

Time for a new world order: PM

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KEVIN RUDD has denounced the unfettered capitalism of the past three decades and called for a new era of "social capitalism" in which government intervention and regulation feature heavily.

In an essay to be published next week, the Prime Minister is scathing of the neo-liberals who began refashioning the market system in the 1970s, and ultimately brought about the global financial crisis.

"The time has come, off the back of the current crisis, to proclaim that the great neo-liberal experiment of the past 30 years has failed, that the emperor has no clothes," he writes of those who placed their faith in the corrective powers of the market.

"Neo-liberalism and the free-market fundamentalism it has produced has been revealed as little more than personal greed dressed up as an economic philosophy. And, ironically, it now falls to social democracy to prevent liberal capitalism from cannibalising itself."

Mr Rudd writes in *The Monthly* that just as Franklin Roosevelt rebuilt US capitalism after the Great Depression, modern-day "social democrats" such as himself and the US President, Barack Obama, must do the same again. But he argues that "minor tweakings of long-established orthodoxies will not do" and advocates a new system that reaches beyond the 70-year-old interventionist principles of John Maynard Keynes.

"A system of open markets, unambiguously regulated by an activist state, and one in which the state intervenes to reduce the greater inequalities that competitive markets will inevitably generate," he writes.

He urges "a new contract for the future that eschews the extremism of both the left and right".

He mocks neo-liberals "who now find themselves tied in ideological knots in being forced to rely on the state they fundamentally despise to save financial markets from collapse".

He advocates tighter regulation and policing of global finances, and identifies the immediate challenge as restoring global growth by 3 per cent of gross domestic

product, the amount it is expected to fall in 2009. Next week, as Parliament resumes, his Government will chip in with a second economic stimulus package.

Mr Rudd commits to keeping budgets in surplus "over the cycle", meaning deficits should be temporary. In a further sign the Government is not contemplating additional tax cuts, which would deliver a permanent hit to revenue, he stresses that stimulus measures have to be paid for when the economy recovers.

Mr Rudd singles out Thatcherism as a culprit, as well as the former Howard government. His essay implicitly attacks the Opposition Leader, Malcolm Turnbull, who this week urged the free market be allowed to dictate commercial property values as he slammed a Government measure to prop them up.

Mr Rudd's essay follows the blast Mr Obama gave Wall Street bankers yesterday for awarding themselves \$28 billion in bonuses last year at the same time as they were being bailed out by taxpayers.

In a message to Mr Obama and the US Congress, Mr Rudd counselled against erecting trade barriers. "Soft or hard, protectionism is a sure-fire way of turning recession into depression as it exacerbates the collapse in global demand."

The message was reinforced in Davos yesterday when the Trade Minister, Simon Crean, described the "buy American" provisions of the new Obama stimulus package as "very worrying". "On the face of it, it looks like it contravenes commitments made to the World Trade Organisation," he said.