

**Answers to Age Supplementary Questions
Provided by ACCI Chief Economist Dr Steven Kates
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1. What do you think is the single most important long-term economic problem facing Australia? What should the government be doing about it?

The greatest economic problem facing the government is attitudinal. There is still insufficient recognition that there is a necessary relationship between effort and output. There is therefore an ongoing belief that we can reduce productive activity and still maintain living standards. The ACTU's Safety Net, Redundancy Application, and Work and Family claims are examples of the more general belief that we can draw down on our productivity and still continue to raise real incomes. Similar demands for greater social services without recognition of their costs will continue to plague governments. The dangers of a sclerotic outcome, where the Australian economy becomes as bogged down as the European remains a real long-term concern.

The Government should be taking a hard line against the ACTU in its claims for increased real incomes and should do what it can to ensure that the community has a better understanding of the relationship between economic growth and future improvements in the standard of living.

2. In March, Australia will commence free trade negotiations with the United States.

a) Do you think the US is likely to offer sufficient market openings, particularly in agriculture, to make the negotiations a success?

Both sides want to make these negotiations a success and therefore they will be. But nothing will fall into our lap without hard bargaining which is what this process will require.

b) Which of these concessions do you think the Federal Government should be prepared to offer to achieve a good outcome?

3. Does Australia have a long-term savings problem? If so, what should we do about it?

The nature of Australia's long-term savings problem is not so much the absence of savings as the squandering of much of the saving that we do in sub-optimal projects and through public sector waste. There should be further reduction in the size of public outlays relative to GDP and a greater proportion of public spending devoted to capital works and infrastructure. In general, if there are profitable investment projects available, the necessary savings will be forthcoming.

SUPPLEMENTARY QUESTIONS

As usual, we would like to canvass your thoughts on a number of issues. Please feel free to use a separate sheet for your answers if the space provided is not sufficient.

1. What do you think is the single most important long-term economic problem facing Australia? What should the Federal government be doing about it?

2. In March Australia will commence free trade negotiations with the United States.
 - a) Do you think the United States is likely to offer sufficient market openings, particularly in agriculture, to make the negotiations a success?

 - b) Which of these concessions do you think the Federal government should be prepared to offer to achieve a good outcome:
 - remove FIRB controls on US investment in Australia?
 - scrap local content rules on TV?
 - lift quarantine bans on US farm produce?
 - remove export monopolies of AWB and other producer-owned commodity boards?
 - restore restrictions on parallel imports?
 - allow all US professionals to work in Australia?

3. Does Australia have a long-term savings problem? If so, what should we be doing about it?

