Fiscal sustainability & living standards – the decade ahead

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Thank you very much for inviting me to speak here tonight.

In recent years, much public attention has been focused on three phenomena:

- Australia's deteriorating productivity performance;
- our record, but now falling, terms of trade; and
- the ageing of our population.

More recently, the new Government has focused discussion on Australia's fiscal position.

Tonight, I wish to explore how these four issues are related and the threats that, together, they pose to the growth in living standards to which Australians have become accustomed. In doing so, I will also talk about the relative weight spending cuts versus tax increases might have in ensuring medium-term fiscal sustainability.

Let me be up front, though: what I am about to say risks a "glass half empty" response.

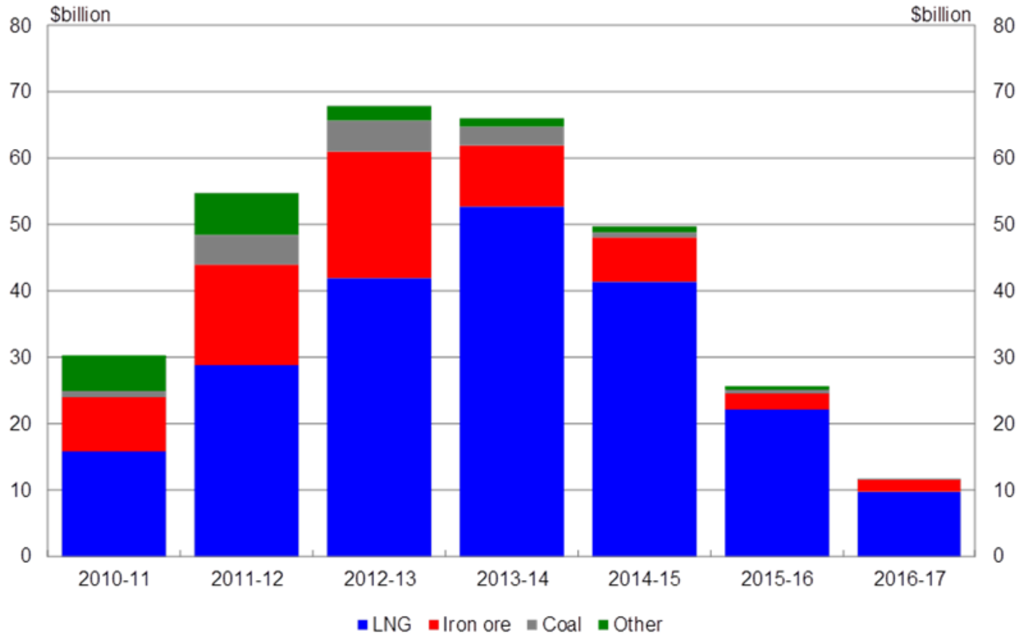
In fact, I believe we should see this as a "glass half full" moment.

Australia faces challenges but we also stand to benefit from a rising tide of opportunity on the back of rapid development throughout the Asia-Pacific, as long as we keep our economy flexible and resilient through productivity-oriented reforms and efforts to strengthen our fiscal position.

Rising Tides of Opportunity

As I've noted on other occasions, Australia is in the midst of three waves of opportunity.

Chart 1: Resource investment – major projects



Source: Treasury.

Note: Treasury major projects profile is the sum of investment in existing and planned resource projects, greater than $2bn, weighted by their probability of going ahead.

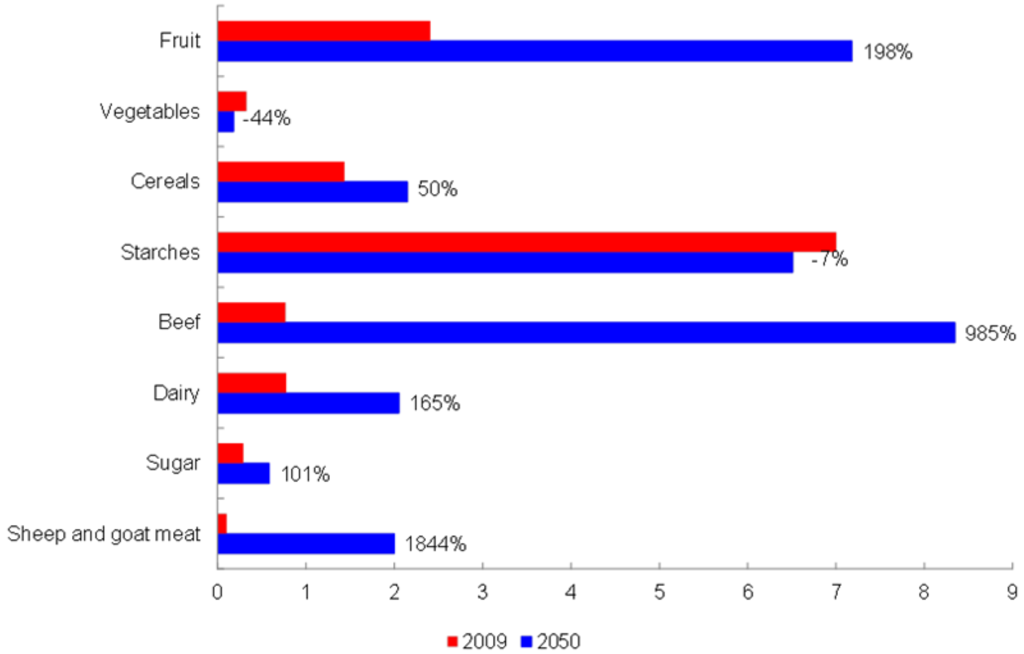
The first wave is the mining investment boom, the end of which is now becoming apparent.

Over the past decade, Australia has experienced the largest terms of trade and resources investment boom in our history, driven by economic transformation in China and other emerging economies within our region and beyond.

With the capital stock in the mining and energy sectors now triple what it was a decade ago, additional productive capacity will drive strong growth in resources exports for several years to come.

Still, the export phase of the resources boom will require fewer workers than the investment phase, and the contribution of the resources sector to Australia's aggregate economic growth will decline over time.

Chart 2: Forecast growth in Chinese agricultural imports



Source: ABARES – Used in ABARES *Analysis of China's Food Demand to 2050*

The second wave flowing from the vast economic shifts in Asia is rising global demand for agricultural produce.

As incomes rise in Asia, we are likely to see a significant increase in demand for agricultural produce. China, for example, is generally expected to continue increasing its demand for high-quality agricultural products like fruit, dairy, high-grade meat and seafood.

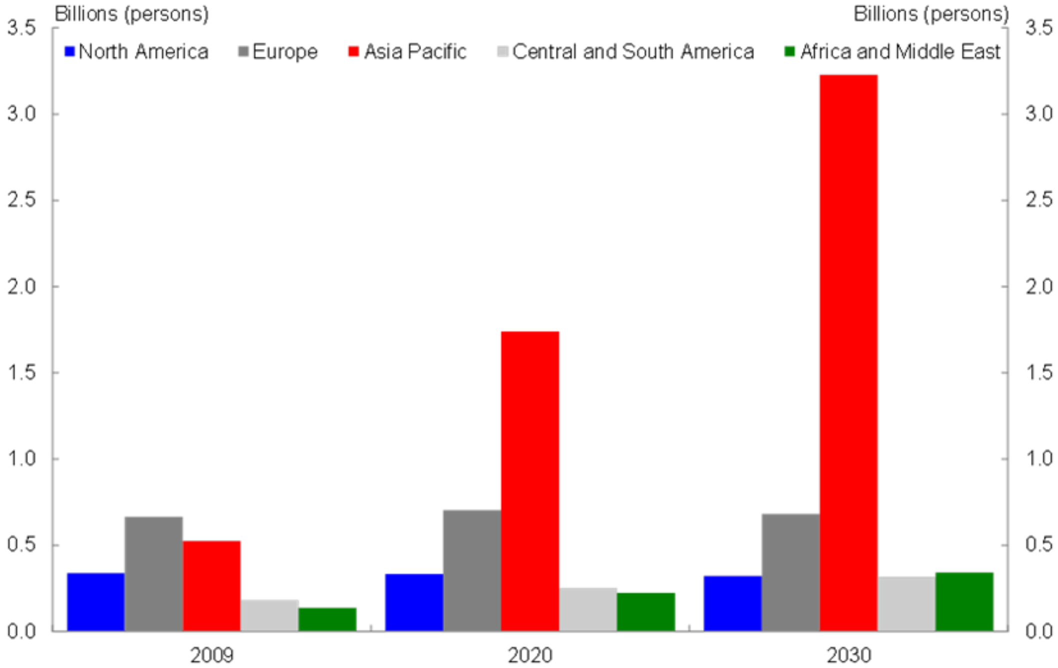
As with the evolution of our mining sector, we are well-placed to capture the benefits from this sort of growth in global demand.

Indeed, the Economist Intelligence Unit recently noted that Asia already receives more than 40 per cent of Australia's total food exports.

Our ability to capitalise on the region's rising demand for agricultural products rests on continued productivity gains in the sector, supported by the right policy settings.

Our handling of the concerns raised by foreign ownership of Australian agricultural land (and food manufacturing) in some parts of our community is one dimension of the agricultural policy challenge, along with our approach to trade policy, stimulating investment in on- and off-farm infrastructure, and supporting research and development.

Chart 3: Rising Asian middle class



Source: Kharas, H and Gertz, G, 2010, 'The New Global Middle Class: A Cross-Over from West to East' in C Li (ed), *China's Emerging Middle Class: Beyond Economic Transformation*, Washington, DC, Brookings Institution Press

The third wave is the opportunities in the services and high-value manufacturing sectors brought about by the steadily increasing growth of the Asian middle class.

To put that into context, the number of middle-class consumers in the Asia Pacific region is expected to grow from half a billion in 2009 to 3.2 billion by 2030.

Consequently, by 2030, it is estimated that just under two-thirds of spending by the world's middle class will come from the Asia Pacific region, compared to around one quarter today.

This growing middle class will demand high-end goods and a wide range of services, going far beyond mineral resources and agricultural commodities.

Our natural resources and geography won't give us a particular advantage as we navigate this wave. As I have said many times, Beijing is closer to Berlin than it is to Brisbane!

To capture the benefits of the third wave, we will need to compete on the global stage for Asian demand for services and high-end manufactures on the basis of both cost and quality.

We will also need to compete for foreign direct investment to help underpin the provision of these goods and services and to help put the right export-related infrastructure in the right places.

If we are prepared to take the necessary decisions, our future looks very bright, indeed.

Contrary to how it is sometimes portrayed in the media, competing on the global stage does not mean driving down wages or trading off our standard of living. Far from it.

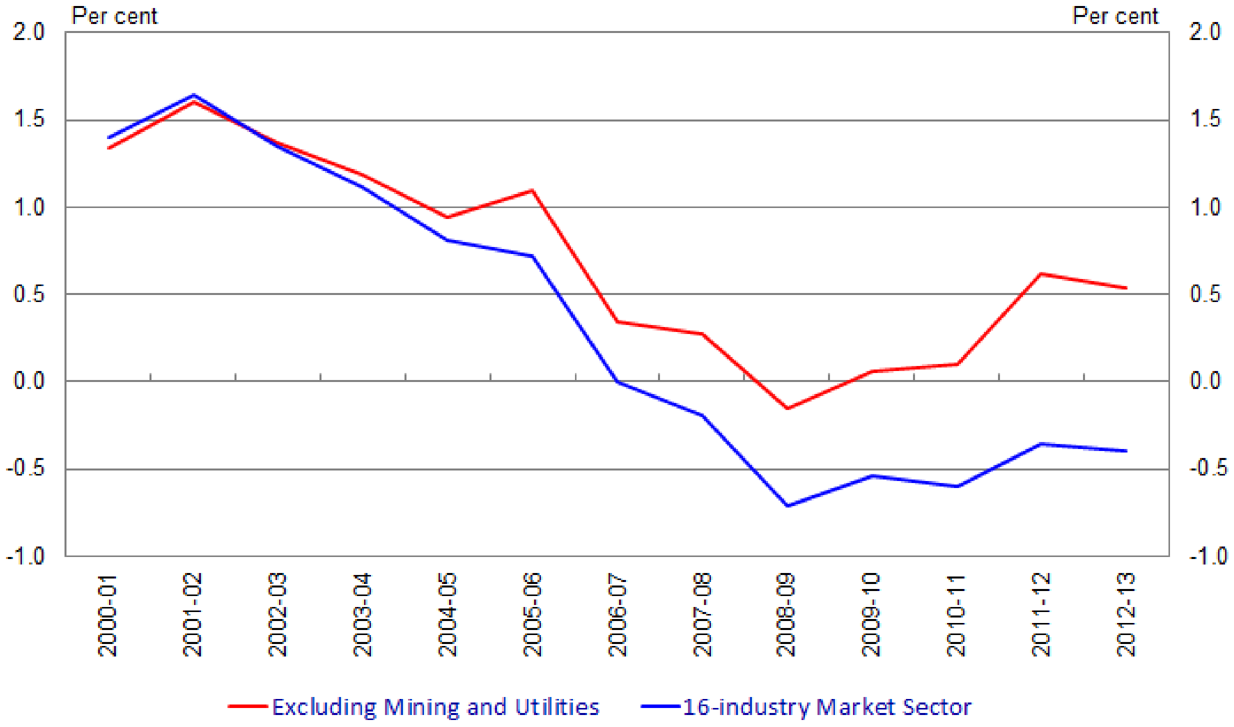
Improving Australia's competitiveness in global markets means a few different things. It means investing in the skills of our workforce so that Australians have the opportunity to move into sustainably higher paid jobs. It means investing in infrastructure that has a high economic return. It means ensuring that firms and their employees are freed from unnecessary regulatory burdens. And it means having the right incentives in place to encourage innovation and competition.

In other words, it means raising Australia's productivity growth performance.

Australia's Productivity Performance in Context

Like any economic indicator, productivity is a concept that can tend to be misused and manipulated. So allow me to take a few moments to be clear about Australia's recent productivity performance.

Chart 4: Growth in multifactor productivity
Moving average over previous 5 years



Source: ABS 5260.0.55.002, Unpublished ABS data, and Treasury calculations.

Australia's multifactor productivity growth – the best available measure of how efficiently we are using inputs – has seen a marked deterioration since around the turn of the century. Indeed, it is now negative.

To some degree, this has been driven by unprecedented investment activity in mining and, to a lesser extent, developments in the utilities industries.

That is, this investment has not yet been fully reflected in increased output, particularly in the mining sector, partly because of lags between when investments are made and when capital becomes fully operational.

In mining, it is reasonable to expect further output growth and strong productivity growth as the investment pipeline reaches completion and utilisation of the increased capital stock rises.

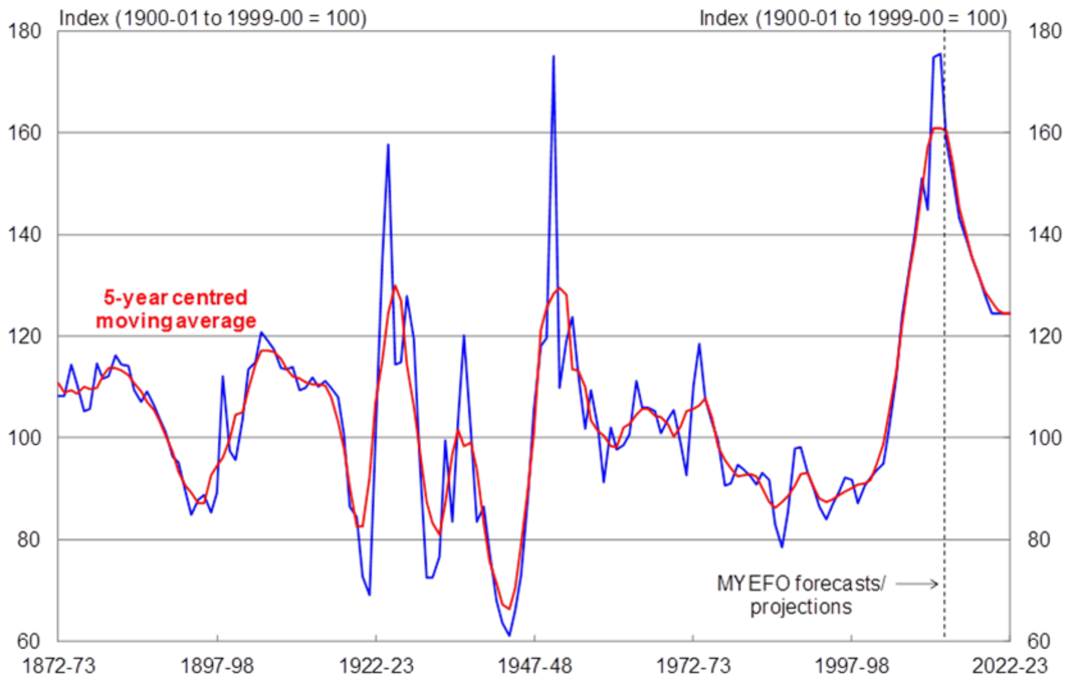
But even removing the effect of the mining and utilities industries reveals that the slowdown in multifactor productivity has been broad-based across industries, suggesting that deeper, economy-wide factors are at play.

Australia is not alone among advanced economies in experiencing slower productivity growth over the past decade. This suggests that the expansion of the global productivity frontier may have been more modest during the 2000s than in earlier decades. If so, this raises questions about the pace of growth in living standards in the decades to come.

Even so, it is hard to argue that Australia's productivity growth performance has not been weak over the past decade, both by advanced economy standards and our own past performance. If true, this has implications for future growth in living standards.

Notwithstanding this slowdown in Australia's productivity growth performance, growth in Australia's national income has remained strong, due largely to rises in the prices of iron ore and coal, which pushed Australia's terms of trade to the highest sustained level in at least the past 150 years.

Chart 5: Terms of Trade



Source: ABS. Cat. No. 5204.0 and Treasury.

The terms of trade peaked in the September quarter of 2011 and have declined since then as the prices for Australia's key commodity exports eased in line with growing world supply.

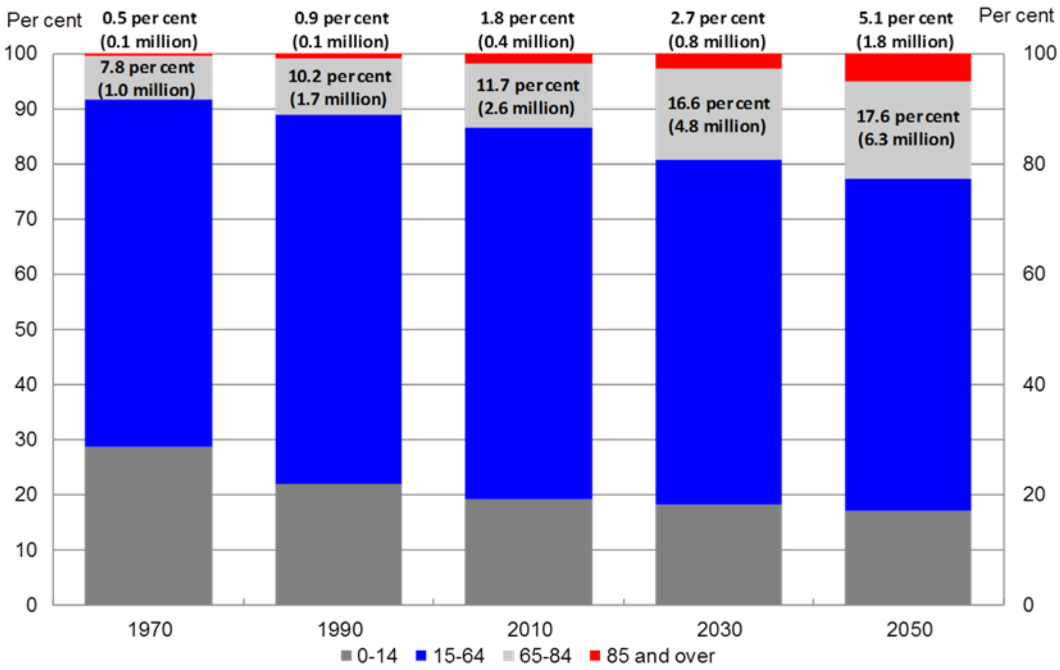
The Treasury's modelling suggests a long-run terms of trade settling around the level observed in 2005-06 by around 2019-20.

While it is unlikely that the transition to a lower terms of trade will be as smooth as depicted in the chart, we can be confident that rising commodity prices will not be a source of significant national income growth over the next decade!

Rather, our modelling (and that of the mining companies themselves) suggests that falling terms of trade will be a significant drag on Australia's national income growth over the medium term.

Another contributor to Australia's previous strong growth was, of course, the demographic dividend delivered by the baby boomers.

Chart 6: Age group population shares



Source: 2010 Intergenerational Report

Between 1970 and 2010, the proportion of Australia's population between 15 and 64 increased from 62.8 per cent to 67.4 per cent, driven by the post-war baby boom, followed by a dramatic fall in the birth rate in the 1960s and 70s.

This increase in the working age population helped underpin GDP growth, particularly in the 1980s, when labour productivity growth was relatively poor.

Over the next few years, this demographic dividend, which has been fading for some time, will actually reverse. The proportion of the population aged 65 and over is expected to increase to nearly 20 per cent in 2030, from 13.5 per cent in 2010.

As the population ages, the total participation rate will fall – despite the increase in the participation rate among older Australians.

This expected decline has already begun and will become more pronounced by the end of the decade.

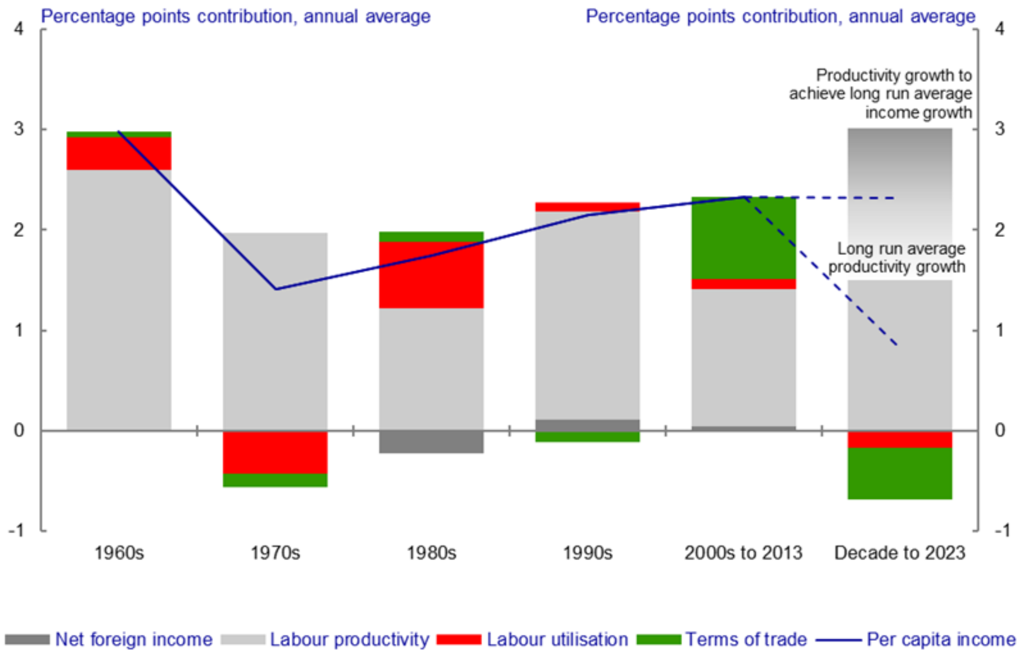
Thinking about the population projections in a slightly different way, based on 2010 Intergenerational Report projections, by 2050, there will be only 2.7 people of working age to support each Australian aged 65 years or over, compared with 5 working age people per aged person in 2010, and 7.5 in 1970.

This population ageing will slow economic growth in coming decades and, in turn, will reduce growth in our future revenue base.

Population ageing will also, of course, create additional demands on government spending, particularly in health, aged care and pensions.

In short, our three phenomena - weak productivity growth, a falling terms of trade, and an ageing population - do not bode well for growth in Australian incomes and living standards in the period ahead.

Chart 7: Contributions to annual income growth



Source: ABS cat. no. 5204.0 and Treasury.

Note: Assumes that, over the decade to 2023, net foreign income flows make a zero contribution to income growth. Income refers to real gross national income.

This chart shows that productivity, the terms of trade and labour utilisation – or hours worked per head of population – have combined to drive income growth in the past.

As you can see, productivity is the key long-run driver of income growth and its role will be crucial in the coming decade. The terms of trade and labour utilisation have made significant contributions in the past but, as I have just outlined, they are expected to detract from national income growth over the period ahead.

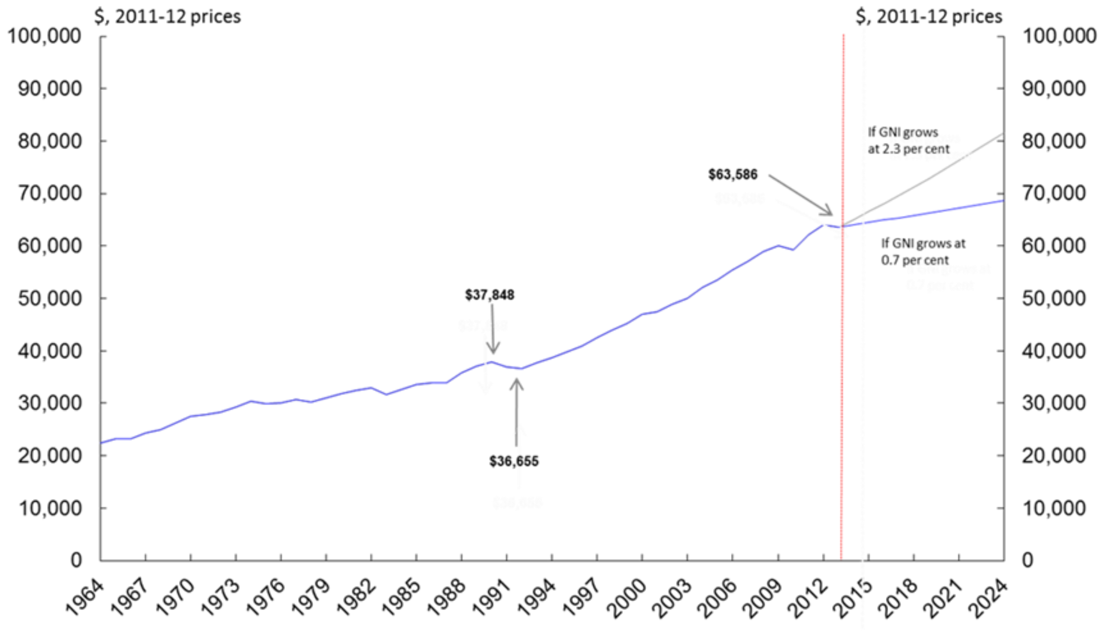
Looking ahead, if we assume labour productivity grows at its long-term average, then per capita incomes would grow on average over the decade ahead by around ¾ of a per cent per year, or about a third of the rates to which Australians have become accustomed.

To achieve average income growth in line with its long-term average, we would need sustained labour productivity growth of around 3 per cent. This is significantly more than in the past and around double what has been achieved since the turn of the century.

A stark conclusion of this chart is that, with labour utilisation and the terms of trade falling, productivity growth is the only remaining driver of income growth in the period ahead.

The impact of productivity growth rates on our future livings standards can be seen clearly in the following chart.

Chart 8: Real GNI per capita



Source: ABS Cat No. 5204.0

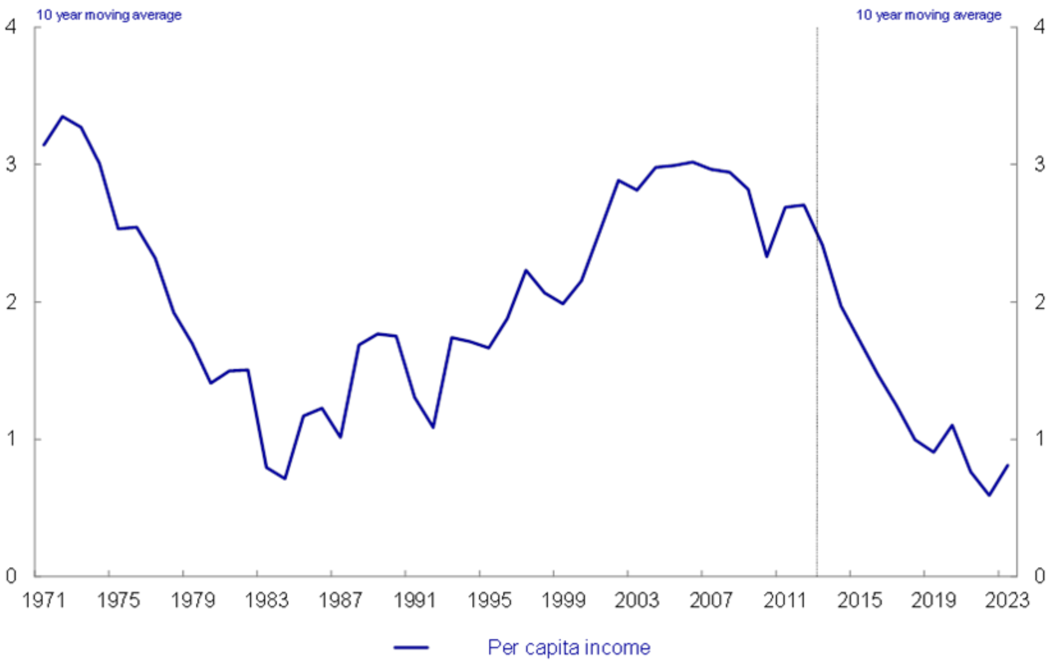
If labour productivity were to grow at its long-term average, per capita incomes would grow on average over the decade ahead by only 0.7 per cent per year, leading to real income per capita of around $69,000 by 2024.

These rates would be much less than the 2.3 per cent growth Australians are used to, which would otherwise yield a real income per capita of around $82,000 by 2024. So there’s a gap of around

$13,000 per person between what Australians might hope for and expect, and what might come to pass, on the basis of a reasonably benign scenario.

By the end of the decade, we will face growth in income per capita[1] of around the rates experienced over the decade ending with the recession of the early 1980s.

Chart 9: Annual Income Growth



Source: ABS 5204.0 and Treasury.

Note: Assumes that, over the decade to 2023, productivity grows at the 30-year average and net foreign income flows make a zero contribution to per capita income growth. Income refers to real gross national income.

Notwithstanding the differences in circumstances, Australians may look to government of all levels for support, placing further strain on budgets and fiscal sustainability.

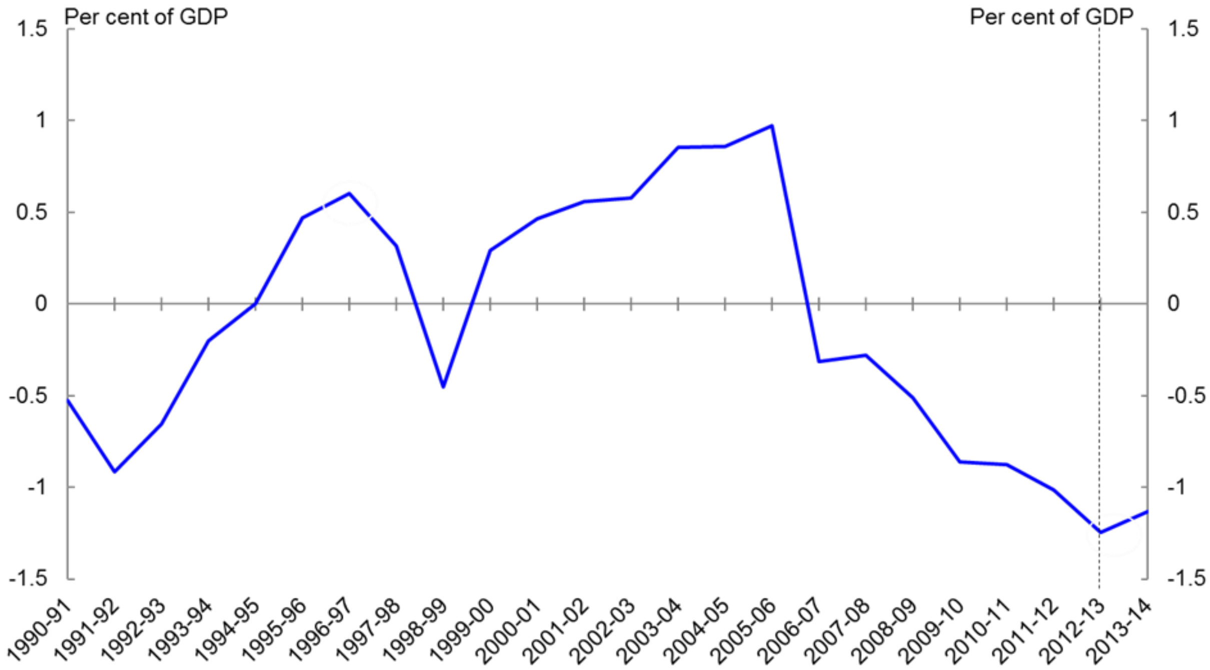
Such an outcome would significantly widen two already existing gaps.

- First, the gap between community expectations and what governments can realistically do, which requires a frank, community-wide discussion to reset expectations.
- Second, the gap between what citizens want from governments and what they are prepared to pay for those services.

[1] Gross National Income (GNI) is used here instead of Gross Domestic Product (GDP) as real gross national income is a measure of the purchasing power of residents. It takes into account various factors that affect our purchasing power, such as import prices. In contrast, real gross domestic product is a measure of what is produced in Australia, and includes production owned by non-residents.

This is not just an issue at the Commonwealth level but also, of course, for governments at the state level.

Chart 10: Aggregate cash position of the States – 1990-91 to 2013-14

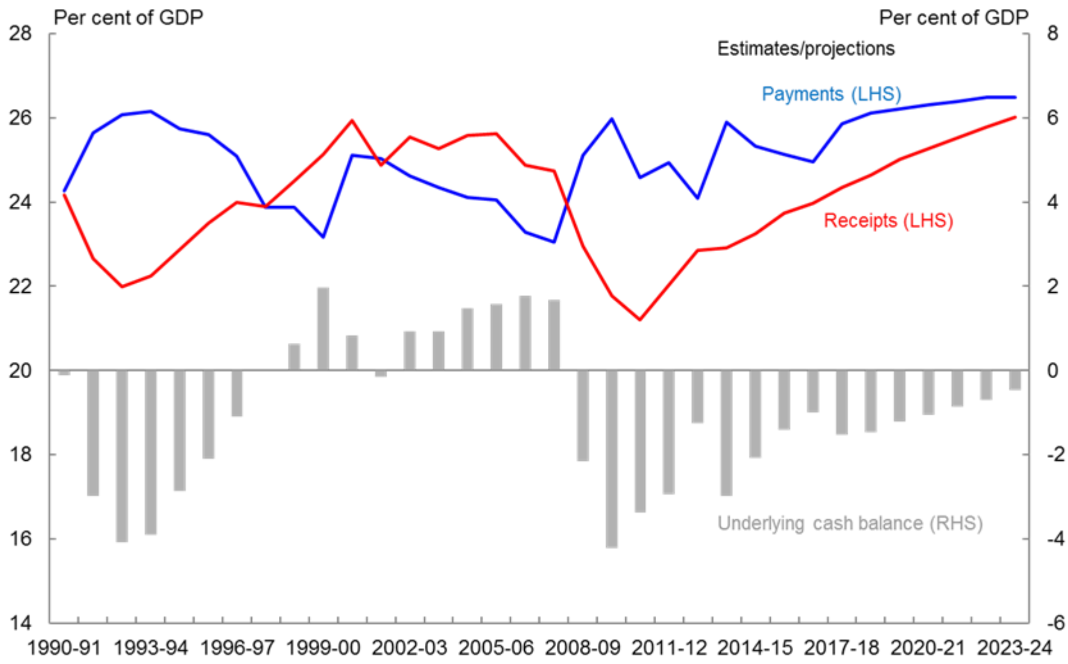


Sources: 1990-91 to 2011-12 ABS Cat. No. 5512.0, 2012-13 State and Territory Final Budget Outcomes, 2013-14 State and Territory Mid-year budget updates.

This chart shows the aggregate cash position of the States and Territories as a proportion of GDP over time.

As you can see, in aggregate, the States and Territories are forecasting a cash deficit in 2013-14, a situation they have confronted since before the Global Financial Crisis but which has been exacerbated subsequently.

Chart 11: Fiscal position – 1990-91 to 2023-24



Source: 2013-14 Mid-Year Economic and Fiscal Outlook.
Notes: Receipts and payments exclude future fund earnings, and payments

This chart shows total Commonwealth Government payments and receipts[2] since the 1990s and projected out for the next 10 years, as at the release of the 2013-14 MYEFO. The difference between these two lines is equal to the underlying cash deficit.

Without policy change, the budget is projected to be in an underlying cash deficit for the next 10 years.

If this situation came to pass, it would mean that the budget would be in deficit for 16 consecutive years, substantially longer than the 7 years of deficits in the early 1990s.

By the end of the medium-tem projections in 2023-24, the underlying cash balance is projected to be in a deficit of 0.5 per cent of GDP, meaning that achieving the Government's target of a 1 per cent of GDP surplus by that time would require net savings of around 1.5 per cent of GDP, before we consider the aspirational desire to increase defence spending to 2 per cent of GDP.

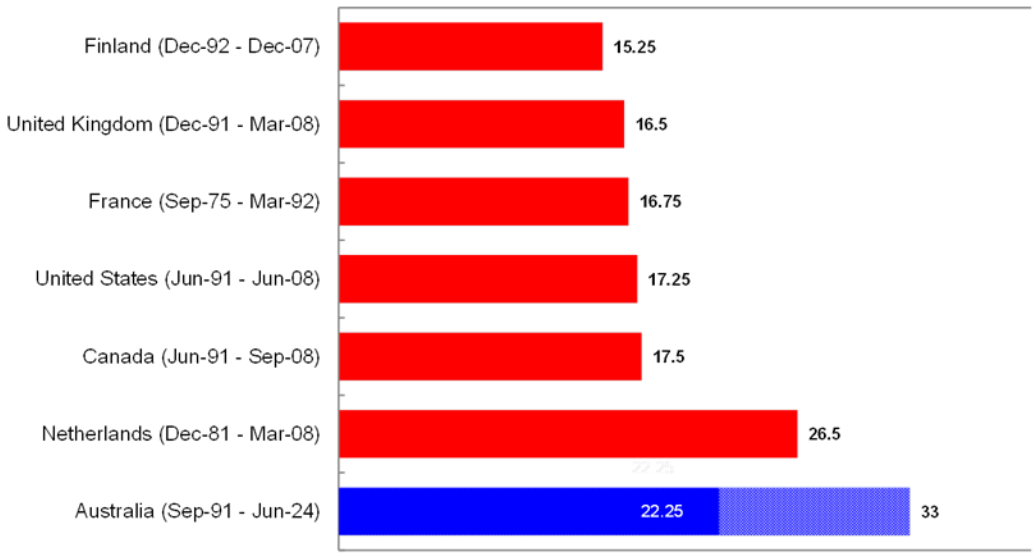
In considering this fiscal consolidation, we must understand that these projections are underpinned by two important assumptions, each of which works to understate the task we face.

[2] Total Commonwealth Government payments and receipts are shown net of Future Fund payments and receipts.

- First, the projections assume that the economy continues to grow at its trend rate, which would mean that, by 2023-24, we are assumed to have recorded 33 years of uninterrupted growth.
- Second, the projections assume that personal income tax receipts are allowed to grow through fiscal drag, and that this fiscal drag is not returned to taxpayers at any time before 2023-24 – that is, there are no personal income tax cuts for another decade.

If either of these two assumptions turn out to be false – and it is quite likely they will both be inaccurate – the fiscal situation, and the question of how to ensure fiscal sustainability, will be even more challenging.

Chart 12: Years of continuous GDP growth



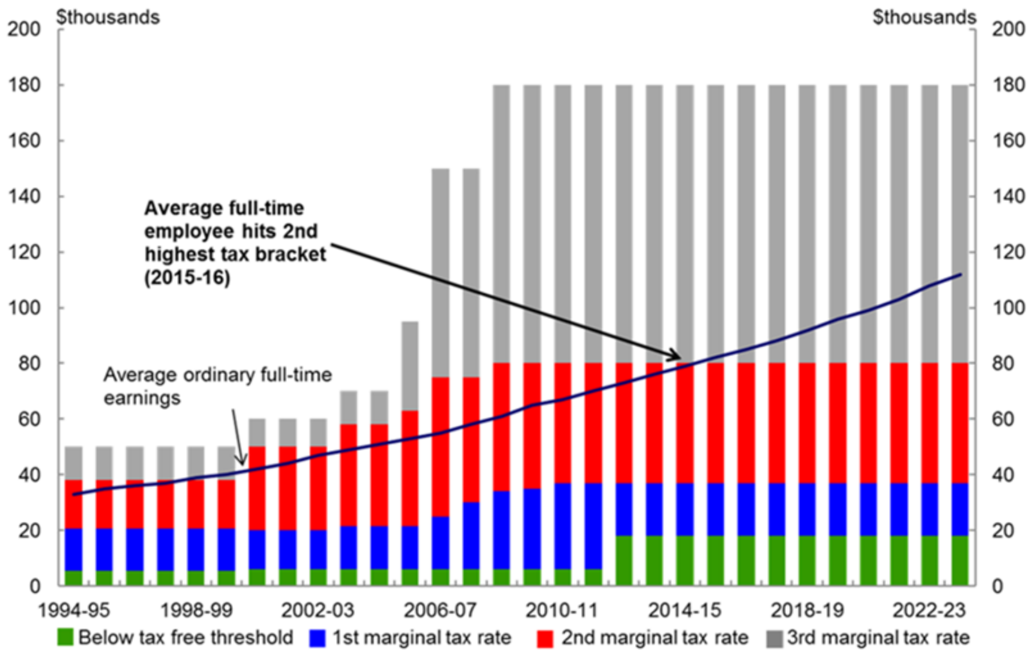
Source, Haver Analytics and CEIC

This chart puts the prospect of 33 years of consecutive growth into perspective.

We have already had nearly 23 years without an economic downturn. Excluding the re-building period in Japan following World War II, this has only been approached among developed economies by the Netherlands at 26.5 years from 1981 to 2008, on the back of the discovery of North Sea oil.

Were Australia to record 33 years of uninterrupted economic growth, as projected in MYEFO, it would be an extraordinary achievement, and one of which we should be very proud as a nation. It is not, however, something on which I would want to rely.

Chart 13: Personal income tax rates and the effects of fiscal drag



Source: Treasury calculations, based on 2013-14 MYEFO parameters

Fiscal drag arises as government revenue increases because taxpayers are pulled into higher tax brackets as their wages rise. In 2015-16, the average full-time employee is expected to pay 39 cents in income tax for each dollar they earn[3].

In contrast, over the period 2001-02 to 2009-10[4], these employees paid only 31.5 cents in income tax for every extra dollar they earned.

By 2023-24, without any return of fiscal drag, the average tax rate for a taxpayer earning the projected average full-time wage will increase to 28 per cent, from 23 per cent this year – a rise in the tax burden for those individuals of almost one quarter.

Keeping fiscal drag for well over a decade is unlikely to be politically feasible. Moreover, in the context of an ageing population, it is hardly likely to be economically desirable given the inevitability of adverse participation impacts from rising marginal and average tax rates.

Such participation impacts would simply exacerbate the impact on living standards from an ageing population by making the detraction from declining labour utilisation even greater, everything else being equal.

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[3] Technical notes: Average marginal tax rates are based on personal income tax scales and Medicare levy.
[4] The average full time worker's marginal tax rate is volatile over the years 2010-11 to 2013-14 due to withdrawal of the Low Income Tax Offset, imposition of the flood levy and changes to the personal tax rates associated with the clean energy legislation. Accordingly, for simplicity's sake, 2009-10 data are used to smooth these impacts.

However, if tax cuts were provided in order to return fiscal drag and prevent the tax-to-GDP ratio reaching historically high levels, the savings task required to return the budget to surplus would be even larger.

Given the importance of this medium-term fiscal challenge, the question is: what are our options?

One response is to wait and hope that something turns up to boost growth and revenue, but arithmetic suggests the dice are loaded against us and the economy is unlikely to ‘whirr back into surplus’, to borrow a phrase from another era.

Holding all other factors constant, most notably domestic inflation and the terms of trade, we would require 5¼ per cent real growth each year to return to a surplus within five years.

However, even with a net immigration intake of a quarter of a million a year, annual potential growth slows from its current estimate of around 3¼ per cent to around 3 per cent over most of the next decade, before slowing even further as participation continues to fall with the ageing of the population.

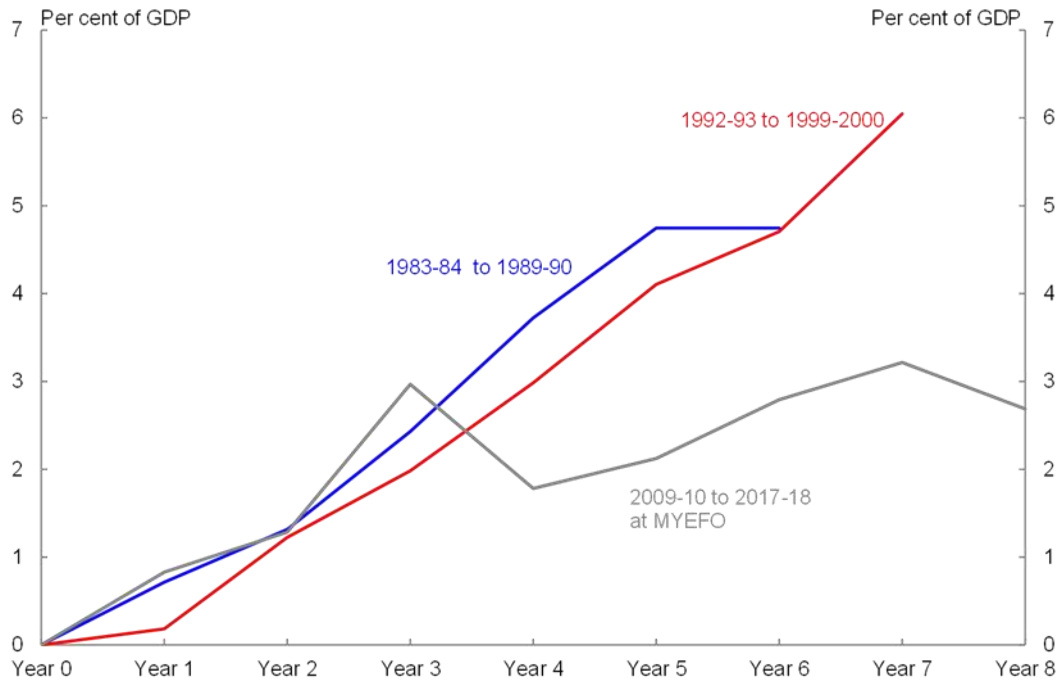
Real growth of 5¼ per cent per year would therefore be the highest sustained real growth since the 1960s, and also seems highly unlikely at a time when we know the decline in mining investment will be a drag on growth.

Such growth is also nearly double our current forecast and would exhaust all spare capacity in the economy within a year, potentially leading to higher inflation and sharply higher interest rates – which would, of course, dampen growth in the real economy.

In short, I’d be very surprised if we could achieve the real rate of growth required to return the budget to surplus by relying on economic growth alone.

Alternatively, working from the fiscal outlook presented at MYEFO, we can, as the Government is doing, proceed with the task of recharging our fiscal buffers to prepare us for future global volatility, a future where the terms of trade are unlikely to be pushing up our incomes as they have in the past decade, and where the effects of population ageing will be increasingly felt.

Chart 14: Comparison of fiscal consolidations



Source: Treasury and MYEFO 2013-14

Compared to other fiscal consolidations[5] in the post-float period, the pace of the fiscal consolidation reflected in MYEFO looks relatively modest.

Indeed, a fiscal consolidation of around ¾ of a per cent of GDP a year, which would deliver a surplus in four years, would still be well below the average pace of previous consolidations.

However, it is more challenging to consolidate this time around for a number of reasons.

- First, we have lower inflation and a flatter tax scale than in the 1980s, which means that fiscal drag cannot contribute as much to revenue receipts as it did then.
- Second, we are projecting slower real growth than in the 1980s and 1990s consolidations because we aren't coming out of a recession and because our potential growth is lower. With both slower real growth and falling terms of trade, nominal GDP growth is sharply lower, so all areas of taxation have less 'buoyancy' than in the past.
- Thirdly, there are fewer assets to privatise, which in the 1990s helped to reduce debt and the cost of servicing that debt.

[5] Technical note: The RBA grant is excluded from the calculations of the current fiscal consolidation.

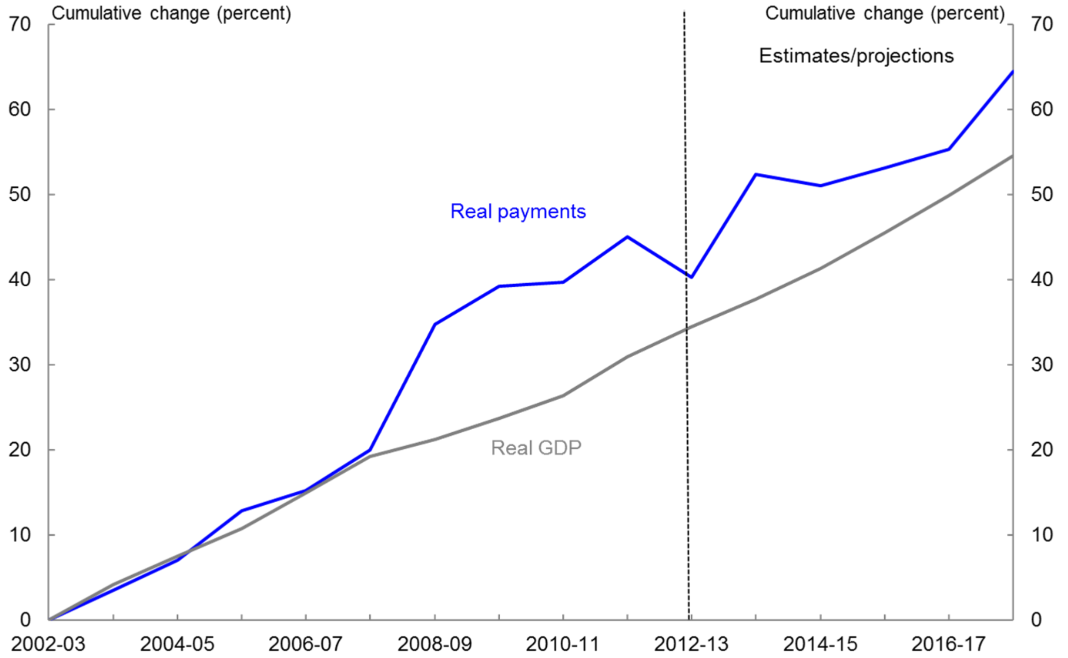
Furthermore, while productivity increases are important for structural budget repair because of their impact on growth, their dividends are delivered over many years and are unlikely to drive the initial return to surplus.

Rather, when they are delivered – and I assume they will be because the alternative is ugly – they can help offset the growth impacts of population ageing and the rundown in the terms of trade from its historically high levels.

Ultimately, then, the return to surplus must be underpinned by policy decisions – by individual, hard decisions.

The case for action on the expenditure side can be seen by assessing growth in the share of real resources being used by Government between 2002-03 to 2017-18 (as measured by real growth in government payments and real GDP growth).

Chart 15: Real growth in payments and GDP



Source: 2013-14 Mid-Year Economic and Fiscal Outlook, previous budget papers and Treasury.

Even with the withdrawal of GFC-related stimulus measures by the end of 2012-13, real spending increased significantly more (40 per cent from 2002-03) than real GDP (34 per cent from 2002-03).

This indicates an underlying increase in Government spending relative to Australia's real GDP – in other words, growth in the real resources controlled by Government.

Furthermore, underlying growth in expenditure on social programs (driven partly by population ageing and, in the case of health, by technological progress and the rising demand that comes with rising incomes) will place added pressures on fiscal sustainability over the decades ahead. Let me illustrate some of these pressures.

It is widely known that the NDIS and School Reform funding will add $3.1 billion and $2.8 billion to total spending over the forward estimates, with the net cost to the Commonwealth of the NDIS to be $11.3 billion per annum by 2023-24, and with a total net cost of around $64.5 billion over the decade to 2023-24.

What is less well understood is that total Commonwealth expenditure on health is anticipated to rise from $64.7 billion in nominal terms in 2013-14 to $74.6 billion in 2016-17, and to $116 billion in 2023-24.

Similarly, our three main pension payments – the aged pension, disability support pension and carers' payment – grow at an annual rate of 6 per cent per annum in nominal terms over the forward estimates, adding around $13 billion to annual payments by 2016-17, and another $39 billion to annual payments by 2023-24. Of this nearly $52 billion in additional payments in 2023-24, compared to 2013-14, over half is a result of indexation with the remainder due to increases in the number of recipients of the three payments.

So, what about action on the revenue side?

I have said before that, were revenue as a share of GDP to be at pre-GFC levels, much of our concern about fiscal sustainability might ease – at least for the immediate future.

But we cannot magically get back to those revenue shares.

For example, capital gains tax collections are around ¾ of a per cent of GDP lower than before the GFC, due to falls in asset prices and accumulated losses over the last half decade.

Some have suggested that if only personal income tax cuts had been avoided in the 2000s things would be better.

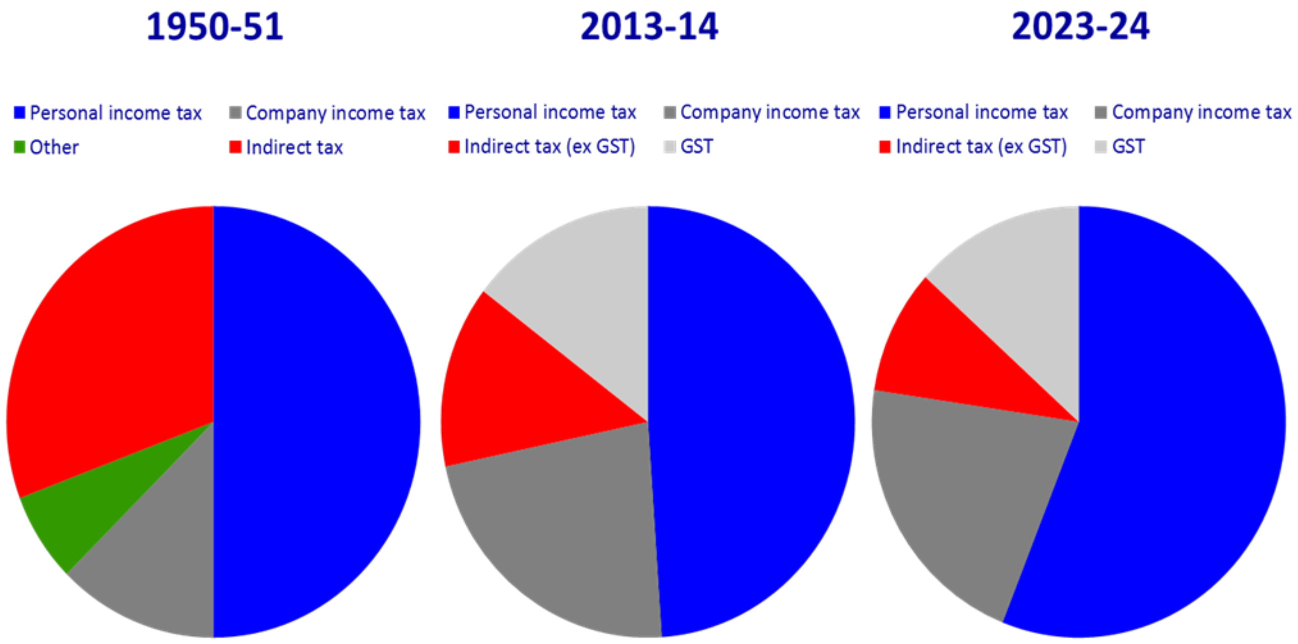
As a tautology, it is hard to fault that logic.

But if we had held on to that revenue, it may well have been spent on outlays rather than on tax cuts, meaning average earners would have faced higher marginal and average tax rates than they do now.

Even more importantly, had we held on to that revenue, it could have opened up another sort of problem.

That is, an ever greater than historical reliance on personal income tax to fund government spending.

Chart 16: Tax structure



Source: RBA statistics, MYEFO 2013-14 and Treasury estimates

This chart shows the contribution made by personal income tax, company tax and indirect taxes to Government revenues in 1950-51, today, and as projected in 2023-24.

What we can see today is that, despite reforms that broaden the tax base (such as the GST), and decisions that have lowered corporate and personal tax rates across the decades, the share of direct and indirect taxes (as well as Australia's reliance on income taxes) has changed little since the 1950s.

Australia has relatively high reliance on direct taxes as a proportion of revenue raised when compared to other OECD countries.

Research consistently says that reduced reliance on income taxes and increased reliance on other, more efficient sources of revenue, including indirect taxes, can support higher growth and higher living standards by increasing workforce participation and lifting productivity. Such a shift in Australia's tax mix could also be achieved by lowering income taxes (offset by lowering spending) and leaving other taxes unchanged.

But if we turn to the far right panel of the slide, we see that, without conscious change, Australia's tax mix will move in the opposite direction as personal income tax increases through fiscal drag.

We will move even further in this direction if, as we anticipate, the relative share of total indirect taxes (including GST) continues its long-term decline. Contributing to this decline is the non-indexation of fuel excise (unlike other excise rates) and a rising proportion of consumption outside the GST net, for example, in increased health expenditure.

It is hard to argue that this is either desirable or sustainable.

Continued increases in the personal income tax burden will hit lower and middle income earners with higher marginal and average tax rates. This will have adverse labour force participation impacts, while sharpening incentives for tax minimisation by higher income earners.

Meanwhile, in our increasingly globalised economy, Australia, like other countries, will face pressure to reduce the company tax rate to maintain competitiveness and reduce incentives for profit shifting – obviously, such actions would come at the cost of further eroding government revenues.

Given the pressure to return fiscal drag and to reduce the burden of corporate income tax, it will be a challenge to maintain the current levels of revenue over the medium-term, let alone the increases required to achieve the budget projections.

This is not to criticise special, temporary, measures, like the flood levy. Rather, it is to say that, notwithstanding the merits and immediate needs of such short-term measures, longer-run forces drive us in the other direction.

In the past, tax reform has largely been pursued through broadening tax bases as an offset for lowering tax rates. However, a key challenge for the upcoming White Paper on Taxation will be to consider the mix of taxes, including whether there is a role for a greater contribution from indirect taxes.

Any meaningful tax reform is also likely to require changes to the proportion of tax collected by different levels of government in Australia, with consequences for the imbalance between state government spending and taxing, as well as for transfers between the States.

That's why the Government has placed so much emphasis on the Tax White Paper and the White Paper on the Federation being developed in a highly integrated fashion, and with a close eye on previous reviews.

So where does this leave us?

Is the metaphorical glass still half full? I think it is, and I say this while fully acknowledging the very real challenges to our living standards and fiscal sustainability.

We do not face a living standards crisis in the sense that our living standards are low. We should not lose sight of the fact that we are a rich country.

But we do face a significant challenge in maintaining the rate of growth in living standards that Australians have come to expect.

This is coupled with the challenge of improving fiscal sustainability. Unless we recharge our fiscal buffers we will find ourselves increasingly vulnerable to global shocks.

Efforts across the economy to boost productivity are central to the living standards challenge and very important to the fiscal challenge.

However, securing our fiscal sustainability also requires sustained discipline to rein in outlays and to increase the tax system’s focus on growth.

Continued investment in infrastructure – together with more appropriate pricing – a sustained effort to remove unnecessary regulations, a focus on freeing up firms and workers to respond flexibly in a changing market, and measures to foster an innovation culture are clearly all areas we need to examine to enhance productivity.

Reform progress in these areas will also put us in a good place to compete for the opportunities that I outlined at the outset.

On the fiscal side, the need for reforms is clear, as is the opportunity presented by the White Papers on Tax and the Federation, to plot a path to a tax system that will truly meet the needs of a modern Australian federation.

If we do not start making these changes and simply keep drifting along, we will be increasingly vulnerable to the next global crisis and will also lose out on the opportunities presented by the rising Asian middle class. The exceptionalism of this ‘lucky’ country will become just a distant, ironic memory and our children may really end up ‘doing it tough’!

Thank you.