

Australian business decidedly cool on Labor's "Knowledge Nation" plan

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In the lead-up to national elections later this year, opposition leader Kim Beazley announced with great fanfare on July 2 the outline of the Labor Party's Knowledge Nation policy to bolster Australia's competitive position in technical innovation and high-tech industries. He stressed the policy's importance as the centrepiece of Labor's campaign, stating: "This is my political future. I'm staking myself on it."

Despite Beazley's attempt to present the report's 20 recommendations as a comprehensive program for future development, Knowledge Nation is in reality a grab bag of vague policies. It is aimed at winning big business approval for Labor, while at the same time appealing to layers of voters angered by the erosion of public education, unemployment and the cost of telecommunication services in rural and regional areas.

Knowledge Nation calls for more spending on universities, increased high school retention rates to ensure that nine out of ten young people receive a Year 12 education or the equivalent, and nationwide low-cost untimed phone calls, Internet and data access. It holds out the prospect of jobs in research and hi-tech industries. As media commentators have been quick to point out, the plan is stretched out over a 10-year period and is very short on specifics.

The main thrust of Knowledge Nation, however, is towards the corporate boardrooms, which have been increasingly critical of the present Liberal-National Party government for its tardiness in opening up investment opportunities in the lucrative Information Technology (IT) and technology-based industries.

Over the past year Prime Minister John Howard has been lashed, particularly in the Murdoch-owned newspapers, for his narrow, backward-looking approach to technological developments—in particular, the government's restrictions on digital TV broadcasting and datacasting. In February, the Howard government announced its "Innovation Action Plan" promising \$3 billion over five years in extra funding for research, in particular on IT and biotechnology. But the criticism has not abated.

Beazley's Knowledge Nation is an attempt to convince corporate circles that he is a "visionary" leader with an eye to the "big picture". The plan seeks to double Research and Development (R&D) spending as a percentage of GDP by 2010 and to increase tax incentives to encourage companies to commercialise their research discoveries in Australia rather than overseas. It designates four "future growth sectors" for investment—information and communications, biotechnology and environmental management, health services and education.

The report also calls for the creation of a database of Australian researchers and scientists living overseas and for enticements to reverse the overseas "brain drain," including 1,000 new research positions in Australian universities. It proposes to "rethink population policy" to encourage overseas scientists to work in Australia and to capture 10 percent of the global market in online education.

But for all of Labor's efforts, the launch of Knowledge Nation has fallen decidedly flat. The response in corporate circles and in the media has ranged from a lukewarm welcome to outright ridicule.

The day after the launch, newspapers and cartoonists lampooned the report's flow chart as incomprehensible and its author, former science minister Barry Jones, as a muddlehead out of touch with reality. A front-page article in the *Australian* declared: "When Kim Beazley says Labor will use the Jones report as a 'road map' hopefully he's not referring to the spaghetti and meatballs diagram."

Behind the derision, however, lie more substantial criticisms of Labor—the lack of funding detail, the absence of a "reform" agenda for other areas of the economy and the failure to address specific complaints. Talk of the "big picture" and a "visionary policy" may be well and good for speechifying but clearly the corporate chiefs are concerned that Labor puts a dollar value on the immediate and longer-term costs and benefits of its agenda.

One of the chief concerns was Labor's failure to commit itself to the full privatisation of Telstra, the country's largest telecommunications corporation, which is currently 51

percent government-owned. A number of commentators have pointed to the fact that the Knowledge Nation proposal for a cheap, flat telephone call rate across the country will tend to entrench Telstra's near-monopoly position.

The *Australian Financial Review* commented in its editorial that extensive broadband networks would probably facilitate some of the services envisaged in Knowledge Nation. But it warned that "relying on monopolies to roll out this sort of infrastructure at the direction of government would pose new risks of inefficient investment and abuses of market power by the monopoly in the broadband network and elsewhere".

An editorial in Murdoch's *Australian* was sharper, not only criticising the shortfalls of Knowledge Nation but Beazley's leadership. "As with much of Kim Beazley's political agenda," it commented, "the taskforce's report is long on rhetoric and short on substance... And herein lies the moral to this story. Innovation action plans and Knowledge Nation programs are not worth the paper they are printed on unless they are matched by reforms in other sectors of the economy."

The *Australian* slammed Labor for being "blindly tied to the idea of a partly privatised Telstra" and cautioned against any concessions to the trade unions that cut across the process of "labor market reform," warning "this will scare away exactly the kind of investment that could boost R&D spending".

With present polling indicating that Labor is likely to win the election, the rebuke was a clear warning that big business will not tolerate a Labor government pandering to electoral concerns or stalling on key areas of "reform" or free market deregulation.

What received scant attention in the media were details of the deteriorating position of public education and funding for scientific research in Australia.

Federation of Australian and Scientific and Technological Societies (FASTS) spokesman Ken Baldwin pointed out that \$18 billion would be needed just to restore spending on universities to its 1996 level and to boost R&D spending to the average of other OECD countries. "The plan is one thing," he said, "the political will to implement it is another."

Before the release of Knowledge Nation, media releases from Beazley's own office revealed the low level of spending in Australia on education and scientific research. OECD figures show that in 1998 Australia invested only 6.15 percent of GDP in so-called knowledge-related sectors, while 11 comparable OECD countries invested 8.73 percent.

A report by the Chifley Research Centre, which is connected to the Labor Party, showed that staff-student ratios in universities have seriously declined under the

Howard government from 1 to 15.3 in 1996 to 1 to 17.8 in 1999. Only 17 percent of the Australian workforce has a university education as opposed to more than 28 percent in the US. Funding for vocational education and training declined by more than 12 percent between 1996 and 1999 and "some TAFE (technical college) institutions will simply close their doors" if the trend continues.

A recent OECD report showed that Australia was one of only two OECD countries to "significantly decrease" public expenditure on tertiary education since 1996. School completion rates in Australia have been overtaken in a number of OECD countries, including Greece and Turkey—which were once well behind Australia.

Beazley rhetorically told his audience at the launch of Knowledge Nation that "the gold of the future is in the minds of our children". But if it wins the election, Labor will do nothing to reverse the erosion of public education that has taken place under Labor and Liberal governments, and will further entrench the "user-pays" principle that has bolstered private schools at the expense of state schools and burdened tertiary students with higher and higher fees.

Significantly, Beazley responded to media criticisms by reassuring corporate circles that a Labor government would be "fiscally responsible" and cautious about its spending commitments. "Any proposals adopted as ALP policy will be funded at a pace and a level that the budget can afford," he said.

Put plainly, this simply means that any bolstering of tertiary education, IT services and scientific research, which will predominantly be in the form of substantial government handouts to big business, will be paid for through corresponding cutbacks in other areas—social welfare, public health and education and other vital services. As in every other arena, it will be the needs of big business and not the requirements of the majority of the population that determine the direction of Labor's policies.



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