

# Ross Garnaut calls for end to 'great Australian complacency'

Economist says productivity challenge 'can't be solved by putting all the adjustment onto a few low income Australians'

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Ross Garnaut was commenting at the release of his book, *Dog Days: Australia After The Boom*. Photograph: Lukas Coch/AAPIMAGE

Renowned economist Ross Garnaut has called for a change in the political culture to address serious economic challenges facing the country, and says low income Australians cannot bear the brunt of reforms.

His comments are a direct rebuff to the chairman of the Prime Minister's Business Advisory Council, [Maurice Newman, who said Australia's minimum wage was too high](#) compared with other countries such as the United States, the United Kingdom and Canada.

"[Newman] is right, we have got a big productivity challenge, but it can't be solved by putting all the adjustment onto a few low income Australians," Garnaut said.

"This is an adjustment that is going to affect everyone, it's going to make life uncomfortable for a lot of businesses who have had things very comfortable for a long time.

"That change in political culture is the biggest of the challenges we face – that is not going to happen without leadership and that's much better if it comes across the partisan divide in Australia.

“The biggest megaphones are held by political leaders and therefore political leadership is essential to bring about a change in culture that Australia is going to need to get through this very big challenge.”

Garnaut is an economics professor at the Australian National University, a former adviser to the Hawke government and a former ambassador to China. He was commenting at the release of his book *Dog Days: Australia After The Boom*.

He said Australia faced a “dreadful” long-term budget situation which would only be solved when groups such as unions and business acted in the national interest.

He said the country was suffering the “great Australian complacency” and economic reforms such as working to reduce the real exchange rate would only be achieved by all sections of the Australian economy making sacrifices.

“There have been lots of changes in our political culture, what I have been calling the great Australian complacency of the early 21st century.

“A lot of these changes make it much harder to achieve economic reforms.”

Garnaut said the current problems stem from the first 2003-8 boom period in which wages increased by 12.5% and government revenue increased but all the money was spent on tax cuts for businesses and households, increases in executive pay and social security.

“It was kept going for a bit longer by an investment boom that was going to come to an end,” he said.

“The first thing is Australians need to realise that we face a hard period, one that requires a comprehensive approach.”

Garnaut said federal-state relations were blocking productivity raising reforms in transport, health and education and urged reform of the “dysfunctional federal system”.

He predicted that, while the budget situation over the next four years was “dreadful”, the outlying four years were worse.

“The only way out of that is not by pushing reforms on to other people,” he said. “We all have to be part of it and that will mean uncomfortable changes right across society.

Garnaut was broadly optimistic about China maintaining growth of between 7% and 8% but he predicted there would be changes in the structure of growth, which would generate less demand for energy, metals and particularly coal.

“Australia faces very big changes and was going to face them whoever won the election. My objective in writing the book is to ask people to think about the choice and accept the adjustment.

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