

# The Australian Economy

The essential guide

*Edited by Peter Kriesler*

ALLEN & UNWIN

---

# Contents

Tables	viii
Figures	x
Contributors	xii
Preface and acknowledgments	xiii
Glossary	xv
1 What is this thing called 'the Australian economy'?	
PETER KRIESLER	1
• <i>Economic growth</i> • <i>Inflation</i> • <i>Unemployment</i> • <i>The balance of payments and international debt</i> • <i>Fiscal policy</i> • <i>Monetary policy</i> • <i>Microeconomic reform</i> • <i>The public sector</i> • <i>Environmental policies</i> • <i>Conclusion</i>	
2 Economic growth: recent history and prospects	
STEVE DOWRICK	15
• <i>Australia's growth performance—trends and cycles</i> • <i>The labour force's contribution to growth</i> • <i>The contribution of physical investment to growth</i> • <i>The contribution of technical progress to growth</i> • <i>International comparisons of GDP levels and growth rates</i> • <i>Concluding comments</i>	
3 Inflation	
BILL JUNOR	36
• <i>A definition of inflation</i> • <i>Measurement of inflation</i> • <i>Australia's inflation experience—a broad brush</i> • <i>The</i>	

- causes of inflation • Causes of inflation in Australia since 1960 • The costs of inflation • The costs and benefits of anti-inflation policies*
- 4 Unemployment in Australia TREVOR STEGMAN 61  
 • *The costs and measurement of unemployment*  
 • *Australia's unemployment experience • The causes of unemployment • Labour market flows • Current policy*
- 5 The balance of payments and international debt COLM KEARNEY 80  
 • *The balance of payments accounts • Australia's foreign indebtedness • The debt debate: does the current account matter? • Economies of scale*  
 • *Current Australian trade policy • Summary and conclusions*
- 6 Fiscal policy in Australia JOHN NEVILE 101  
 • *How fiscal policy works • Crowding out • National savings and the current account deficit • Structural deficits • Fiscal policy in Australia*
- 7 Money and monetary policy ROSS MILBOURNE 119  
 • *Prudential regulation • Credit creation and monetary policy • The theory of monetary policy • The transmission mechanism of monetary policy • Policy prescriptions • Australian empirical evidence • Recent Reserve Bank of Australia policy*
- 8 Microeconomic reform DAVID CLARK 142  
 • *What is microeconomic reform? • Why microeconomic reform is unavoidable*  
 • *Microeconomic reform—an overview • The industry policy revolution • Labour market reform • Public sector reform • Barriers to further microeconomic reform • Microeconomic reform not a simple panacea for all of Australia's economic ills*
- 9 The public sector: trends in Australia and other OECD countries PETER SAUNDERS 170  
 • *The Australian public sector in the 1980s*  
 • *Developments in other OECD countries • Other trends in the public sector • Marketisation • Summary*
- 10 The environment: the role of economic instruments ANTHONY OWEN 191  
 • *Internalising externalities • Economics of emission control • The taxation approach • Tradeable permits*

- *Combined taxes and permits* • *Applications*
- *Efficiency of economic instruments* • *Social welfare aspects of economic instruments* • *Australian experience*

Bibliography

214

Index

223