Book Review: The Vulnerable Country: Australia and the global economy

David Cooke
Konica Minolta Sydney

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‘Australia was born vulnerable’. Conley’s opening sentence encapsulates a core assumption of his thesis. The foundations of this historical, political and economic narrative are further established by reminding one of the precarious beginnings of this convict settlement ‘on the other side of the world’. Early historical comparisons are made between the economic development of Australia and that of the US and Conley notes that the US threw off the yoke of British imperialism far earlier than Australia, contributing to its eventual status as a global economic powerhouse.

The reader moves through the early economic periods in Australia’s history, many of which were dominated by a protectionist mentality; through the Hawke and Keating years, the Howard / Costello era and, ultimately, to the economic challenges facing the Rudd Government of today.

The theme of change is evident in this work with the impact of post-war immigration, the changing industrial relations landscape, the embracing of share ownership by nearly half the Australian population and other significant shifts in our nation all being embraced. Of significance, the floating of the Australian dollar and reforms to the Australian banking system are cited. In connection with the latter, the author reproduces one of Paul Keating’s classic observations in highlighting the need for change; “banking is the artery of the economy and we’ve had hardening of the arteries for too long in this country”.

Conley paints a clear picture of the inter-dependency of politics and economics, giving the reader insight into his own political leanings in the process. Indeed, it is not possible to write a treatise on a nation’s economic history without writing one on its political history. There are economic theories that transcend international boundaries, but how these are applied, via economic policy, is the domain of politicians or, at the very least, bodies appointed by them. Conley correctly acknowledges this inescapable coexistence. He discusses the inevitable international influences on a small nation responsible for only 1.5% of global GDP. These include the impact of soaring global stock markets and the explosion of the Chinese economy.

It is clear that Conley does not subscribe to the ‘hype of never-ending growth’ so prevalent in the years leading up to late 2007. However, as the author states the world wasn’t listening when he commenced this work in 2006 and had little interest in talk of vulnerability. Again the bond between economics and politics is emphasised as he asks how one can objectively appraise the policies of an incumbent government when the economy is booming. A lot is overlooked or forgiven when one is “fat and happy”.
Conley looks beyond this apathy and reminds the reader that ever expanding national and personal wealth is no excuse for negligence in social policy and that the Howard Government’s attempt to remove protections for lower paid workers was ultimately its undoing. He further states that the lack of spending during the Howard years on vital national infrastructure projects has now added to the nation’s vulnerability.

Conley details some of the vulnerabilities which still haunt Australia, including high levels of personal debt, reducing commodity prices, rising unemployment, reliance on continuing growth of the Asian economies and increasing foreign debt, now at unprecedented levels. He reminds us that ‘the financial mayhem of late 2007 and 2008 showed that a laissez-faire approach to financial markets eventually leads to disaster’ and chastises financial authorities for not counselling more caution. No discussion of economic history would be complete without a quote from Keynes and perhaps one of his most prophetic, in light of recent events, reproduced by Conley, is that of ‘the unsustainable cannot be sustained’.

Conley strongly advocates reducing reliance on resource exports and urges the Rudd Government to ignore the ‘Opposition’s deficit fetish and political point scoring’ designed to reinforce a mindset of fear throughout the electorate. His advice extends to the US as well as he advocates a rebalancing of global capital flows requiring the US to save more and consume less.

He states that economics cannot solve, indeed should not be expected to solve, all of society’s problems and reminds one that the global imbalance seen today emerged from within the system itself. Conley gives us further insight into his own agenda of social reform as he emphasises the importance of benevolence, inclusiveness, social values and the distribution of wealth as being key to a nation rising to the challenges inevitably faced.

Conley dismisses the notion that globalisation, per se, and the pursuit of economic growth must necessarily be opposed to egalitarianism. He devotes some time to a discussion of ‘Equitable Globalisation’ or socially sustainable globalisation, as an alternative to the myopic self interest of much of neo-liberal capitalism which has lead to global problems evident today. He advocates a revitalised role for government and a broader spreading of the resulting benefits of a more diversified and more dynamic economy. In support of this view Conley reproduces Rudd’s argument that ‘the world needs social democracy to save capitalism from itself’.

He reminds the reader of a responsibility to be an inclusive nation with the sobering thought that poverty and inequality are still far too widespread and that, with the wealth that the Australian economy possesses, the country could bridge the poverty gap with the allocation of potentially as little as 2 per cent of GDP directed toward this objective.

An impressive array of economic data has been assembled for this work, including predictions of where nations will rank in the index of top manufacturing countries in 2025. Not surprisingly, China is predicted to overtake the US, with South Korea, India, Indonesia and Taiwan all moving up in the rankings as well. As for Australia’s future direction, Conley asks the reader to consider whether one really wants to live in a country which exports coal and imports environmental technology.
This work is eminently readable, well structured and well referenced and comprehensive in its coverage of its topic. The case is well made for all to be mindful of the continuing vulnerability which exists and that effective adaptation to the changing world requires constant reappraisal - not slavish adherence to economic dogma. **David Cooke**