

FEBRUARY 2023 ESSAYS

Capitalism after the crises**By Jim Chalmers**

Jim Chalmers. Photograph by Michael Zavros

In a time of serial disruption – to our economy, our society and our environment – the treasurer argues for the place of values and optimism in how we rethink capitalism

In late October, just before the Albanese government's first budget, a journalist I've known for two decades messaged me a quote from one of the earliest Greek philosophers, Heraclitus: "No man ever steps in the same river twice. For it's not the same river, and he's not the same man."

Heraclitus is sometimes considered the original humanist philosopher. By seeking to identify the essence of what it means to exist and understand the nature of the worlds we build for ourselves, he is thought to be the first to turn his mind from the remotely cosmic to the intensely human. It is believed that Heraclitus wrote only one book, depositing his solitary opus at the great temple of Artemis in his native Ephesus, where it was then lost. Somebody so aware of the vagaries of time and change as Heraclitus might have made a few more copies for safekeeping!

Fragments of that work still made their way through time to us today – and eventually to the journalist who sent me the quote.

She knew I had worked on or responded to 16 budgets in government and Opposition, but she also knew delivering a first would be something much more new than familiar. Experience would matter, but hers was a neat reminder not to assume that what had worked in the past would necessarily work in the present.

Heraclitus's words are especially salient and resonant for these times, and for that budget. As we put it together, the global economy was beginning a third crisis in 15 years, one which will play out more substantially in 2023. Now, once again, the world is entering a stream full of perilous white water. But each crisis is different, and each time, the people and country are different as well.

This global downturn is not the same as the last two. This latest crisis, of global inflation, has already begun to force the bluntest and fastest interest rate increases since the inflation-targeting era began, and this could cause recession in some of the economies that matter most to us.

The third crisis – supply chain pressures aggravated by a war, that became a price shock – came just months after the peak of the second. That one was a pandemic health crisis that triggered a supply shock. And both these crises have emerged in a global economy in many ways still defined by the effects of the first – the global financial crisis of 2008 that became a demand shock (and, outside Australia, a Great Recession).

The crises are defined by their differences but have a common thread: vulnerability. In each case our communities, economies, budgets, environment, financial and energy markets, international relationships, and our politics – already fragile enough – became more so.

While the latest inflation crisis began with events no Australian could control, Australian governments could have done more to prevent the fragilities left by the first two downturns. Successive leaders failed to find their way conclusively or convincingly past the neoliberalism of the pre-crises period. In other words, while the world was getting more uncertain, we had been growing more vulnerable. Domestic policies – and policy vacuums – accelerated rather than alleviated this problem.

So, by the October budget of last year, our task in government was not only to respond to the immediate and urgent economic issue of high and rising inflation, but to begin addressing vulnerabilities that had been neglected for so long they had also become urgent. Recognising that the repair job would need to occur over time, not overnight, only added to the challenge.

This has been the case in skills and training, energy and climate transition, the standard of aged care, women's participation and economic equality, equal opportunities more broadly, including in regions and disadvantaged communities, and the unsustainable state of the nation's books.

But it's urgent, too, that Australians think our way through what has been working well, what hasn't, and how to change. It's urgent that we move beyond a cycle of anxiety and regret, disillusionment and disappointment, and that we do so with leadership that analyses, includes and responds.

So the Albanese government began the task in our first budget, helping with the costs of living, investing in skills, energy, early education and supply chains, funding our election commitments, and starting to put things on a more sustainable footing.

But this was just the beginning of our ambition and aspiration. Our mission is to redefine and reform our economy and institutions in ways that make our people and communities more resilient, and our society and democracy stronger as well.

This is the big challenge and the big chance before us.

Early in the COVID-19 lockdowns, I was drawn back to Jared Diamond's 2019 book *Upheaval*, in which he argued that a nation's destiny is determined by its capacity to learn from its own response to crisis. It was a troubling question: would Australia learn from these crises? If 2008 had changed us then 2020 surely would too – but what would it teach us? And what could we learn that might guide us in 2023?

The emphasis on learning is important because while the pressures we feel around the kitchen table are brought to us from around the world, our ultimate success won't be dictated or determined only by a dice roll of circumstance but by how we choose to respond.

In these pages 14 years ago, prime minister Kevin Rudd's essay "The global financial crisis" was already wrestling with what to learn from that event of "truly seismic significance". That essay was published on a Sunday – the first of February 2009. Less than a week later, Australia faced the full horror of the Black Saturday bushfires.

I see a dreadful symmetry between the global financial crisis and Black Saturday, in the way each overwhelmed our rational capacities to explain and grasp what was happening – not just our individual comprehension, but our collective

understanding.

I remember not just shock and disbelief, but sickness and fear; hearing how those fires created their own weather system, with winds exceeding 100 kilometres an hour, flames leaping 100 metres and embers igniting spot fires up to 35 kilometres ahead of the fire front. And then, how severe flames could persist in one area for an hour and emit deadly radiant heat for five hours in total. This last piece of new information mattered in the worst possible way: at that time, official advice to bushfire communities was often to shelter in place until a front passed through. That advice, during those fires, proved deadly.

We just didn't know fires could behave like that – until we did. A royal commission was set up, and by December 2010 Victoria had a new bushfire safety policy framework, including changed fire danger ratings and evacuation warnings. The new advice learnt from that period has saved many lives since, including during the Black Summer fires of 2019–20.

But I see no mirror image in the longer term international policy response to the economic and political crisis of 2008. Outside of specific reforms to strengthen financial regulation, it is very hard to think of any similar set of changes in the way a budget is put together and an economy is managed that truly reflects the lessons of that crisis, 15 years later.

This matters a great deal. Being a good policymaker begins with having the right information and mental models for how the world works – that always precedes any particular decisions or actions. It's these mental models that John Maynard Keynes was thinking of when he wrote: "Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist". And since 2008, the mental models for most economic decision-making have been unchanged.

This is the problem Wayne Swan considered in the Australian context, in these pages in March 2012. Economic historians would not be surprised that our bushfire policies changed so much faster than our economic ones. Keynes insisted that economic ideas – "both when they are right, and when they are wrong" – are almost uniquely stubborn. The entrenched systems and institutions that dictate and drive public and private spending are so complex and vast, and powerful economic interests have so much at stake in keeping them in place.

So, for a decade before the pandemic, when most advanced economies had a terrible record, governments and independent authorities, backed by conservative prejudices and vested interests, still mostly stuck to a negative form of supply-side economics. They pursued loosely defined goals for competitiveness through a race to the bottom on wages and public investment.

The "Washington Consensus" became shorthand to describe recommendations and orthodoxies for developing countries urged by the International Monetary Fund and World Bank – a reference to each institution's proximity to the other in Washington, DC. Over time it became a caricature for ever more simplistic and uniform policy prescriptions for "more market, not less". This school of thought assumed that markets would typically self-correct before disaster struck.

It's clear now that the problem wasn't so much more markets as poorly designed ones. Carefully constructed markets are a positive and powerful tool. As the influential economist Mariana Mazzucato has explored in her work, markets built in partnership through the efforts of business, labour and government are still the best mechanism we have to efficiently and effectively direct resources. But these considered and efficient markets were not what the old model delivered. And while the 2008 crisis finally exposed the illegitimacy of this approach, no fresh consensus has yet taken its place.

One reason we became more vulnerable to economic uncertainty and upheaval by 2020 is that for much of the past decade leaders failed to do the thinking that would have given us a new plan in the intervening years.

In fairness, Australia's pre-pandemic politics were defined by drift rather than disaster, and marked by confusion not political breakdown. From the neoliberal frontline of the catastrophic 2014 austerity budget, three successive Coalition prime ministers participated in muddy, chaotic ideological retreats – insignias torn from uniforms, electoral howitzers spewing public money until the last votes were counted last May.

When the second crisis came in the form of a pandemic, Australia's governments did what was necessary to keep people attached to their employer. But the promise we heard, of a return to "normal", didn't always make much sense. Not everybody wanted to go back to the drift and drag, the stagnation and wasted opportunities that defined the Australian economy for much of the 2010s.

Watching all this from the Opposition side of the House of Representatives, some days I could almost see our opponents' old mental models of the economy floating over the Treasury benches like kites. Below, where ministers sat, there was no thought for the potential of the fourth industrial revolution, or changing work patterns, no understanding that the COVID recession hurt women disproportionately, and, of course, a denial of the economics and opportunities of cleaner energy.

When Labor spoke about a wellbeing budget, the then federal treasurer guffawed in Question Time about yoga mats and incense. Not only did he miss the preponderance of yoga studios in his own electorate and misread the fast-growing South Asian faith communities around Australia, he misunderstood people's appetite for a more conscious sense of wellbeing. He missed perhaps the key lesson of the pandemic: that healthy economies rely on healthy people and communities.

The old mental models died hard, even while they were shown to be so inadequate for the new problems they left us: skills shortages, an aged-care crisis, energy market chaos, stagnant wages and not enough to show for a trillion dollars of debt. They couldn't explain why investment stalled and growth slowed when interest rates were low, and they offered no solution to the much higher inflation and interest rates that followed supply chain pressures and pumped-up demand.

Instead of genuine confidence from leaders, we got the kind of phoney, focus-grouped optimism that withers easily. And instead of a new beginning – a determination from government to match the extraordinary resourcefulness and resolve of the Australian people with policy settings that could harness these qualities for an improved, more resilient future – we became more vulnerable to international shocks.

The 2022 election, then, was as much about new beginnings as it was about ending a wasted decade, and as much about a change of mindset as a change of government. We see this in an appetite for straight talk about our national challenges; in a willingness to talk up not down to each other, and to try to work together; in efforts to repair relationships here and across the world; and in recognition that hard decisions will accompany hard times ahead.

As 2022 gives way to 2023, the outlook for the Australian economy is shaped in large part by war in Europe, by how China emerges from zero-COVID policies, by potential recessions in the big, developed economies of the northern hemisphere, by when and how rate rises will bite here at home, and by the uncertain impact of future natural disasters.

As long as the war in Europe continues, so will the ongoing impact of the largest global energy shock since the 1970s. Even with recent fluctuations in both directions, the World Bank predicts that energy prices will remain more than 50 per cent above their five-year average into 2024. The International Energy Agency has concluded that "the menace of further disruption to supply looms large".

China, our largest trading partner and the world's largest producer of consumer goods, has left its zero-COVID posture behind. But this transition has its own impacts, and there's a risk the current wave of the pandemic will reduce China's effective workforce, with serious consequences for global supply chains. We are seeing the beginnings of this already.

Elsewhere, the United States, Europe and the United Kingdom are all in, or at risk of, recession. While there are early welcome signs that inflation in these economies might be at or near a peak, it's still high compared to even recent predictions, and central banks have signalled higher interest rates to come.

In Australia, we know the full effect of the independent Reserve Bank's rate rises are yet to flow through to our economy. We have not seen a period of tightening here as steep and as rapid since 1994. In 2023, every fifth loan will roll off low fixed rates onto higher variable rates, which will inflict significant pain.

And on top of all of this, we are reminded that natural disasters are becoming more frequent and more severe. The inflationary impact of recent floods is now coming through in the numbers, with more pressure to be felt in higher premiums, and higher prices for fresh food over the next few months.

For all these reasons, both the Commonwealth Treasury and the Reserve Bank expect our economic growth to slow considerably in 2023, and unemployment to rise from historic lows. If this eventuates, these would be the obvious consequences of higher interest rates flowing through to weaker consumption and of dicier global conditions.

Such outcomes would be felt harshly by our people and industries. That's why the focus of the government's first few months was about responsibility and resilience: cost-of-living relief without adding to inflation; growing the economy by investing in skills, renewables, broadband technology, industries and supply chains; and rebuilding the budget's buffers against uncertainty abroad and vulnerability at home.

I'm sure even readers of *The Monthly* struggle to stay interested in all the arcana of economic policy. For you, I thoroughly recommend British historian Adam Tooze's *Chartbook* newsletter. The studied dullness of the title couldn't be more at odds with content that ranges from brutalist architecture to Dionne Warwick lip-syncing on a Paris rooftop.

If you can tear yourself away from that, you'll discover his most urgent recent thesis, that the wasted decade behind us and the challenges immediately ahead are all part of a long chain of rupture he calls a "polycrisis": disparate shocks interacting so that the whole is even more overwhelming than the sum of its parts. We can see this in how the three crises have played out. The global financial crisis, never fully resolved, defining our fragility as the pandemic crisis hit. Then a third with its roots in the inadequate response to the previous two.

As scary as a polycrisis sounds, it is not depressing enough for economist Nouriel Roubini – famous for predicting the crash of 2008, and now infamously pessimistic about the coming decade.

Roubini throws the polycrisis forward, forecasting 10 "megathreats" that would overlap and reinforce each other. From rising inflation with slowing growth; to debt made unsustainable by rising borrowing costs and the budget pressures brought by ageing; to the rise of extreme right parties and authoritarian leaders exploiting growing inequality and workers displaced and replaced by technology; to a new cold war or a global climate disaster with all that means for living standards and population flows.

It would be nice to dismiss an analysis this bleak, or tempting to accept it as proof that there is nothing we can do. But as I write, great powers butt heads in Asia and rockets fall on Ukrainian cities, killing hundreds of civilians hiding in underground shelters. Mass graves are being discovered while two European armies clash. Putin's tactics remind us of the worst of the 20th century. The ghosts of Guernica must weep for Mariupol and Bakhmut. There, the contest between autocracy and democracy is not just a battle of ideas.

People sincerely committed to democracy all share an unease at the rise of anti-democratic trends in developed countries. Yet Putin making such catastrophic errors in the first place highlights a fundamental weakness of autocratic systems. These strategic misjudgements threaten his stranglehold on power in Russia. The Ukrainian resistance has been inspirational, and there are signs of unease as ordinary Russians see and feel the consequences of their regime's aggression and barbarity.

In well-functioning democracies, leaders listen or lose power. Autocracies have no such mechanism. Dictators exist in an echo chamber, with sycophants reinforcing existing biases and judgements in ways that can only lead to mistakes, instability and economic stagnation.

In the wider world, the contest between democracies and autocracies is economic as well as military. Despite deep disquiet about our own economic models, the reality is that democracies largely work. As of 2021, GDP per capita is around 60 per cent higher in democracies than in autocracies – and the gap isn't closing. Even through a period of slow growth, comparing all democracies to all autocracies other than China, we see a democratic edge – measured at 1.3 percentage points per year in GDP per capita growth over the past decade.

Democracies will prevail if we rely on their inbuilt strengths, and the ethical and practical incentives for leaders to govern in ways that improve the lives of the people. Our populations only become susceptible to the lies of populists and autocrats when democracies fail. It is in these circumstances that people reach for extremes – when they believe their system is already broken and their leaders have stopped listening.

The type of economy and the type of growth matters – and its distribution matters. The political fracturing in the United States, for example, was built out of a group of people feeling they had been left behind: the jobs of the future were for other people's kids, social shifts didn't align with their views, and they faced entrenched disadvantages.

Social democrats always argued that sharing growth was right in itself – that economic inclusion is the measure of a decent society. In recent decades economists have shown that inclusion is also a precondition for a robust economy, something that makes our economies stronger, not just something we can pay for when the economy is growing.

Now it's time for democrats to understand that economic inclusion is fundamental to the health of democracies and the safety of nations. There will always be bad actors and bigots, but they will only find widespread public support if the political economy is failing the people.

I was reminded of the growing understanding of the connection between economic growth and democratic stability in two fascinating conversations last year. The first was with Mark Carney, who headed the Bank of England and the Bank of Canada, and the second was with the Australian pioneer of impact investing, Michael Traill – both extraordinary people whose views about investment and value have growing influence even in the traditionally conservative circles of global finance.

One frustration for Traill and Carney is that a narrow definition of a successful economy is so obviously self-defeating even in its own limited terms. By failing to put values at the forefront of how our economies work, we also leave behind reams of wasted talent, a degraded environment and social dislocation – all of which threaten to diminish the productive capacity of our economies and ability to create “value” in the first place.

And equally frustrating is that it doesn't have to be this way. There are ways to protect essential public goods and direct investment to areas where there are financial and social returns available. Traill has pioneered this idea of investing with purpose in Australia by using the discipline of market-based activity to transform the availability of capital, and by directing investment to organisations that are delivering genuine, measurable outcomes.

While capital allocation in traditional markets is obviously not perfect, it is based on common metrics of performance. Traill shows this is rarely true for investment in social purpose projects, where philanthropy and – it must be said – government spending has too often been characterised by a “spray and pray” approach. If we could redesign markets for investment in social purposes, based on common metrics of performance, many more well-run “for purpose” organisations could get much more of the growth capital they need.

Carney wants to restore the basic social contract, and to put values in place of value. Traill wants to bring together capital, talent and evidence. These are the kind of new models that can guide us in future progress.

The wellbeing framework is another. What we measure directs our action. If our measurements are flawed or incomplete, it follows that what we do will be too. Last year's October budget sketched our approach to measuring what matters and fleshed out Australia's first national wellbeing agenda, by tracking a range of outcomes broader than, but not instead of, traditional measures of economic strength.

To measure what matters is also to recognise a growing consensus from economists and investors that our economies need to embed and express more than one notion of value. Tracking these metrics over time will give us a more comprehensive picture of whether policies are working. But it will also give us an evidence base from which we can have better, more informed discussions about what needs to be done to lift living standards, boost intergenerational mobility and broaden opportunity.

This is not just the beginnings of a new economic model, it is democratic reform.

Renewal is one reason for optimism, but there are others too. The wasted decade has made Australia more vulnerable than we should be, but we have some advantages over other countries. Unemployment should remain near historical lows even with participation rates high and growth slowing. New government policies are designed to take advantage of this, and we now see the beginning of significant nominal wage growth for the first time in nearly a decade. Australian exporters are attracting very high prices for what we sell to the world, and we have the critical minerals that are the foundation for technology now and into the future.

That all matters, and it all helps.

Besides, the international forecasts for 2023 could be excessively pessimistic: there is a world in which recession fears fade and global inflation eases, not on the back of falling wages but due to slowing demand and easing supply shocks.

But Australia can do more and do better than just batten down the hatches in 2023 and hope for the best. We can build something better, more meaningful and more inclusive – 30 years of prosperity that are stronger, broader and more sustainable than the last. We can maximise our advantages by focusing on things we can and do control – setting ourselves up to emerge from a difficult year as a more resilient, more cohesive and more purposeful country.

This relies on at least three objectives. First, an orderly energy and climate transition, with implications for living costs, employment, where and how we live, the commercialisation of technology, and the trajectory of our economic development. This means introducing cleaner, cheaper, more reliable and increasingly renewable energy, and adopting practices and technologies that limit our emissions. All while creating new industries, empowering workers and regions, and leveraging our traditional strengths.

Second, a more resilient and adaptable economy in the face of climate, geopolitical and cyber risks, unreliable supply chains, and pressures on budgets from an ageing population.

Third, growth that puts equality and equal opportunity at the centre. This is not only fair, it's good economic policy. As an example, gender equality is not only desperately overdue in its own right, the failure to make meaningful progress remains one of the biggest handbrakes on our economic potential. This is wilful neglect, with economic and social consequences.

The same is true of other barriers and systemic inequities that lock out disadvantaged and disenfranchised communities. Our goal here is secure, well-paid jobs, but also getting our human capital right more broadly – seeing productivity and participation as a function of investing in people, especially their capacity to adapt and adopt new technology.

How do we build this more inclusive and resilient economy, increasingly powered by cleaner and cheaper energy? By strengthening our institutions and our capacity, with a focus on the intersection of prosperity and wellbeing, on evidence, on place and community, on collaboration and cooperation. By reimagining and redesigning markets – seeking value and impact, strengthening safeguards and guardrails in areas of unchecked risk. And with coordination and co-investment – recognising that government, business, philanthropic and investor interests and objectives are increasingly aligned and intertwined.

With a new, values-based capitalism for Australia, we can understand something the old thinking neglected: that the problems of government – of whole societies – don't and shouldn't permit one simple solution set. Single frameworks tend to close thinking down when what we need is to open our thinking up – to new approaches and new participants. That's how Prime Minister Anthony Albanese has led since taking office: deliberate, open, drawing in not only all the talents of government but also those of our society as a whole.

We're trying to listen, we're trying to talk straight, we're trying to keep open minds. But we're also determined to lead, and I think we can see a framework of new models emerging already. For a start, the integrity of our economic and democratic institutions is being profoundly restored, across government.

In the Treasury portfolio, a depoliticised and more regular Intergenerational Report will provide a clear sense of our long-term economic future, and a Tax Expenditure Statement will provide a more transparent, accessible analysis of budget pressures. This work will be supported by structures that will better evaluate what's working and what isn't. The Employment White Paper will plan for the highly skilled workforce that maximises the potential of our people.

We will renovate the Reserve Bank, responding to the RBA Review. And we will renew and revitalise the Productivity Commission as a powerful think tank advising government on productivity, as well as prosperity and progress more broadly.

These institutions need to help deliver change in areas of disadvantage, to prod and inform and empower.

I know from my own community in Logan, south of Brisbane, how unjust it is that people who live on the outskirts of capital cities and in some regional areas experience much more inequality than other citizens. But this injustice presents an opportunity: to focus our attention on place-based initiatives where communities have the genuine input, local leadership, resources and authority to define a new and better future especially for kids.

It's not just our economic institutions that need renewing and restructuring, but our markets as well.

Here, government has a leadership role to play: defining priorities, challenges and missions – not “picking winners”. This is critical to guide how we design markets, facilitate flows of capital into priority areas, and ultimately make progress on our collective problems and purpose.

The neoliberal model is the opposite of this. It pretends to be agnostic on these questions, but ultimately a choice is still being made through passive de-prioritisation and the perverse outcomes and greater vulnerability that emerge over time.

So it's not just our economic institutions that need renewing and restructuring, but the way our markets allocate and arrange capital as well.

Co-investment is a powerful tool at our disposal. The Clean Energy Finance Corporation has been a great success, partnering with investors to direct capital where it can have the greatest impact, not by subsidising returns but by helping structure investment vehicles in a rapidly emerging economic sector. We will employ this co-investment model in more areas of the economy, with programs already under way in the industry, housing and electricity sectors.

Collaboration is just as important as co-investment. The private sector is key and central to sustainable growth, and there's a genuine appetite among so many forward-looking businesspeople and investors for something more aligned with their values,

and our national goals. I've seen this for myself in the course of my work, and especially in the Investor Roundtable I've been convening as treasurer, representing trillions of dollars of capital and focused on housing, energy, data and digital, and more.

Our success also depends on market design and disclosure to ensure our private markets create public value.

The clean energy sector is a perfect example of how greater levels of private investment are achieved when the government ensures the flow of first-class information. Businesses want to manage climate risk, but investors don't have a consistent framework to compare how businesses are doing this. Investors should be able to work out the climate-risk rating of a firm just as a lender can work out a credit-risk rating.

So in 2023, we will create a new sustainable finance architecture, including a new taxonomy to label the climate impact of different investments. That will help investors align their choices with climate targets, help businesses who want to support the transition get finance more easily, and ensure regulators can stamp out greenwashing. This strategy begins with climate finance, but over time I see it expanding to incorporate nature-related risks and biodiversity goals.

We will try to expand the role for impact investing too. Across the social purpose economy, in areas such as aged care, education and disability, effective organisations with high-quality talent can offer decent returns and demonstrate a social dividend – but they find it hard to grow because they find it hard to get investors. Right now, the market framework that would enable that investment in effect doesn't properly exist.

It's no accident that these strategies typically involve an element of partnership. This is partly a reality of our fiscal position – the federal budget is deep in debt and under pressure – so the options for large, broad new programs are limited. But it's also a purposeful choice – we want to change the dynamics of politics, towards a system where Australians and businesses are clear and active participants in shaping a better society.

This year, our institutions can draw on all the nation's talents. Governments and investors can be partners, not protagonists. Our local communities can gain choice and control over their own futures. And the same regulatory frameworks that ensure that for-profit capital in the private sector creates value for investors can generate public value in the for-purpose economy.

This is what values-based capitalism can look like.

I began the real work on this essay at home in Logan, wrote most of it between catch-ups with the in-laws over Christmas on Henley Beach in Adelaide, and finished it back where I began – at home, just after midnight on the very first day of 2023.

Now, this of itself is a sign of the times. New Year's for me once meant getting home at dawn, now it means waking up then, to the sound of little kids stirring. Different river, different man – and a different country to help shape and steer on their behalf.

Our generation of policymakers and leaders faces different challenges too, and here we can't just retrofit old agendas or retrace the steps of our heroes to address them. We make our own new way across the river – rock-hopping and wading through the peril and polycrisis of 2023.

My optimism doesn't just come from the beginning of a new year, it comes from believing that, amid all the difficulties, 2023 will be the year we build a better capitalism, uniquely Australian – more confident and forward-thinking; more aligned with our values; based more on evidence and integrity; more capable of building resilience, not just building buffers.

Optimism and realism – two defining characteristics of our people, and of the best of their governments.

Heraclitus's word picture is so powerful because he understands the constant character of flux – the river changes, we do too, and this combination invites new and better approaches.

This year, we'll be asking Australians to cross the river again, to keep our feet and keep our heads against an undercurrent of global economic turmoil. And to build a better future on the other side, one that grasps the opportunities that come from a country with 60,000 years of culture, with difficult months ahead, but our best years beyond.

JIM CHALMERS

Jim Chalmers is the treasurer of Australia.

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