

Richard Snape Lecture: Transcript - Structural reform in Australia past and present: why the PC matters

0:08

So welcome everyone to the 2026 Snape Lecture.

0:12

I'm Alex Robson, Deputy Chair of the Productivity Commission, and it's great to see so many people in attendance today.

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And also we've got a lot of people online as well.

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So welcome.

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My first order of business is to note that obviously our chair, Daniel Wood, is not here today.

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She sends her apologies.

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She's away in Indonesia doing other things and with other commitments.

0:35

Very important work.

0:35

But you're in good hands tonight with me, hopefully.

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I'd like to begin by acknowledging the traditional custodians of the lands, which we're all meeting, the wondering people of the cooler nation.

0:47

I'd like to pay my respects to Elders asked and present and extend that respect acknowledgement to any Aboriginal and Torres Strait Islander people here with us today.

0:57

Next sort of businesses I'd like to warmly welcome Richard's family, his children, Richard and Fiona.

1:04

Very warm welcome to you.

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1:06

The advice that Yvonne, Richard's wife, would have attended if she could tonight.

1:11

But thank you for being here, as we all know, Richard.

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Also with us tonight is Bill Scales, past chair of the Industry Commission.

1:19

Welcome Bill.

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And a great sort of source of quotes on the automotive industry which I've used before in various presentations.

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So welcome Bill.

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The Snape Lecture has a long history at the PC.

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We revived it in 2024 after a 7 year hiatus.

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The renewal is something that we're very much committed to.

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It reflects our ongoing wish to ensure that the PC continues to play an active role in contemporary policy debates, as well as our desire to honour the Commission's history, and Richard Snake was a very important part of that history.

1:58

It's conceived as a tribute to him in 2023, recognising both his significant contributions to our organisation and his influence on trade policy, which is kind of an important topic today and becoming increasingly important in day-to-day discussions.

2:17

As all of our staffing commissioners well know, Professor Richard Snape is among the Commission's most sustained alumni and served a very important position as Deputy Chair of the Productivity Commission.

2:31

His impact on Australia's theoretical frameworks for trade policy was substantial and demonstrated through his academic tenure at Monash University, his service with the Tariff Board and the Industry

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Assistance Commission, his advisory roles in both the Whitlam and Fraser governments, and his international work with organisations such as the World Bank and the World Trade Organisations.

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So we are very much honoured to celebrate his enduring legacy here this evening in this year's lecture.

3:03

We have the great pleasure of listening to our speaker, Professor David Bynes.

3:08

David is Emeritus Professor of Economics at Oxford University and Emeritus Professor sorry, Emeritus Fellow at Balliol College, is the director of the Ethics and Economics Programme at Oxford Martin's School Institute for New Economic Thinking, and he's a research fellow at the Centre for Economic Policy Research.

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David's research, if you go and do a Google Scholar search, spans a wide breadth of macroeconomics and other other issues.

3:41

Finance global economic governments he worked governance He worked early on alongside Nobel Laureate James Meade and he has ongoing projects addressing international Economic Cooperation and the evolution of macroeconomic theory in the post pandemic era.

4:00

He holds degrees from Melbourne and Cambridge universities.

4:03

He has previously served as the Adam Smith Professor of Political Economy at Glasgow University and LED major research programmes on global economic institutions and governance.

4:15

He's published several influential books including *The Leaderless Economy* and *Keynes Useful Economics for the World Economy*, and he's edited issues of the *Oxford Review of Economic Policy*, examining the future of macroeconomics and International Monetary reform.

4:31

So just a few minor topics there.

4:34

David's worked on tonight.

4:36

He's going to talk to us about structural reform in Australia, which is obviously a big part of what the PC has been involved with and continues to be involved with.

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4:47

He's going to talk about the past and present of that structural reform in Australia and importantly why the Productivity Commission matters.

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So we'll be interested very much to hear about that topic.

5:00

All right, David's going to speak for about 30 to 35 minutes and we will leave time for questions at the end.

5:06

So please have your questions ready.

5:09

I'm going to have a couple ready myself.

5:11

I've got some ready to go.

5:14

So please join me in welcoming Professor David Vines for The Citizen.

5:26

Thank you very much is me and my title and the opening picture.

5:36

And so let me begin.

5:40

It's such an honour to have been asked to give this lecture here, especially since I'm an Australian who's lived and worked in the United Kingdom for more than 50 years.

5:52

I met Richard and Yvonne Snape just once in Washington with Max Gordon when I was visiting there.

6:01

Max and Dorothy had me for dinner and Max and Richard and Yvonne were there at dinner too.

6:10

I'm very glad to welcome Richard and Fiona.

6:14

Fiona was just saying to me how much they love their time.

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6:19

Richard and Fiona love their time in Washington until they had much of that, spent a large amount of their time with Max and Dorothy, the very interesting group.

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It was a privilege for me as a young person to come in and see them at, I was going to say, work and play together, and that's very much what it was like.

6:39

I'd heard much about Richard's research on trade policy and also the admirable work he did as one of the very early members of the Monash Department, building up that economics department at Monash.

6:54

I myself had the privilege of studying economics at Melbourne, graduating in 1971.

7:04

We were taught in what was then, and I think still is, a wonderful honours economics degree programme which gave us much insight into economic policy making in a small, open economy.

7:19

Then I went off to Cambridge and I discovered to my astonishment that I knew much more about economic policy making in an open economy than not just my fellow students but most of the people who were teaching me.

7:34

And it was then that I had the question which has gone with me for years.

7:41

Why was it that I knew that having just graduated and gradually this has turned into the question, why was it that those working on this topic in Australia, let's put it this way, knew so much more than nearly any than anyone in, well, nearly everywhere.

8:03

I'm writing a book about this and tonight's talk is just part of the story in that book.

8:09

It's a fascinating story, as you will see at the bottom of my first slide.

8:14

They're a very remarkable community of economists working together that built up this knowledge and I'm going to give you a bit of my understanding of that community's work and how it fits into the picture about the Productivity Commission.

8:34

What's that particular about distinctive about Australia?

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I've discovered studying and working in Britain.

8:41

Is that in Australia those economic policy decisions are seriously and carefully discussed in public view and the Productivity Commission plays a central role both in giving advice and then encouraging that careful and serious discussion.

9:02

Next on this first slide, I list just how distinctive this conversation set of conversations in Australia have been.

9:13

A focus on big structural change, not particular issues, but big broad issues as well as particular with a micro reform, but within a very well specified macroeconomic framework.

9:28

And I'll be coming back forwards to that macro constraint on micro thinking, leading, as I said, to serious public open airport discussion.

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And the Productivity Commission has been crucial in this discussion.

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My talk will have 6 parts.

9:49

I'll put it there.

9:52

The key macro ideas.

9:55

I will begin with creating the the Productivity Commission as an institution to help implement these ideas and to repurpose the Terror Board.

10:08

In doing that, the very interesting story, early building model, the modelling skills to use in the pursuit of these ideas.

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And then fourthly, what happened in the Hawk Keating area.

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Fifthly, what we can learn standing back about the general process developed in that.

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10:30

And carried forward.

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And finally, the very significant challenges for the future.

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And so we begin right back in the late 1920's.

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The Brigiden Report was an astonishing piece of work.

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Asked by the Prime Minister of Giblin to produce first a committee which was in his committee quickly joined.

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There he is at the top by Giblin and Copeland.

11:00

Giblin already looking in that picture like the wise old man that everybody would consult when they needed thoughtful understanding of what to do about something.

11:14

We know that the most important thing they did right from the beginning was understand the need for sexual analysis.

11:23

I've spent my life as a macro economist thinking about output as a function of capital and labour 1 commodity world production function.

11:33

And I've thought about Keynesian economics as demand for that one commodity output.

11:41

And I've thought about international economics as selling more of our one commodity stuff internationally right back then cannot begin, they said, until you have an analysis with three sectors.

11:56

They then went on to discuss their policy problem, protectionism, arguing that protection can by increasing the price of importable goods in the economy enabled those firms to pay higher wages and enable this wage increase to spread throughout the economy, damaging the farming sector.

12:24

Probably leaving the non traded goods sector in the middle between advantage in the importables and disadvantage to the exportables and non tradeables in the middle.

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12:36

And fundamentally this whole structure in enabling paying a higher wage as they thought being what they thought of as their policy to encourage in immigration build the nation.

12:49

That's that's 1929 serious microeconomics.

12:55

One year later, with the collapse of export prices in 1930, there begins serious macroeconomics led by Giblin in an astonishing inaugural lecture at Melbourne University in which he just says, suppose that the income of farmers falls in half and it just had the price of woollen collapsed during that six month period before his lecture.

13:22

Then he said the farmers will spend less money in Melbourne, let's do Melbourne, and those in Melbourne producing and selling non tradeable goods will get less income and they'll spend less and they'll spend less and they'll spend less.

13:39

There's a multiplier.

13:41

Why doesn't it go all the way a dozen to the to the bottom?

13:45

Because there's a propensity to import of $1/3$, we all can do the mental arithmetic.

13:51

And so the multiplier is 3.

13:53

What's more, they said if we quit the gold standard.

13:57

I didn't quite put it that they didn't use that word.

14:02

In other words, if if we decide to leave the gold standard and devalue let's say by $1/2$ by 50%, then we will cancel this reduction in spending power of the farmers of the city.

14:17

We have a policy to deal with this macroeconomic disaster that he Giblin had just described.

14:26

This is 6 years before Keynes general Theory and it begins macroeconomics in Australia.

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14:33

So now by that time they they have a clear micro framework and they understand macro.

14:41

This story takes the Australian economist well into the Second World War Important role they play in the run up to Bretton Woods.

14:50

Important role back home they play in the Finance and Economic Committee in Canberra.

14:54

Not going to talk about that.

14:56

These ideas, however, are important in both of those things and they carry them forward.

15:03

The 1950s and an extraordinary.

15:07

This is now the ANU, the new university in Canberra where Trevor Swan, aged 30 becomes the first professor.

15:19

And we all know the Swan diagram of internal and external balance.

15:24

We all know how he showed that in order to achieve both full employment and the external balance 2 targets, you need 2 instruments, fiscal policy and the real exchange rate policy.

15:37

That was his his story.

15:42

There's a whole interesting discussion of where and how he comes to that set of ideas, fundamental in all of what I'm going to say, that follows.

15:52

Notice how much that's built on what Gibbler notes already said in the 1930s, but systematising it then.

16:01

Second is Max Cordon, back from studying with James Mead at the LSE, advocating the liberalisation of trade, undoing the ideas about protectionism that the Brighton Committee had had.

16:18

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But again arguing in the same structural terms as the Brighton Committee, namely that when you reduce protectionism you not only damage the import sector which everyone was concerned with, but in a well managed economy in which the currency is depreciated at the same time you stimulate the export sector.

16:40

So what a reduction in protection is doing is moving resources from one sector to the other.

16:48

And then thirdly, Trevor Swan again, wonderful beginning of his extraordinary paper on theory of economic growth, which begins with the sentence now we've sorted out internal and external balance, we can think about what happens when the economy grows.

17:06

And off he goes.

17:07

The key story is that if you're going to have this rapid migration policy, important for the Giblin report.

17:15

Central to policy making, you're going to need to save a lot or you'll end up on a solo Swan growth path with a low capital to output ratio and a not well off group of people.

17:30

That was the underpinning for Swan producing his version of that growth story.

17:36

But not just that, having produced this Trevor's and and I've talked about this whole Australian political economy story with Bob Solo, who said to me, David, this is so clear.

17:49

Once you have a growth model and understand that real wages can rise from technical progress and capital accumulation, you've undermined the political economy of protectionism because you have a strategy that's not protectionist for, for, for, for increasing well-being.

18:09

And it's about productivity and growth.

18:13

An extraordinary period of thinking at the ANU that underpins all of what I've got to say.

18:23

The next thing in my order of proceeding in the discussion is about creating the the in in the institution of the Productivity Commission by repurchasing the Tariff Board.

18:42

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And this again is an extraordinary story which looks remarkable to someone sitting from the in the United Kingdom.

18:51

And you all know this story.

18:53

Alpharetic and the safe pair of hands to maintain the protectionist stance of the Tariff Board comes in to discover that what his institution is doing makes no sense and and because he, being a good civil servant, sees that the task is protectionism, which is both economic and efficient.

19:17

It's in the legislation and there is no way of understanding what that means.

19:24

At the same time, Max Horton, having done that theoretical work that I described to you earlier, having come back from the LSE, Max, also an inquisitive man, says, well, I better understand what these people do when they do protectionism.

19:40

And he describes made to measure tariffs as again, ridiculous with no proper criteria.

19:46

That stops anyone from going to Canberra and saying I make hot water bottles, they come in very cheaply from Germany.

19:55

I deserve protectionism, please give it to me.

19:58

Why not?

19:59

There's no criteria.

20:01

The camera goes forward to 1964.

20:04

By now, Sir John Crawford has entered my story.

20:09

There he is, this wonderfully thoughtful man who's already a very distinguished civil service previously now back at the ANU as director of the Research School of Pacifica Nation Studies, playing an important role in the Vernon Committee and it's report in 1964.

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20:32

We all know that.

20:33

We all know that Menzies instantly rejected that report.

20:38

What's in a way more interesting is that its purpose was roughly speaking to implement what it was that Ratigan sought for a more rational and sensible policy about protectionism and to begin to understand what that more rational policy might be building on the work of Max Cordon on effective protection.

21:05

Because Mac in Mac's not only discovering that there was no clear rationale for protectionism also discovered that when you look carefully once you've studied the input output table protection on on on input into an output radically changed how well protected the output industry was with the result that chaos in the description of what the effective rates of protection were.

21:35

Vernon report not received but out there in the wisdom and gradually Ratigan gets to work to implement a new change in the work of his institution over the next 30 years in a way that you're familiar with the Tariff Board was gradually reinvented 1st to the industries Assistance Commission.

22:00

A report by Crawford again in 1973 for Wicklam led to this, then later as the industry's Assistance Industry Commission and finally to as the Productivity Commission and, and, and working in the direction that Radicon had wanted to push initially very, very strongly resisted.

22:24

I've just been reading before giving this lecture, rereading the Ratigan memoir published in 1986.

22:33

I think that's right, in which he describes just what hard work this task was.

22:40

And he was part of the general community of economists who I've been describing in universities, and he as a civil servant with an institution.

22:53

And we're watching during that.

22:55

In public cooperation between policy making, a policy making institution and a group of researchers in the universities, understanding the principles by which they should be acting.

23:10

A crucial next step was the creation of modelling skills.

23:19

How can Ratigan really be assisted in thinking you?

23:25

You see what I've said so far, just more order in protectionism and understanding, trying to get effective rates of protection more equal.

23:34

But still you need to know what efficient and economic protection might be.

23:42

And for that you need a general equilibrium under understanding.

23:46

And for that Radical understood right back at the beginning that you need a model and this story of academic achievement in Australia and building the impact model and then the Irani modelling system is a world achievement.

24:06

Going way out beyond this lecture, this is now the basis for all of the GTAP modelling which is done globally on trade reform issues in the global economy.

24:17

And there's another long lecture to be given on that important set of advances, but here in Australia, LED first by Alan Powell and then by Alan Peter Dixon, who Alan finds I think a post at the IMF and encourages to come back to Australia to work on this.

24:43

And Peter and his, the group of people that Peter puts together do a number of really very demanding things in building what's a complicated, difficult modelling system.

25:01

I've been in this game for so many years and I know that many people look at CG models and say difficult, complicated.

25:09

Please turn the page.

25:12

What I'm now going to say to you is how in Australia there was under an understanding of how these skills could be related direct to the policy problem.

25:26

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Let's run the camera forward to 1978 when the Labour government has given way to the Fraser government.

25:35

Time of difficulty.

25:39

So John Crawford is again in the picture when Prime Minister Fraser asks him to to to lead us a study group on structural adjustment.

25:50

The economy is suffering from unemployment and there are two things that might be done to deal with this expand the economy.

26:02

But Trevor Swan has told us that just expanding the economy could run it into external deficit simulations that and here I am with our economy with tradeables, demand for tradeables here and supply of tradeables that are equal, but with demand for a non tradeables much less than supply of non tradeables.

26:28

And so 1978 the economy with significant unemployment.

26:33

What policy?

26:35

If you just push this way, you create an external deficit.

26:41

And interestingly, it's good for Victoria that crowding out of export industries doesn't matter so much in Victoria and the advantage to non tradable industries is particularly good for Melbourne.

26:55

What you also need to do is twist relative prices so that consumers move onto this axis.

27:04

This way because tradables become expense more expensive and people substitute away from them towards non tradables.

27:13

Similarly, producers move towards non tradables and you you are able then to expand the economy in this direction and ensure that there is no external deficit that emerges.

27:29

If you'd only done the devaluation, that's good for Queensland and WA, the export and parts of NSW.

OFFICIAL

27:37

What was wonderful about this first out there simulation was that it showed to 100 sector detail that if you did what Trevor Swan wanted for macro policy in these circumstances, nearly in every industry would benefit and you had a proper documentation modelled out there in public defensible to lead the discussion.

28:04

Secondly, very soon afterwards, Max Cordon comes on the scene again, as it so often did, saying here we are with an protected economy.

28:18

And because there is protection, the there is the relative prices in the world, in the world there there's the relative prices inside the tariff at home supporting importables.

28:35

Relative importables are clothing and exportables are wheat and we're here and you're all familiar from Econ 101 with this story.

28:49

When you remove protection and bring domestic relative prices into line with world prices, you do 2 things.

28:58

You encourage people to move towards this is wheat, exportables and away from protected clothing.

29:07

That's the encouraging the other sector to do well when you remove protectionism and you encourage consumers to move the same way.

29:16

Banks published a very important, you might say rhetorical article.

29:23

Where will all the new jobs come from?

29:26

In response to the protest of what was being proposed in liberalisation and what Ratigan had been arguing for, and then the Commission, as it would then was, was asked to do simulations with the Irani model about what this did, protectionism to farmers, real income compared with a freer economy, and came up with a very, very large #17% reduction in real income out there in the public, defensibly modelled, contributing to that discussion.

30:08

That was important in the policy change.

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30:13

Furthermore, this modelling system was, thanks to Peter and his colleagues, enormously adaptable.

30:21

I've produced this photograph of the various bits of extension that the Irani model was made to do.

30:32

And if you just look at this slide, this is the grape and wine industry, this is Tasmanian regional autonomy, dairy processing, chemicals, Rd transport and so on.

30:48

Guess who wrote this paper?

30:50

Ellen Powell and none other than Richard Snape in 1992 reviewing the importance of this modelling enterprise in carrying clear intellectual understanding of what the Commission and those working in universities were were advocating.

31:16

Now we go to the last few slides, which is putting all this in place in actual.

31:26

I know I want to say just one last thing about about that previous conclusion by quoting from the Powell and Snape paper just about this modelling.

31:42

They conclude their paper by saying this modelling system became influential not just because the tool had caught the imagination of some economist, best economist in Australia, notably excellent his colleagues, but because it was the right tool for the policy problems at hand.

32:04

CG analysis wouldn't have survived.

32:08

This is Snape and Powell sameness in policy circles if the quality of the research had been below the demanding standards that were set by Dixon's group.

32:21

Off we go and ask what happened when I was locating that bit of the discussion around the time of Crawford's 1978 study.

32:37

Study group on structural adjustment run the camera forward to the election of the labour government.

32:46

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There's a history of ratigan's work this intellectual work, popular discussion, which means that when the government came to power, it could rely on support and informed public opinion for a broad range of reforms to trade policy.

33:07

You and you can see how much the background work matters.

33:13

And as Ross Garno, who was part of this game, has said to me, how very carefully this reliance on public support was fostered by making sure that it was gradual enough to be acceptable and also to be done in a growing economy.

33:34

In which case it's always easier to manage these adjustment process that the processes than when you have a 0 sum game.

33:47

And and so but but go back to the very beginning of my lecture.

33:53

This is clear micro economic reform within a clear macro framework and an important understanding of how the hawk heating government proceeded economically says first you do these three things.

34:13

You await sufficient depreciation of the currency between 84 and 86.

34:20

You have a wage accord so that this nominal depreciation is a real depreciation and you ensure that you've got fiscal discipline and you only get on with the trade reform when you have the macroeconomic structure in place to be able so many another topic reforms around the world don't do these preconditions that that government did.

34:46

But then it got up, as I've said that not not just the economic preconditions, but the political economy understanding was in place as well.

34:59

At each stage what was done was guided by reports.

35:04

And I have here a paragraph of description of of of removal of quotas on steel and white goods tariffs and quotas on textiles, clothing and foot TCF and footwear and and across the board tariff cuts across a very right chemicals, a wide range of things.

35:31

You many of you know this story and in a sense, I'm not doing the particular details.

OFFICIAL

35:38

It's what was possible to achieve given this understanding and the climate that had been put in place to make action possible.

35:47

But as each step stage happened, outcomes were guided by reports and actions of the Commission.

35:55

And I'm going to talk about that process in a little bit more on in my next slide.

36:06

Then during the whole Putin government, interestingly partly inherited from before, when there was the Tariff Board in place and its principles and practises, and subsequently in the years since the Hawking government, they developed a very went outsider, extremely interesting, important and fundamental process of reform with the Commission playing a central role.

36:40

You all know this slide because it's your job of work to do all this, but it's to me remarkable and I'll just to quickly remind you and others watching online what's on this slide.

36:54

When a reform is contemplated, very often, importantly, often a public inquiry is held organised by the Commission.

37:05

Economy wide inputs very early on modelling discussions, the modellers talk to the practical people on the ground, so there is a clear mix of insights as between very technical CGE analysis and knowledge on the ground.

37:26

A draft circulated calling for comment and this is practise of draft has been very important.

37:37

That explained to me that quite often first pass doesn't quite understand some objections that that's difficult and annoying, but other objections are fundamentally helpful in getting stuff clear.

37:49

But then what follows is really important.

37:53

Tabled in Parliament, discussed by Parliament, bound by legislation to consider the reports, Parliament can decide to implement them, or instead it can equally determine not to do so, although it must then explain to Parliament why it has reached such a decision.

38:13

To someone who in Britain, this just seems astonishing as the discipline that this imposes on, on, on,

on the conduct of the necessary reform process that the economy goes through and needs to go through.

38:33

So we come to the end.

38:35

Look at the history that I've told you, how it's underpinned by the process that I've described.

38:46

There's been a lot of years covered.

38:49

We're going forward as we do so.

38:51

The Commission has been asked was some five years ago to undertake a regular series of enquiries into productivity performance.

39:01

It goes on doing this on a continuing basis.

39:05

The last one published only a few weeks ago up on a very interesting document up on the web.

39:13

But the task has become particularly pressing because of AI, which is going to transform so many things in ways which don't all yet completely understand the need to respond in policy to climate change.

39:33

And, and, and, and have a strategy.

39:38

And I won't go there.

39:40

But we all know the importance of carbon pricing.

39:43

We all know the importance of avoiding.

39:46

I'll come back to this in a minute and of avoiding particular messy this and that and having an overall strategy for dealing with that issue.

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39:56

And we also know thirdly about the importance of being in a position to cope with and to help lead the the global response to the collapse of the global trading order.

40:09

I've just been in New Zealand this last year, this last week.

40:14

At a meeting of our CEP negotiators, regional cooperation and economic policy as young plus a number of other countries, including Australia.

40:24

New important trading group determined to hold back protectionism.

40:30

Determine on the other way to liberalise wherever possible to do what is possible to deal with the extreme difficulty in the world economy by opening and collaborating rather than the reverse.

40:48

My second last point is just how much of an overall strategic challenge these things become when there is injected into the discussion all the concerns about security.

41:07

The danger that we now face is that concerns about security can turn out, if I'm managed to validate, encourage, enthuse protectionism all over again, the demand the other day that Australia, in today's difficult world, Australia needs to build its own ships.

41:34

This is a silly demand when taken broadly.

41:38

There may be particular reasons for particular things that Australia needs to do, but just like Australia realised that it didn't need behind a protectionist wall to build, it could build its own shoes or here all of its shoes.

41:56

It could go on importing a building some shoes.

41:59

But the thing to do was to liberalise, and this unless there was a reason not to.

42:05

The task in the security challenge world now is to be working towards openness unless there are well documented, properly understood reasons not to.

42:19

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Where is the blessed place for the that analysis to take place here in this building led by this institution with its knowledge of how to manage these?

42:32

So I will say having read this year's report published a month ago on productivity, it's a list of important things.

42:43

I don't yet see in that list of important things, the big strategic picture.

42:50

And what I've described to you in this lecture was how that whole period in the run up to the Hawk Keating government focused on the big strategic picture.

43:03

And I think that's the challenge that this institution faces to do that focus on this big strategic picture in an exceptionally difficult world that we face at the moment.

43:18

And so I'll, I'll just end by saying, and aren't you lucky as a country to have an institution like this that you can appeal to, to do this big strategic thinking?

43:31

I'll be on the aeroplane back to Britain in a week's time and face more or less policy shambles.

43:38

And and, and, and there are many reasons for that policy set of difficulties in Britain, But one of the reasons is because there isn't an institution like this in Britain.

43:50

And good luck to you and leading the next set of important difficult discussions about policy.

43:58

Thanks very much.

44:07

Thank you, David, come and take a seat.

44:09

It's a wonderful trip down memory lane, so please raise your hands if you've got a question for David.

44:18

We'll let you gather your thoughts and take a bit of a break.

44:22

Unfortunately, yeah, we can't take questions online.

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44:26

It's logistically beyond our capabilities today.

44:29

So please write it again.

44:31

I've got a question, David, and it just struck me when you were going through the the history, particularly in the late 70s, early 80s of you know, how many similarities there are between that.

44:48

And today.

44:49

Yeah.

44:49

So yes, we've got my lecture has been useful, but yeah, that was my task to to get a member of the audience to feel that.

44:58

Thank you.

44:58

I mean, we've got global conflict, national security concerns were, you know, they're concerned today, but they were big concern.

45:08

It's been in the Cold War and we had oil crisis in the late 70s and early 80s in Australia.

45:16

We had a recession in 1983, high 10% inflation, 10% unemployment roughly.

45:26

So life, you know, was very difficult for policy makers and for modellers and people at the PC.

45:31

But we still managed to get, as you said, these reforms.

45:34

So what, what lessons can we and get from that?

45:38

You've spoken a bit about it today, but what are the, you know, what were the key lessons in terms of getting reform through in that area, in that, you know, in an era where all of those things were going on and they're still, you know, we see them today.

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45:52

What, what can we, what can, what can we learn?

45:54

I think here in the outsider and I am not a a specialist in the history of that, but people have talked to me a lot about the expenditure review committee and led by the Prime Minister with capable drafted people whose task it was to bring everything together.

46:21

And that's now I go to my own country fundamentally lacking in in the process of cabinet government in Britain and that there's no sense that anyone has a strict clear strategic vision.

46:38

There are pieces of a strategic vision in this country that are welcome and and and valuable.

46:46

But you will see my focus has been on bringing the macro and the micro together, if given more time and talk about how very many components of policy need to be thought about together.

47:03

And part of the push over the last 25 years has been for this force policies to be in silos and the political economy and, and, and, and governance people have been partly responsible for this and saying, will you, You're an institution.

47:25

An institution must have a responsibility.

47:28

The Reserve Bank has a responsibility.

47:31

It's inflation.

47:33

The other institutions all have their particular responsibility that silo work.

47:40

So here's my answer will not work.

47:42

It's the task of finding a way of bringing the purpose of polity together.

47:48

Now the immediate reply is the minute you put it all together and put it in a a cauldron and stir, it's just a mush.

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47:57

Bring it all together with focus and purpose and discipline, but all together bringing more together.

48:03

I think we had a similar theme in last year's lecture, actually.

48:07

I really from Jerry.

48:08

Yeah.

48:09

How interesting.

48:10

Yeah.

48:11

You talk about macroeconomics and went through the models of Swan and the internal external balance and so on.

48:18

I mean, in many ways, you know, the macroeconomics of today, it's kind of a bit easier for Australians since we have a floating exchange rate, we have an independent central bank, we have, you know, a charter of budget honesty.

48:32

So we've set up all these institutions that, you know, we don't have to necessarily worry anymore about balance of payments crises and, and all these things.

48:42

So do you think you know, the policy making world today is, is a bit easier in in the macroeconomic sense or are there other things that make it, you know, more difficult?

48:53

2 Two things floating exchange rates are not insulating the world from global imbalances of a very significant kind.

49:09

I let me now speak carefully the the the Trump concern with US 7% current account deficit is a real concern.

49:20

This can't go on forever and must be fixed and floating exchange rates are not on their own some device for fixing that the policy is at least also fiscal quite possibly also industrial policy that that's

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that's you see what I'm saying bringing stuff together One more example I've just put up online with colleagues a paper about how in response to the Ukraine war, the inflation crisis which emerged and was everything in policy for the next two years could have been mitigated by using fiscal policy or in an open economy, possibly the the an appreciation of the exchange rate to soften the inflationary blood.

50:12

That means tax cut.

50:13

That means tax burden.

50:15

That means have to not have a Ponzi game.

50:18

That means responsible fiscal modelling.

50:21

That's all in my paper with our colleagues and and it's no and it's a pleasure to ask the wrong word here.

50:30

We are doing this again this week.

50:32

Huge cost push, push on inflation, huge difficult look at.

50:39

We're all thinking about the the Reserve Bank's interest rate discussion.

50:43

Have we had anywhere an intelligent discussion yet about how much of this burden should be met by fiscal policy?

50:51

Temporarily more deficits subsidy, maybe not subsidy to energy, maybe a cut in GST, maybe some passing on to the future the burden of a shock in the present.

51:06

I've given you 2 examples of of anti silo thinking questions.

51:12

Yep, Steven.

51:14

So thank you for David for that excellent talk.

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51:17

The three things you had on your last slide, so technology, climate change and institutions, international institutions, all three of those Australia has a limited ability to influence.

51:34

So if internationally we take on technology regulation, climate change is the greatest international prisoners dilemma I've ever seen.

51:45

And obviously the undermining of the institutions, international institutions, just horrifying.

51:52

How should Productivity Commission, how should Australia be thinking about dealing with those international problems?

52:00

It's a very good question, but I think there's a bit of an answer.

52:05

That wasn't what Australians said when the Uruguay realm was in trouble.

52:12

Australia helped formulate the Cairns Group, which in the end unblocked that globally.

52:22

That that phrase, a small nation punching above its weight is I think, a description of Australia.

52:29

Then I think it's also been true of the whole APEC process, which Australia has helped.

52:38

I, I watched this at work in, in the fascinating meeting of the asset negotiators that I was said this last week.

52:49

The the leading leading light in that meeting was Mary Panguesto, the wonderful Indonesian former student student at the ANU, then at University of California and a leading light in policy making in in Indonesia for the last nearly 30 years.

53:16

Someone described her at this meeting as as the mother of our SAP.

53:21

Indonesia is also it's a big bigger than Australia, but it's not one of the really top players has had a big influence on on policy developments in East Asia, which are having global significance.

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53:37

I think that the way people of countries have played in APEC has been significant and and I I here's a formulaic answer to that question.

53:55

I, I owe to Ross Garner, Peter Drysdale, others the the wonderful phrase concerted unilateralism, which is a phrase about two words concerted getting together with those you trust.

54:14

Another phrase that's now in discussion.

54:20

Communities of the willing everywhere, seeing that being used in defence but also in economic pools.

54:30

A community of the willing about a particular project, formulating a way forward in such a way that it's the interest of each country to participate in such a way that this no longer is a prisoner's dilemma.

54:48

It becomes a form of game theory in which it's in everybody's interest to push forward with the collaborative strategy.

54:56

Because this the the only APEC is the way of thinking about that.

55:03

Take a whole bunch of protectionist countries, embed them in the region which everybody is committed to liberalise.

55:10

You go back home and you say it's in my advantage to liberalise also because there is so much of an opportunity out there that I can begin to coordinate the compensation for those that lose at home and still have a community of people that all benefit from this action.

55:34

In that concerted unilateralism process, in that communities of the willing.

55:43

There's a task for leadership.

55:45

We were sitting there in New Zealand looking around the table, 18 of us thinking exactly where is the leadership in this next move going to come from?

55:56

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And and I think Australia, Canada in the old days, my country, Britain, my what is now my country, but not effectively in the last few years, sadly, all have seen an so one piece by piece gradual.

56:18

And I'm just saying there will be opportunities and they need to be grabbed and and and there needs to be leadership in in exploiting them.

56:30

Ross, going on from Stephen's point, there's one big problem in the breakdown of the world trading system.

56:40

It's the United, Trump's United States.

56:42

There's one bigger problem than anything else in the world climate problem, It's Trump's the United States.

56:49

There's one big problem in the developing the regulatory systems to make rapid growth of unofficial intelligence consistent with the public interest, and that's the vested interests working their way through Mr Trump's United States.

57:08

How far can we get through the rest of the world keeping openness and international cooperation alive?

57:20

And 11 little fact that keeps coming into my mind when I think of this we the post war period, but especially the 70's, the 80's, the 90's, the first decade of this century unique in world history for expansion of global trade and rapid economic growth in what we call developing countries.

57:44

Quite a lot ceased to be developing countries or several ceased to be developing countries through success in that time that required access to global markets.

57:53

When China began its process of rapid export oriented growth in the 83848586, the the world economy with the United States was much smaller than the world economy without the United States today.

58:16

So how much can we do by following the Canadian Prime Minister's leadership and just get on with the job with the rest of us, let the US free ride all it likes on trade and climate?

58:31

How far can we get with the rest of us maintaining an international cooperation?

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58:38

That, that, that, that's a \$64 million question.

58:43

And, and I, I think the answer is quite a long way because because we will be able if we keep and this was self evidently clear to me amongst this discussion amongst East Asian countries in New Zealand last week.

59:07

Roughly speaking, these countries said we are still the most fast growing region of the world.

59:13

It's in our interest collaboratively together to keep this going.

59:18

In the end, we will be able to show to the United States that we can do things without them.

59:28

And the picture that is shown, I think is A1, in which the United States inevitably in the end realises that it is losing so much by not being participating in this globally still cooperative system that things in the United States change.

59:51

The very big challenge.

59:57

Why?

59:58

Because that wonder world which Ross described was led by the USA hegemon, helped put the whole thing in place and manage it and was trusted to do so.

1:00:11

This is now in answer to my to your previous question.

1:00:18

This cannot be simply so.

1:00:21

We're all used to doing what happens when a Hegemon disintegrates.

1:00:28

Does another Hegemon replace it seamlessly?

1:00:31

Well, First World War is a bad story about that.

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1:00:37

The GAT and and and Bretton Woods after the Second World War is a good story about the US willing to take.

1:00:47

We're not convinced that a seamless run into a new world in which China just walks into take the place of the US.

1:00:56

None of us, I think believe that a unipolar world in which one hegemon is replaced by another is now where we are going and will want to go.

1:01:06

So this is a this comes back to my answer.

1:01:11

I'm hopeful, Ross, that there will be an answer to your question, but it will not be easy because it's a cooperative leadership task.

1:01:22

But, but, but the final thing I would say is that the, the, the, the ambition to punish the US for its bad behaviour is the wrong ambition because that ambition very quickly degenerates into creating difficulty for each other.

1:01:44

If we do this, it's very difficult to manage that the the way of this cooperative leadership managing to step up in, however complicated, challenging way it will be, needs to be to in the end show that there is there are such rewards in doing this that the US will come to see that this is the wrong way to play.

1:02:11

But the final sentence, the necessary precondition for that is a realisation in Washington that the world can no longer be run from Washington.

1:02:24

And we're watching your bizarre demonstration of the fact that that has not yet been recognised in Washington, but not by its own.

1:02:37

This is not just a comment on the last week, it's a comment on the last five, eight years.

1:02:43

The previous administration had not realised that either.

1:02:46

So this is a wide question of understanding to be dealt with.

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1:02:53

That's a very good place to wrap things up.

1:02:56

Thank you, David, for your presentation and answering our questions.

1:03:00

There's drinks and canopies down the hall, except for those online, unfortunately.

1:03:08

Access those your way for enjoy.

1:03:10

Enjoy those.

1:03:12

Thank you to the Snake family for coming along tonight.

1:03:16

Thank you for everyone attending and a special thanks to the staff they're helping to organise this event.

1:03:22

Can you please thank again David Bynes?