



Speech by

Hon. J. FOURAS

MEMBER FOR ASHGROVE

Hansard 29 October 2002

INTERNATIONAL MONETARY FUND; THIRD WORLD DEBT

Hon. J. FOURAS (Ashgrove—ALP) (11.44 a.m.): The IMF has recently issued a report card on the Australia economy. Its report lauds the recent performance of our economy and the many micro-economic reforms that have already been made. However, the IMF states that we need further reforms if the economy's rapid growth is to be sustained. The IMF recommends a comprehensive and coordinated package of major changes in the tax, income support and industrial relations systems. Within such a package, their major priority is to enhance incentives to work, save and invest by reforming the personal income tax system.

The IMF wants to cut in particular the top tax rate. What has been advocated is a very expensive tax cut and one that would favour about one in 10 taxpayers who would benefit by a tax saving of 17 cents in every dollar of income above \$60,000. Any person earning \$100,000 a year would benefit by \$6,800, or \$130 a week. Someone on \$200,000 a year would save \$23,800 a year, or \$460 per week. The CEO of the Commonwealth Bank, who earns \$7 million, would save more than \$1 million a year. At the other end of our social scale, the IMF wants the eligibility requirements for income support programs and penalties for breach of obligations to be rigorously applied and tightened.

When it comes to industrial relations, the IMF believes that minimum wages remain very high in Australia relative to other advanced economies and that their lowering would enhance employment prospects for low-skilled workers. Simply put, the IMF's reform package advocates more carrot for the rich and a bigger stick for the poor.

Australia is indeed fortunate that it cannot be coerced by the IMF to submit to such unbalanced policies. However, many Third World countries, which are in the clutches of the IMF, are not so lucky as they are not in a position to be able to reject such obscene policies. These countries have been obliged by the IMF to submit to the demands of free market deregulatory economic policies; they are forced to cut or abandon spending on education, health and welfare; to end support for their domestic industries; to produce food for export instead of for their own consumption; and to sell their most productive assets to western buyers. The IMF's flawed Third World development model of borrow, invest and repay has led to a collapse in the value of their currencies. As a consequence, western buyers have bought all of those countries' wealth-producing assets at bargain basement prices.

The IMF argues that those fortunate workers who are on high salaries need to be motivated by huge tax cuts whilst the poor, many of whom face high effective tax rates, are apparently unmotivated by money and need more stick to get them off their backsides. The IMF package would not only increase social conflict but it is also poor economics. It is no wonder that the IMF is hated by the citizens of Third World countries. It is time for the IMF to be consigned to the dustbin of history. Their special pleadings on behalf of the rich are not needed. The rich are powerful enough to look after themselves.

World debt is growing exponentially. It is now about \$US2.4 trillion. In 1971, Argentina owed \$2.3 billion. In 1998, their debt was \$133 billion. The current levels of debt are inherently unrepayable. That indicates the broad failure of the economic institutions involved in the accounting of world trade, such as the IMF, the World Bank and the World Trade Organisation. The need for the further cancellation of world debt is an issue that will not go away. In relation to the pressures from economic migration and refugees because of this debt crisis, I think that the developed world will have to come to terms with that crisis, because it also will not go away.

When I read that report from the IMF, which was all about carrots for the rich and stick for the poor, I was just outraged. I understand that we are fortunate enough to not be a debtor nation that has had to borrow money from the World Bank through the IMF—nations that have had to undertake structural adjustments that mean that they sell off their assets for very little. The wealth is being taken out of those countries and more people are living in worse and worse circumstances. Jubilee 2000 was about getting rid of Third World debt, but what was forgiven was less than one per cent of Third World debt. I think that the world needs to get away from this economic rationalist agenda and make sure that we have a society that can function and that we have a society that looks after all its citizens. As the Greeks said, the true testament of democracy—

Time expired.