PM must climb a mountain of expectations

Voters were happy to see the back of Labor – but now they are clamouring to see a more precise plan of action from Prime Minister Tony Abbott.

Phillip Coorey

Earlier this month, renowned political pollster John Scales set about gauging how people felt about the new government, compared with the last one, and what issues were concerning them most.

The upshot will bring both joy and concern to the Abbott government. There is, as Scales put it, a "huge sigh of relief" the previous dysfunctional Labor unit has gone. There is, however, little inclination to blame Labor for the situation the Coalition has inherited, especially the economy, but there are concerns about the Coalition's ability to fix things.

The findings are contained in the True Issues survey, which is conducted periodically by Scales's company, JWS Research. It polls 1000 voters nationwide on a series of social and political issues and then follows up the findings with focus group research to bore down into some of the more interesting findings. The latest exercise was conducted from November 7 to 14, two months after the federal election, and five months since the last such poll in June.

It found that in every policy area, except climate and the environment, the change of government had resulted in increased optimism. But in a sign of how demanding the electorate and short-term politics have become, that is being rivalled by an expectation for the new guard to deliver.

"The focus groups showed this optimism to be tempered by some frustration with the absence of a forward-looking plan for the future from the new government," the True Issues report says.

"Complaints about negativity and lack of vision that featured heavily during the last pre-election wave of research persist in the absence of communication about a plan of action to take Australia forward.

"There is certainly a pervading sense that it's now time for the new government to get on and do something, more than in the areas where they committed to dismantling Labor policy such as on the carbon tax, the mining tax and stopping the boats."

Consider the economy, which rates as the second-greatest priority for Australians after health and hospitals. The polling finds two areas of concern for the government. Firstly, Joe Hockey's attempts to raise the debt ceiling by $200 billion to $500 billion – and blame Labor for it – have not gone down well.

People are confused by the issue and "some voters believe by raising the debt limit, the Coalition is already reneging on its promise to reduce the deficit and bring the budget back to surplus".

As one respondent told a focus group: "They said they were going to get us out of the debt, but now they announce they are going to borrow more money."

Yet there is little appetite for the budget cuts coming our way either.

Scales said before the election, voters' concerns about the Coalition coalesced around fears of cuts to government spending. Those fears remain and the research suggests the government has to do a better sales job if the voters are going to support the process. "While Australians are now feeling more positive about the future direction of Australia's economy . . . the fear of excessive spending cuts remains a concern," he says.

"This is particularly true for Brisbane-based voters whose experience of the Campbell Newman government's driving concerns about the federal Coalition."

Essentially, people recognise the need to pay down debt and deficit, but don't want to see services hit.

In this vein, people regard a return to surplus as less important than longer-term economic policy, which focuses on job creation and infrastructure building.

The other raging political issue – a price on carbon – is also more complicated than either side would have us believe.

Some voters believe by raising the debt limit the Coalition is already reneging on its promise to reduce the deficit.
True Issues Report

The poll found that among those who nominated business, mining and industry in their top five important issues, concern about the carbon tax dropped from 38 per cent in the June True Issues survey to 20 per cent now.

Also, there remains strong support for investment in renewable energy, which is in contrast to noises from the government about abolishing or watering down the Renewable Energy Target of 20 per cent by 2020 following a review next year.

On the issue of carbon tax versus Labor's new plan to turn it into an emissions trading scheme, versus the Coalition's direct action policy, it appears the punters are overwhelmingly concerned about climate change, but are fed up and confused about the endless policy debate surrounding it. The Coalition may have sold them on abolishing the carbon tax but not on its replacement.

"In focus groups, Australian continued to be concerned about climate change, confused by carbon pricing and of the belief that if repealed, carbon pricing should be replaced with something else. They fault the Coalition for not having a credible alternative."

This confusion is, in turn, driving enthusiasm for renewable energy.

"Australians can see and understand the impact of cleaner energy on the environment far more clearly than they can evaluate the success of a difficult to understand policy, such as the current carbon laws."

One of the government's key political pitches for axing the carbon tax is the claim household power prices will fall by an average 9 per cent, or $550 a year, and that Labor is trying to deny people this.

There is considerable scepticism about this as well or, as the polling finds "it is something that will have to be seen to be believed".

Phillip Coorey is The Australian Financial Review*'s chief political reporter.*

Murray Review has to get regulatory settings right

Australia must not be saddled with financial rules to solve problems that do not exist here.

John Brogden

A significant difference between the latest financial system review, to be chaired by David Murray, and the earlier Wallis and Campbell inquiries is the prevailing view and mood on regulation.

The two past reviews took place in a world where deregulation and the power of markets were seen as drivers of growth, but the environment of the past four years has been one of re-regulation and distrust of markets.

From the Campbell inquiry came the floating of the dollar, bank deregulation and removal of foreign exchange controls.

The Wallis inquiry brought the twin peaks regulatory model of APRA and ASIC.

The Murray review is wide open, but the terms of reference provide the opportunity to ensure Australia's financial services industry is highly efficient and globally competitive. This is important to maximise our financial services exports and to ensure growth in the wider economy is most effectively served by the financial services system.

Australia has enjoyed two decades of uninterrupted economic growth facilitated by the changes recommended by Campbell and Wallis.

However, just as the industry has evolved over the past 17 years, the framework of the financial system must also evolve to increase the international competitiveness of our financial services exports and the competitiveness of the Australian economy it services.

To ensure this, one theme common to the Campbell and Wallis inquiries that must continue in the Murray Review is that markets are the most efficient allocators of capital.

The biggest change in the industry since the Wallis Inquiry, which is the growth of superannuation, has occurred in a system largely driven by markets that have not failed.

Superannuation has a significant role to play in funding Australia's investment needs today and in the future. This should be considered by the Murray review, but only in determining if there are any impediments to the free flow of capital to the assets in the economy that will make the greatest returns for individuals and as a result, the economy.

David Murray's review must not buy into a culture of overregulation. PHOTO: LOUIE DOUVIS

A theme common to the Campbell and Wallis inquiries that must continue in the Murray Review is markets are the most efficient allocators of capital.

The change in mood on regulation must also be kept in mind when the regulatory framework of the system is considered.

Since the global financial crisis there has been a deliberate shift towards global co-ordination of financial regulation. This has given rise to an explosion in regulation with a one-size-fits-all approach.

This has been led by the G20 and the Financial Stability Board. IOSCO has also played a key role across securities markets and non-prudentially regulated sectors.

The review panel must ensure that Australia is not saddled with regulatory proposals that seek to solve problems that do not exist in the Australian financial system. At the same time, there is a need to take advantage of the opportunities that increased global co-ordination can offer. Through more consistent regulation, we can substantially reduce costs for global firms and international Australian firms.

We need to ask whether Australian-centric regulation is the answer in an increasingly globalised world.

The more regulatory layers we impose, the more expensive doing business in Australia becomes. Should we substitute local regulations with global regulations? This is a question that the Special External Council established to advise on international competitiveness and offshore regulatory frameworks must answer.

As an industry we must participate in key global standard-setting forums and in global financial system debates. If we stand back we risk having to accept the outcomes without having had an opportunity to shape them.

Change is required, but it is important that the Murray Review does not buy into the culture of overregulation that is permeating global discussions on financial regulation. For this reason, the inquiry's focus on efficiency and competitiveness is strongly welcomed by the industry.

John Brogden is the chief executive of the Financial Services Council.

China can't be a Singapore

Yao Yang

The Chinese Communist Party has released the final document of the Third Plenum of the 18th Central Committee.

As expected, its final document unveils a plan for comprehensive reforms that will reshape China's economy and society in the next decade.

One surprise is that the document sets a time frame to complete all of the reforms; by 2020, China is supposed to become a fully fledged market economy. This is the first time in recent history that the CCP has set a specific deadline for policymaking.

Many of the measures are encouraging, but some key items are missing. For example, there was no clear mention of further SOE reform.

Likewise, it proposes no concrete plan to curb local governments' role in economic activities, a distortion in the Chinese economy.

The biggest omission in the document is political reform. A Singapore-style approach – combining a free-wheeling market economy and an authoritarian regime – has clearly emerged from the plenum. It is an approach that awaits the test of time. Singapore is a city-state of 5 million people – roughly the population of the Haidian district of Beijing.

Given China's much greater size and complexity, the Chinese government's pursuit of the Singaporean model, with its suppression of any and all social disorder, would ultimately undermine economic dynamism. The CCP's leadership needs to find a new governance model that fosters a vibrant society. Sooner rather than later, the important economic reforms that have just been unveiled will not be enough.

Yao Yang is dean of the National School of Development and director of the China Centre for Economic Research, Peking University.

Go to afr.com to read the full article, along with more comment and opinion