

Australia's Second Chance

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Extract

Introduction

In the twenty-first century Australia staged one of the great recoveries in human history: from a nation to be pitied to one that is considered the envy of the world. No other economy has had a comparable winning streak to ours, and at a time of global instability. Twenty-four years have passed since our last deep recession, and since we were subjected to the taunt from Singapore's president, Lee Kuan Yew, that Australia risked becoming the 'poor white trash of Asia'.

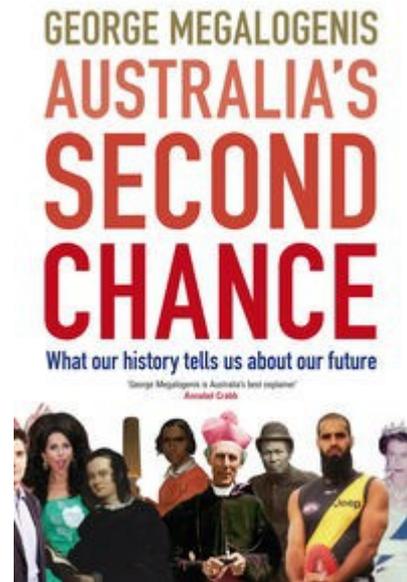
Yet we no longer feel comfortable in our prosperous skins. There is a palpable fear in the community that our luck will soon run out, and that we will revert to our former state of mediocrity: a people to be ridiculed for wasting their fortune. Liberal Party pollster Mark Textor describes the surly public mood as a form of performance anxiety. 'Australians realise they have been in a privileged position but feel stressed about it,' he says. 'When you are sitting on an economic pedestal, you ask yourself, 'How do I maintain this?' The only way is down.'

We have been here before. These first surprising, unsettling decades of the new millennium have brought Australians back to the position they enjoyed as the world's richest people in the nineteenth century. For the second time, an entire generation of Australians has been raised with no experience of the economic or social hardship currently felt in the United States or Europe. Once again, our society reflects the best of the world back to it. In the 1870s, when Australia enjoyed its greatest advantage in living standards over the United States and Britain, the population split almost fifty-fifty between migrants and local-born. Today, almost half the population can be counted as first- or second-generation migrants – 28 per cent were born overseas and another 20 per cent have at least one parent who was a migrant.

The question of who we are has never been more fascinating, or confronting. And seldom have we been less able to discuss it. Most of us react to the subject of 'national identity' as we do to fingernails on the blackboard. Debate has polarised to the point where one Australia is made deliberately unrecognisable to the other. We are either irredeemably racist, or the greatest people on earth. To those in the former camp it is impossible to compute Australia's success. To those in the latter, it is unAustralian to even acknowledge the violent dispossession of the people who were here before us, or the revolving door of xenophobia that greets each new arrival.

This book will seek to avoid the false choice between a good and a bad Australia, and explore, instead, the answer to the more interesting question of why this settlement exceeds at both ends of the economic cycle. In our most recent period of poor performance, in the 1970s, Australia was one of the few nations to suffer rates of unemployment and inflation above 10 per cent. Australia experienced the hardest landing of any country in the global depression of the 1890s, and in the Great Depression of the 1930s endured the humiliation of an austerity program imposed by the Bank of England. The cuts to wages and pensions back then were as severe as the Greeks are being forced to accept in the twenty-first century.

Our national contradictions mirror the extended booms and busts of the economy. We are a confident people who can't articulate what it is to be Australian beyond the clichés of mateship and the fair go; an affluent people pretending to be battlers. Our politics has a proud history of world-leading reform, but our leaders have disappointed more often than we care to count.



Australia's Second Chance considers our place in the world in three parts, from rise to fall and back to the present day. In Part One we will see how Australia made the relatively quick journey from open-air prison to the very top of the global income ladder in the nineteenth century, with a people willing to inspire the world with democratic reforms. Part Two will delve into our longest bust, from the end of the 1880s to the start of the Second World War, offering a new theory for why we shrank as a people. And Part Three brings us up to now – at the crossroads between relapse and national maturity.

The thread that connects the past to the present and future is the ongoing conversation between those who came to these shores, and those who received them. This dialogue has always been central to the national story, but it is too often reduced to its social dimensions only. The economic side of the equation is rarely considered, even though Australians would acknowledge they obsess about economics more than most people. Our blindness in this respect is a curious national trait. Americans view migration as essential to their nationhood, recognising that migrants literally made the United States. Australians are more likely to define the benefits of migration in cultural terms – the food.

We worry that the new arrival will not become 'Australian', while the Americans never doubt that the migrant will embrace their identity. Meanwhile, every new arrival has a version of the first contact story of James Cook. When the Yorkshire-born sailor claimed the east coast of Australia for Great Britain in 1770, the locals rejected the gifts he offered and took aim with their spears. 'All they seem'd to want was for us to be gone,' he wrote. Once the migrants join the mortgage belt and send their children to the top of the class, these first impressions begin to dissolve because the country has both remained familiar and grown more wealthy.

Our periods of strong migration have been our most successful; our busts are distinguished by the closing of our doors, through policies of racial selection and import protection. This is not to say that the new arrival is somehow superior to the local, but rather that Australia's least productive and most divisive eras have been those when migration was at its lowest ebb – in the early decades of convict settlement and in the half-century-long stagnation of White Australia, from the 1890s until the end of the Second World War.

Our economic winning streak will end, as streaks always do, and there is much to be genuinely concerned about. Property prices in Sydney and Melbourne have reached levels that past experience says will lead to a crash. National politics has surrendered to its own cynicism, and China, the country that helped give Australia its extra decade of good times, can no longer be relied on to prop up the global economy. Here is the critical challenge for Australia: whenever the next shock comes, will we revert to our old sheltered, internationally maligned self and endure another lost decade like the 1970s, or worse, the isolation of White Australia? Or can we learn something from how we reacted to previous setbacks, and build on the success of our longest boom? Migration is the greatest compliment that can be paid to a nation, and for only the second time in history a significant share of skilled arrivals are choosing Australia over the United States. The changes these people will bring to the nation will be more profound than those brought by the postwar waves from southern Europe and South-East Asia. The test is to keep them coming, and to avoid repeating the mistakes of the past. Whether we will be anxious or excited about the future can't be answered by minerals, or the global economic cycle. The question of whether Australia can make something of its second chance turns on whether we can remain the place the world wants to be.