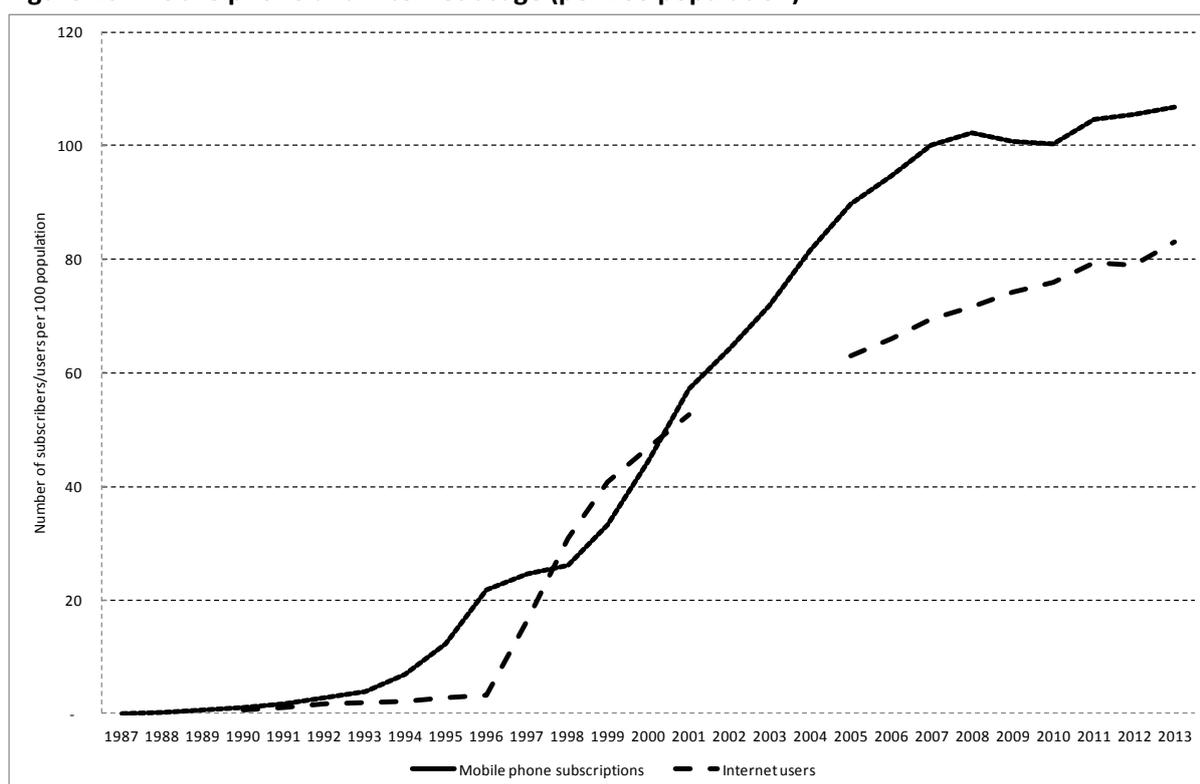
1.17 Communications

The ability of Australians to communicate with each other over long distances has been substantially enhanced by a range of communications technologies, which have superseded the unreliable and slow distribution of telegraph dispatches and postal letters commonly used during the late nineteenth and early twentieth centuries.

The number of telephones in use in Australia has grown from 25,000 in 1901 to almost 10.5 million in 2012.¹⁷ Even the very nature of the telephone has profoundly changed for many Australians within a relatively short span of time, from fixed, and sometimes cumbersome, installations connected to largely underground cables beneath houses and offices, to mobile telephones to more recently, very low-cost Skype connections on home computers.

The internet, the pervasive system of interconnected computer networks on a global basis, is another technological application which has profoundly changed the lives of most Australians. In 1990 there was less than one internet user per 100 people. In 2013 there were 83 people per 100 in Australia who were using the internet.

Figure 16: Mobile phone and internet usage (per 100 population)



Number of mobile phone subscriptions, and internet users, per 100 population.

Source: World Bank.

¹⁷ Data sourced from B. R. Mitchell and the International Telecommunications Union.

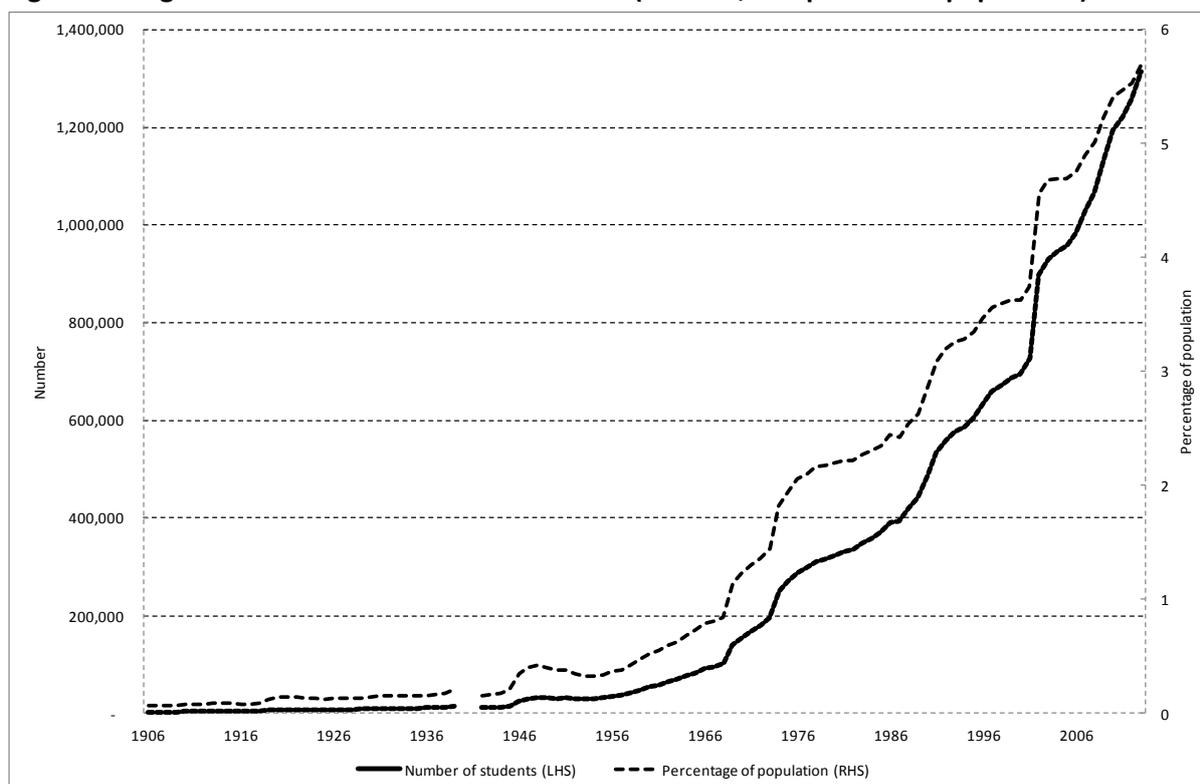
1.18 Education

There are now more educated Australians than at any other time in our history. This is important given the significant contribution of education, and the valuable knowledge and skills such activity imparts upon individuals, has as a determinant of long run economic growth.

The number of students enrolled in universities has risen significantly since the early twentieth century, from about 2,600 in 1906 to about 1.3 million in 2013. As a share of the total Australian population, the number of university students has grown from 0.1 per cent of the population to 5.7 per cent over the same period.

Within this broader trend of greater human capital accumulation is the increasing uptake of higher education by women, with the share of female university students increasing from 21 per cent of students in 1949 to 56 per cent in 2011.

Figure 17: Higher education institution enrolments (number, and per cent of population)



Number of students enrolled in higher education institutions.

Source: B. R. Mitchell; Commonwealth Department of Education.

2 OBSTACLES TO THINGS GETTING EVEN BETTER

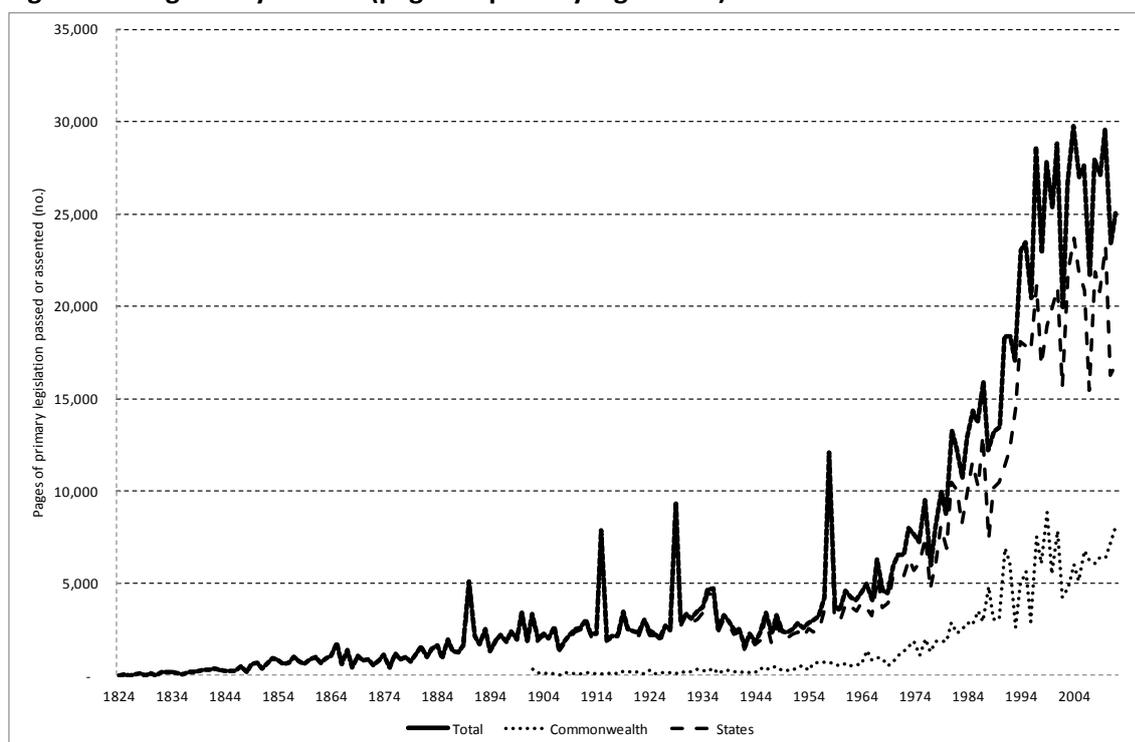
2.1 Regulatory burden

Governments impose a host of commands and rules upon individuals, businesses, associations, and other groups, in efforts to alter their behaviour and conduct. This is known as ‘regulation,’ and is one of the fundamental means by which government intervenes in the economy and society.

A commonly used proxy measure for the burden of regulation is the number of pages of legislation passed or assented. During the 1830s the New South Wales colonial government passed an average of 165 pages of Acts per annum. At the beginning of the twentieth century it required only 358 pages of legislation to federate the country. In 2012 alone, the commonwealth and state governments collectively passed over 25,000 pages of primary legislation.

Whilst regulations are enacted by governments for a wide array of policy purposes, such as consumer protection, environmental amenity, and public health and safety, there have been longstanding concerns that heavier regulation is imposing undue costs upon the economy. It has been estimated that regulatory compliance costs alone could be as high as four per cent of GDP per annum.¹⁸

Figure 18: Regulatory burden (pages of primary legislation)



Number of pages of primary legislation passed or assented in each calendar year.

Source: Commonwealth, state and territory government legislation.

¹⁸ Productivity Commission, 2006, *Potential Benefits of the National Reform Agenda*, Report to The Council of Australian Governments, Canberra.

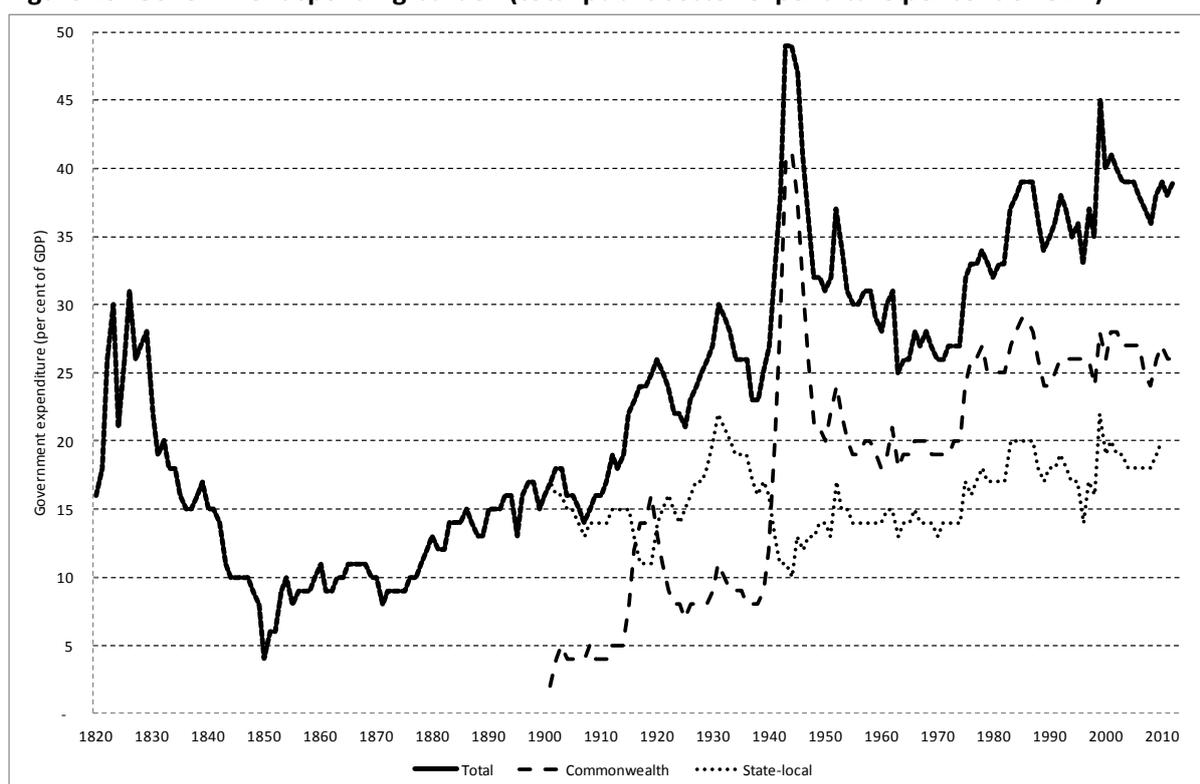
2.2 Government spending

A commonly used indicator of the relative size of government is the level of total spending by public sector entities as a share of GDP. Growth in the spending-to-GDP ratio implies a relatively greater command by government over the economy's resources.

As the market economy matured in Australia during the first half of the nineteenth century government size declined, to a low of about four per cent of GDP in 1850. Since that time, there has been an upward trajectory in public sector growth with the spending-to-GDP ratio close to 40 per cent in 2012. A significant driver of the long run increase has been redistributive transfer spending which, in 2010-11, comprised at least 60 per cent of expenditures by commonwealth and state-local governments.¹⁹

There is extensive empirical literature illustrating that an increase in relative government size is associated with lower rates of economic growth in the longer term. It will therefore be necessary for Australian governments to reduce their levels of expenditure not only to ensure fiscal sustainability, but to best ensure the achievement of improved living standards.

Figure 19: Government spending burden (total public sector expenditure per cent of GDP)



Total government spending (commonwealth, state-local public sectors) as a share of GDP.

Source: Julie Novak, Australia's Big Government, by the Numbers, IPA (2013).

¹⁹ Education, health, and social security and welfare expenditures. Does not include public sector spending on housing amenities.

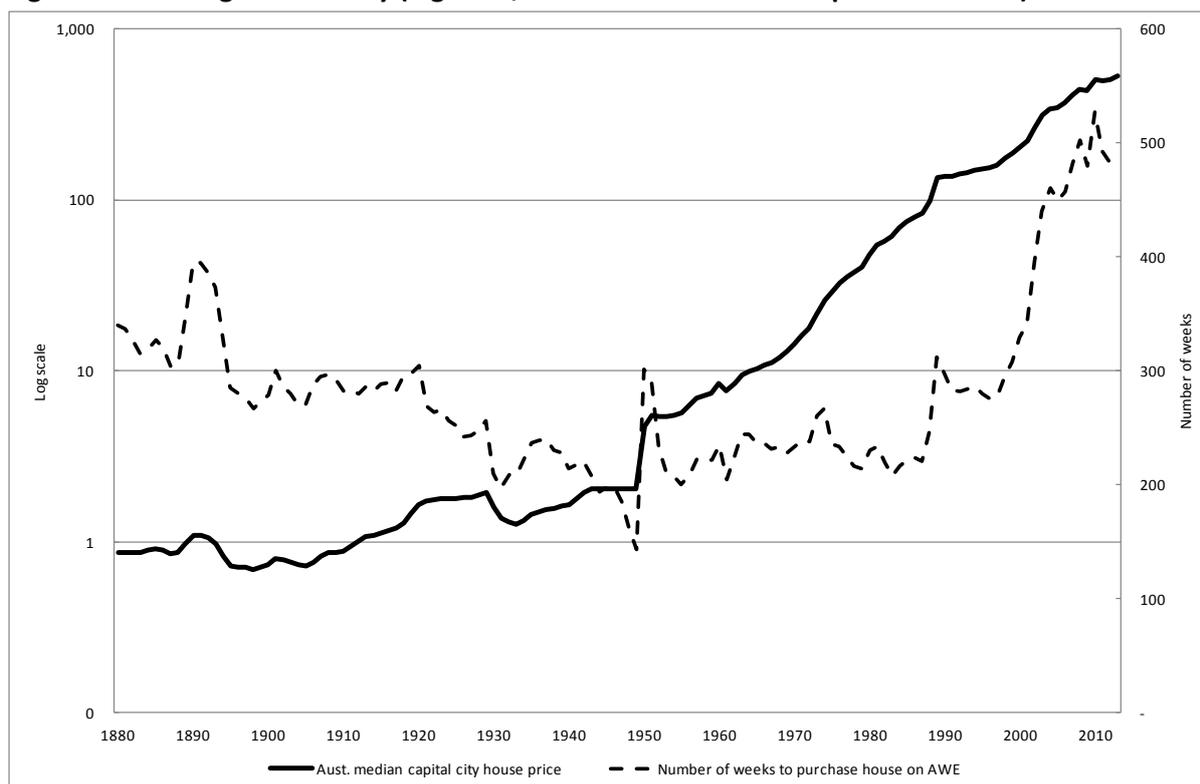
2.3 Housing affordability

Home ownership has played a defining role in Australian life, especially during much of the period following World War II, both for reasons of family stability and wealth accumulation.

The dream of owning one's own home is gradually slipping away, especially for young Australians aspiring to purchase their first home. The median house price in a capital city in June 2013 was about \$530,000, which required 485 weeks (9.3 years) for a person on average weekly earnings to accumulate sufficient savings to purchase outright. In the 1880s, a person on much lower earnings needed only 340 weeks (6.5 years) to earn enough money to buy a median-priced house, without recourse to borrowing.

A range of policy factors are acting to dilute the affordability of homes in our capital cities, where most Australians prefer to live. These include land supply restrictions mainly by local and state governments, land tax and transaction taxes on land transfers, and subsidies for first homeowners which are artificially boosting demands.

Figure 20: Housing affordability (log scale, and number of weeks to purchase home)



Australian median capital city house price data expressed in log scale, illustrating proportional changes in average weekly earnings rates over time.

Source: Nigel Stapledon, PhD dissertation (2007); Australian Bureau of Statistics.

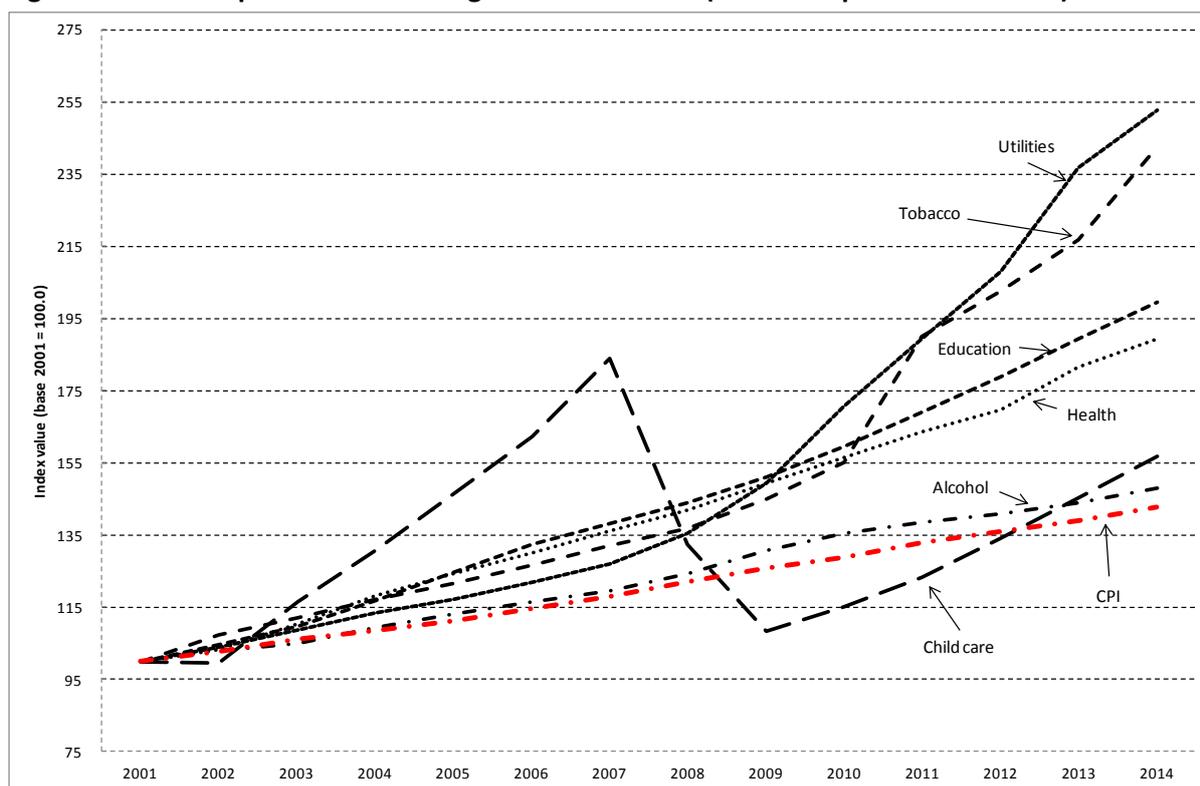
2.4 Cost of living

The ability of consumers to purchase affordable goods and services is critically influenced by the purchasing power of their income. A common measure of changes in purchasing power is the consumer price index, which measures the price of a basket of various goods and services over time.

Since the introduction of the GST, the average price of numerous products that is subject either to direct government subsidisation, or extensive regulation, have exceeded the rate of price inflation for all goods and services in the economy.

The prices of utilities such as electricity, gas and water, which are subject to stringent government price controls, have more than doubled since 2000-01, as has the price of tobacco products as a result of strong increase in excise tax rates. Education and health care price increases have also been significant over the last decade or so, adversely affecting the living standards of lower income earners in particular.

Figure 21: General prices for selected goods and services (consumer price index values)



Consumer price index for selected commodities and commodity groups, weighted average of eight capital cities. Variations in child care price inflation reflect methodological changes associated with incorporating the price effects of child care rebates.

Source: Australian Bureau of Statistics.

CONCLUSION

The vigorous debate about trends in relative income and wealth inequality waged in Australia runs the risk that we lose perspective as to how the lives of everyday Australians, including the poorer among us, have dramatically improved over the longer term.

But let us pause, and consider just how so many aspects of the lives of Australians have gotten better, and in some respects exceedingly so, over time.

An infant born merely two years ago would expect to live for 82 years, on average. If that same person were born forty years ago, in 1972, they could expect to live for 72 years. Taking the timeline back even further, if the young boy or girl born in 2012 had, instead, arrived in the world during the Great Depression they would, on average, have expected to live to 65 years.

So, in the span of eight decades, an average Australian could expect to add almost another twenty years to what would likely to already be an increasingly productive, fulfilling life. This alone is an extraordinary achievement, and is testament to the material improvements and innovations that can only come through economic growth and development.

But increasing life expectancies are only the tip of the iceberg for what has been an amazing trajectory of improvements, on a massive scale and across wide fronts, for everyone:

- Cleaner and healthier environments are contributing to impressive long term trend declines in mortality rates attributable to disease.
- Australians on average are amassing greater incomes and more wealth with each passing year, and our farms, mines, and electricity generation plants have been producing more product to sell to people here and abroad.
- We are becoming more educated with time, allowing us to command more attractive incomes in the marketplace and to use our expanded knowledge base for intellectual pursuits.
- Our larger homes are furnished with an amazing array of creature comforts, such as refrigerators for stored food, washing machines for our clothing, and television for our entertainment, whilst modern realities, such as mobile phones, home computing, and the internet would have been considered as the frolics of science fiction writers a few short decades ago.

In the modern Australia, where poverty is increasingly defined as the lack of a plasma television in an otherwise opulent home, it is not a glib statement to contend that practically every single person has benefited from the secular trends of improvement over time. To quote American economist Deidre McCloskey, whose words ring just as true for Australia:

‘the rich became richer, true. But the poor have gas heating, cars, smallpox vaccinations, indoor plumbing, cheap travel, rights for women, low child mortality, adequate nutrition, taller bodies, ... schooling for their kids, newspapers, a vote, a shot at university and respect.’²⁰

²⁰ Deidre Nansen McCloskey, 2014, ‘Equality vs. Lifting Up the Poor’, The Financial Times, 12 August.

The human mind may well be a potent 'killer app' to search and destroy cultural, economic, political and social problems, but there is a risk that problems may be misidentified. The inordinate focus upon income and wealth inequality statistics, in particular trends affecting the trumped up 'one per cent,' appears to be one of those examples of problem misidentification, prosecuted by particularly imaginative human minds hard-wired to search and destroy problems.

The purpose of this paper is to underline the notion that what really matters is not so much whether the likes of Gina Rinehart, Andrew Forrest or Clive Palmer can afford longer stays at luxury hotels, or more fancy cars and yachts. In fact, what matters is that the lives of the great bulk of Australians, and including those on the lowest income rungs, are getting better as each week, month, year, decade and century passes.

The evidence here suggests that things are actually getting better all the time for nearly all of us, and this is unambiguously good.

If things have been getting better all the time for the great mass of ever-growing numbers of people residing on this continent, then surely the key will be to ensure these beneficent trends continue. This, in turn, implies that roadblocks against improvement be set aside.

If the present generations of Australians are at all concerned about their future prospects, and the prospects of those who will follow them, they would move to ensure that governmental restrictions against continuing betterment, such as excessive taxation, prescriptive regulations and wasteful public sector spending, are cut down to size.

That way, in the most immediate sense, Australians can enjoy things like more affordable housing, cheaper utilities and other outputs, and, in the furthest, their lives would be more broadly situated within a generic climate of continuous improvement, as has already been experienced these last two centuries.