
The Good Times Are Killing Us

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It is a wonderful time to be living in Australia. Low unemployment, high economic growth and a wonderful overall standard of living. When perennial losers Collingwood and St George-Illawarra can win their respective football premierships, you know we're living in dreamland.

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First, it may be good for travellers but it is not good for Australian industry to have our currency trading at a level that decimates domestic exporters (see [Dutch Disease Infects Aussie Exporters](#)). While the US, China and Japan are engaged in a [high stakes battle](#) over who can depreciate their currency the most, Australia is wearing the peripheral damage.

There is not much the government can do on a geopolitical level. We are not big enough to have any clout and our Reserve Bank, more independent than most, is unlikely to get involved in trying to suppress the currency. But the government should be doing everything it can on a micro level to support the non-resources export industry through a very difficult time. Otherwise, when the commodities boom comes to an end, we are going to be left with very little industry to speak of.

Secondly, our politicians need to start thinking more than one election cycle ahead. Otherwise, this wonderful period of prosperity is going to be wasted.

The resources we're digging out of the ground took billions of years to create and, within a few generations, most of the stockpile will be gone. We don't have a permanent income stream. We have an asset base that we are selling off at an increasingly rapid rate.

When Norway discovered it was sitting on one of the world's largest oil repositories in the 1960s, it immediately established [The Petroleum Fund of Norway](#) (now called The Government Pension Fund – Global). The sole purpose was to invest surplus wealth generated by petroleum production for the benefit of future generations. Today the fund is worth some US\$450bn, or approximately 100% of Norwegian GDP.

Given the way a sensible idea like the resources tax has been handled in Australia, I'm not feeling particularly confident we'll end up with anything like a similar outcome.