

Chapter Two

Building a Strong Economy for a Fair Society

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Sustained economic prosperity will make it possible for Australian families to enjoy higher living standards, and to improve quality of life for all Australians. In a highly competitive global economy, Australia's capacity to build future prosperity depends on us tackling long-term challenges—boosting education and skills, building world-class infrastructure, and investing in innovation, research and development. We cannot rely on the resources boom to continue to supply prosperity. We must invest in the long-term drivers of economic growth now, so that we can build the industries of the future that will sustain tomorrow's economic and social prosperity.

Principles

- 1.** Labor is committed to managing the economy in the interests of all Australians. This is best achieved by maintaining stability, keeping inflation and interest rates as low as possible, while maintaining strong public finances. At the same time, our goal is to raise incomes and living standards by boosting the productive performance of the Australian economy through investing in skills, science and innovation, and encouraging enterprise. Labor is committed to ensuring all Australians, wherever they live, can contribute to and benefit from a strong economy.
- 2.** Labor is committed to achieving full employment, meaning that anyone who wants a job can find one within a reasonable time. Employment security is the key to personal and social well-being, to stable relationships and family life. In particular Labor is committed to reducing under-employment and maximising the opportunity for Australians to be employed in secure, high-wage, high-skill jobs.
- 3.** Everyone capable of employment should be able to secure a job and education or training. Unemployment is not an acceptable option. Labor will always pursue policies to achieve full employment as our highest priority. This is why we support a dynamic, mixed economy, which drives economic growth by fostering enterprise, innovation, and competition to deliver benefits to all Australians and which invests in our people and their ideas to drive improved productive performance across the economy.
- 4.** The benefits that flow from economic growth and wealth creation should be available to everyone in the community. Sharing the benefits of growth fairly through a fair tax system, quality public services, equal access to educational opportunities, and a decent social safety net will increase the community's acceptance of the need for ongoing economic reform. Labor is committed to providing:
 - the opportunity for all Australians to have a reasonable standard of living sufficient to enable them and their families to live with dignity;
 - a society where no one need live in poverty;
 - equal opportunity for Australians to benefit from national economic success, including equitable distribution of assets, income and employment;
 - opportunities for everyone to be educated, trained and job ready throughout their working lives through learning opportunities that are broad based and nationally accredited;

- equity in the housing sector, overcoming Australia's housing affordability crisis in both the ownership and rental markets;
 - protection of the living standards of those unable to work; and
 - specific programs to promote economic growth in regional and rural Australia.
- 5.** The unprecedented challenge of climate change demands that economic growth should be sustainable both economically and environmentally. Failure to address climate change will have a devastating impact on the environment and global economy. Labor is committed to introducing policies to reduce carbon emissions through energy conservation and the development and application of new technologies with uptake enhanced, where appropriate, through the use of market based mechanisms such as carbon trading.
- 6.** Sound economic fundamentals provide the platform for building prosperity, create an environment for individuals, business and communities to prosper and sustain a sound revenue base to fund the provision of quality public services.
- 7.** Strong public sector finances and low inflation are prerequisites for sustainable economic growth.
- 8.** Labor is committed to keeping the budget strong and Government debt as low as possible by:
- adhering to a medium-term fiscal strategy that keeps the budget in surplus on average over the economic cycle;
 - funding priorities by redirecting spending and maximising public sector efficiency while not increasing the overall tax burden;
 - prioritising new spending and taxation reform in areas that will boost productivity and workforce participation; and
 - where appropriate, establishing partnerships with the private sector to fund capital investment.
- 9.** Labor is committed to preserving low inflation. Low inflation is the key to maintaining low interest rates.
- Labor is committed to the independence of the Reserve Bank and expects it will fulfil each of its charter objectives of stability, employment and general economic welfare.
 - Labor fully supports the independent conduct of monetary policy by the Reserve Bank and its medium term inflation target of two to three per cent.
 - A Labor Government will be careful to ensure fiscal policy is not complicating the conduct of monetary policy.
 - A Labor Government will give prompt attention to any supply side constraints that the Reserve Bank identifies as a threat to price stability and which are unlikely to be addressed in a timely way by market forces.

Labor's Growth Strategy

- 10.** With the economic fundamentals in place, Labor's key priority is to raise the incomes and living standards of the Australian people by building an economic climate of enterprise and innovation. Strategic government policy and support will be utilised to achieve this goal consistent with promoting quality of life, social justice, and environmental sustainability.
- 11.** While Australia's material resources and wealth have stood us in good stead, the economy of the future will be driven by knowledge, innovation and creativity.

- 12.** We must pursue a sophisticated strategy to engage effectively in high-value, high-growth global markets—producing goods and services in industries that will provide rewarding jobs for working Australians.
- 13.** Stimulating enterprise and innovation will also equip Australia to respond to, and take advantage of, a number of long-term challenges. This includes the emerging geographic shifts in the centres of economic growth, the ageing of the population, climate change and an increasing scarcity of economic and environmental resources.
- 14.** Labor will also seek to ensure quality of life by ensuring that economic growth is environmentally sustainable.
- 15.** A key task of government is to support the wealth creators. A Labor Government will do this by pursuing key policy priorities that increase productivity and participation by:
 - boosting the education and skills of the workforce;
 - stimulating capital investment and creating world-class infrastructure using private and public funding sources;
 - boosting public and private investment in research and development and fostering public-private linkages;
 - removing unnecessary regulation and promoting competition;
 - improving financial incentives for workforce participation by undertaking ongoing taxation and welfare reforms and increasing the affordability and supply of quality childcare;
 - recognising the need to foster renewable energy and low emissions technologies and to pursue policies to capitalise on the new market opportunities that are being created by the need to combat climate change; and
 - actively seeking a broad range of rigorous economic policy advice from a range of government and non-government sources.
- 16.** Boosting net exports particularly in high value added goods and services industries will be key objectives of Labor’s policies, it will deliver higher real per-capita incomes, increase national savings, and help control spiraling foreign debt.

Boosting Education and Skills

- 17.** The skill levels of those in the workforce are a key contributor to productivity—supporting efficiency gains, increasing the absorption of new technologies and boosting innovation. Getting people into work, and raising their skill levels can also support the achievement of wider social outcomes. Labor recognises raising skills is a cumulative process. Early education and school are the foundation for future learning that lasts a lifetime.
- 18.** Relevant pre-vocational and workplace training is also critical in supporting ongoing learning and skill development.
- 19.** Australia’s tertiary education sector is crucial in providing key skills for industry and business to support economic growth.
- 20.** Labor is committed to supporting all sectors and will develop sustainable funding models focused on achieving outcomes.

World-class Infrastructure

- 21.** Secure and efficient transport, energy and communications infrastructure is essential to a well-functioning and high-productivity economy. Labor’s key priorities include:

- developing world-class communications infrastructure particularly the delivery of high speed broadband to Australian businesses and homes;
 - securing sustainable water supplies for businesses and homes;
 - improving transport infrastructure including improved integration of road, rail, ports and air to increase supply chain efficiency;
 - maximising social and economic outcomes from urban planning particularly through better public transport linkages; and
 - removing regulatory impediments to key national infrastructure.
- 22.** Labor will coordinate and prioritise infrastructure through the establishment of *Infrastructure Australia*. Labor will utilise best practice procurement processes to maximise value for money, transparency and public accountability when evaluating different procurement options.
- 23.** Labor's Building *Australia Fund* will provide an ongoing revenue stream to finance, or leverage finance, for key infrastructure of national significance.

Innovation, Research and Development

- 24.** Business innovation is a key driver of higher productive performance. Labor knows competitive markets, macro-economic stability, low barriers to investment and trade, and a supportive and fair regulatory environment are all necessary preconditions for business innovation.
- 25.** A key priority for Labor will be the pursuit of policies that promote the creation, absorption and diffusion of knowledge.
- 26.** New policies and institutions are needed to help firms create and use knowledge and new technologies relevant to their business. Labor will promote the use of innovation hubs which aim to foster greater public-private, co-funding of research. The commercialisation of products will also be enhanced through better access to prototyping facilities.

Taxation

- 27.** Labor is committed to a fair and sustainable tax system that provides incentive for all Australians to work and undertake productive enterprise while guaranteeing adequate revenue to provide quality public services.
- 28.** Labor is committed to keeping taxes as low as possible consistent with maintaining a sound revenue base to fund quality public services. Labor is committed to ensuring tax does not rise as a proportion of GDP.
- 29.** Labor recognises the design of tax policies can have a significant impact on economic growth. Tax policy is a major tool that can assist in promoting economic growth.
- 30.** Labor understands high effective tax rates on personal and company income should be avoided as they inhibit decisions that drive investment, workforce participation, and productivity.
- 31.** Public confidence in Australia's tax system is dependent upon a simple and transparent tax system where everyone pays their fair share of tax.
- 32.** Labor is committed to addressing tax evasion and avoidance activity that results in tax rates on the great bulk of taxpayers being higher than they need to be.

- 33.** Labor will regularly assess our personal and business tax systems and consider necessary reforms essential for improving the sustainability and fairness of the system and enhancing our global competitiveness.
- 34.** Future tax reforms should:
- ensure there is a sound revenue base for quality public services;
 - remove barriers to investment and workforce participation;
 - enhance Australian businesses and industries capacity to successfully integrate into the global economy, most notably Australian companies winning places in global supply chains;
 - simplify the system for individuals and businesses whilst tackling avoidance activity;
 - preserve and enhance a progressive and fair personal tax system;
 - provide support to families;
 - seek to minimise the impact of high effective marginal tax rates, particularly on those moving from welfare to work or the second income earners in low to middle income families;
 - aim to attract and retain skilled labour; and
 - aim to enhance allocative efficiency by not distorting investment and consumption decisions;

Sustainable Industries and Markets

- 35.** Labor recognises sustainable economic growth will depend upon a balanced and innovative economy that embraces more efficient use of scarce resources, the development of renewable sources of energy and low emissions technologies.
- 36.** Scientific consensus makes it clear that carbon emissions are causing global warming which if not addressed will lead to serious environmental and economic outcomes. Addressing climate change presents both challenges and opportunities for the Australian economy.
- 37.** Labor believes that we must move to a less greenhouse-intensive economy in order to address climate change, and we can do so while maintaining our current economic prosperity and continuing to improve our quality of life.
- 38.** Labor believes that action on climate change could underpin a new round of productivity increases as we harness the energy and creativity of the Australian people in the transition to a low carbon future.
- Labor acknowledges compelling evidence that early action to reduce greenhouse gas emissions will cost far less than inaction, will allow a smooth transition to a less carbon-intensive economy, and will avoid the inevitable economic shocks of delayed action.
 - Where appropriate, Labor will use market-based measures and will provide clear long-term market signals to ensure appropriate confidence for business to invest in new infrastructure.
 - Labor will invest in innovation and research to encourage the development and dissemination of new technologies and take advantage of growing international markets for low emission technologies.
 - Labor will ensure that infrastructure planning and investment anticipates climate-related changes to weather (particularly water availability), settlement patterns and cost structures.

- Labor will assist households and small businesses to invest in energy efficiency to reduce energy use and prepare for increases in energy prices as we move to a less carbon-intensive energy supply.
 - Labor will work with communities and sectors of the economy that are most adversely affected by climate change to manage the transition to new circumstances.
- 39.** The emergence of economic superpowers like China and India poses significant challenges and opportunities for Australian businesses and industries. Our location in the region, well educated workforce and abundant natural resources means we are well placed to benefit from the economic opportunities presented by this rapidly growing market.
- 40.** Labor will pursue policies that enhance our global economic engagement with an emphasis on expanding Australia's market share of high-value goods and services exports.
- 41.** Labor recognises the special competitive challenges facing the manufacturing and services industries. A vibrant manufacturing sector is an essential feature of the economy.
- 42.** A modern manufacturing sector is crucial for Australia's skills, exports and it underpins other sectors of the economy including services—many of which grow out of a strong manufacturing base. Manufacturing will benefit from Labor's enterprise and innovation oriented policies.
- 43.** Labor recognises there is a role for government in aiding the competitiveness of Australia's industries and firms to enable them to:
- penetrate export markets that would otherwise be inaccessible;
 - meet competitive challenges, in both import and export markets;
 - gain adequate access to investment finance, particularly small and medium business enterprises;
 - increase employment opportunities;
 - lead the field through high quality, innovative research and development; and
 - promote diversification of the Australian economy to increase the output and exports of high value-added, high-skill manufacturing, services and information based industries.

Managing the Constraints on Growth

- 44.** Long-term prosperity can only be sustained if Australia's levels of household, corporate, and foreign debt are sustainable. Labor supports measures to build national savings such as:
- the growth of superannuation, sensibly balancing both compulsion and incentive;
 - new programs and incentives to encourage families to save for their children's future; and
 - responsible budgetary policy.
- 45.** Labor will also address the current account shortfall with economic policies designed to increase the volume and value of exports in order to consistently achieve a trade surplus. Australian business will be supported through government agencies such as Austrade, export support programs and incentives and effective diplomacy to win recognition for Australia's distinctive place in the region and the world.
- 46.** The Stern Report has indicated in the clearest terms that combating climate change is an economic imperative as well as an environmental one. Labor is committed to integrating environmental, energy and economic policies to ensure that economic growth is sustainable and that Australia plays its role in combating climate change.

- 47.** Labor recognises sustainable economic growth will depend upon more efficient use of scarce resources, the development of renewable sources of energy and low emissions technologies. This reality will give rise to new markets and products which Australia is well placed to capitalise on. Where appropriate Labor will consider price signals and incentives to foster new markets and improve allocative efficiency.