



Speech by

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**MEMBER FOR IPSWICH**

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## FEDERAL BUDGET

**Ms NOLAN** (Ipswich—ALP) (12.37 pm): This evening, the much talked about federal budget will be handed down and the nation's most famous bridesmaid will tell us two things. First, he will bring down a surplus and ask for thanks that Australia is now net debt free. Second, he will tell us that families are better off under the Howard government because the Liberals are, as their election slogan said, 'keeping interest rates low.' These claims are central to the vision of itself that the Howard government wants to present to the world. So, let us have a look at them.

Last Wednesday, the Howard government's economic record began to hit the skids when the start of the next downturn was signalled by an interest rate rise designed to manage the inflation caused by rising petrol prices. With further rate hikes widely predicted ahead and the government's economic credentials tied to low rates, Costello knows just how bad this could be. He defended with pure attack. On *Lateline* he stated—

The standard variable mortgage is around seven and a half per cent. Under the previous Labor government, it was 12 and three quarter per cent. So, if you were paying the average Labor Party interest rate today on your mortgage, you'd be paying \$215 a week more. That's a lot on the mortgage.

One can feel the heat of the scare campaign from here. It is a pity for the Liberals, then, that it is not true. It is not true because while rates might be down, this government has left Australians shackled with personal debt. When I was elected, a person could buy a family home in Ipswich for \$150,000. Now \$300,000 is standard fare. This trend has been repeated everywhere: putting paper money in the hands of homeowners but hiking up mortgages for anyone buying a first home or seeking to upgrade.

The Productivity Commission reports that the average house price in Australia has risen under the Howard government from six times average weekly earnings to nine times average weekly earnings. The average mortgage rose from 2.8 times average annual earnings in 1994 to 4.2 times 10 years later. The truth is that under the Howard government Australians are paying far more interest than they did before. Even at the tip of the 1990's recession Australians were paying nine per cent of household disposable income on interest. Now the *Financial Review* reports it at nearly 12 per cent. The debt is not just on the mortgage. Other consumer debt was steady at about \$45 billion from 1990 to 1995 but has ballooned to about \$115 billion now. In *Affluenza* Clive Hamilton reports that in the decade to 2002 average household debt more than doubled from 56 per cent to 125 per cent of average household earnings.

Peter Costello is lying to Australians about interest rates because the people are drowning in debt. Australians will not care that the federal government is debt free when higher petrol prices and interest rates put the squeeze on their already limited discretionary spending.

There are three big causes for the debt explosion and the government has fuelled all three. Firstly they inherited an economy awash with money. Deregulation, superannuation and a resources boom left people looking for places to invest. While Keating had the nerve to, in his own words, 'despiv' the economy in the early 1990s, the Howard government has acted like the good times it inherited from him will never end.

Secondly, as Australian cities sprawl the Howard government has opted right out of city building. They have simply not put money into the kind of infrastructure that prevents costly sprawl. The Ipswich Motorway is a prime example.

Thirdly, the Howard government has stoked the culture of greed. Encouraged by a government that talks about wealth not community and strips funding from public health to fund tax cuts for the rich, Australians have just stopped saving. The national savings rate has fallen from 10 per cent of household disposable income in 1990 to be negative now. While their grandparents saved for a holiday or something new for the house, modern Australians whack it on the credit card and head straight down to Harvey Norman for two years interest free.

Early in its term the Howard government ditched a planned increase in compulsory superannuation. It was a sign of bad things to come. It will be seen as a mark of this government's failure that in this the richest period of our history our nation has no national savings plan.

In the *Weekend Australian* recently, George Megalogenis wrote that just as the last recession had been politically tied to Keating, so the next would bear Howard's name. The tragedy is that the Howard government's blind eye to household debt means that for the average family the next recession will hurt so much more than it ever needed to.