PART 5

TRIBUTES

The contribution to public policy of Professor Richard Hal Snape, 1936–2002*

Professor Richard Snape was just 65 years old when he was taken from us. That is not a long life by conventional standards. But measured in terms of his accomplishments, Richard led both a long and exemplary life. And his contribution will endure, not only on the strength of his considerable intellectual output, but also through the influence he has had on policy makers, and on younger generations of economists.

Richard Snape's professional contribution began earlier than most. In 1960, with a first class honours degree in commerce from Melbourne University behind him, he entered the London School of Economics on a scholarship. Under the supervision of Basil Yamey he completed his doctorate in just two years, producing an innovative and incisive analysis of the welfare costs of barriers to international trade in sugar.

It soon became clear that the young Richard Snape was destined for great things when the doyen of the economics profession, the redoubtable Harry Johnson, was stimulated by Richard's thesis to publish an article sub-titled 'Variations on a theme by R.H. Snape'. As Jonathan Pincus has remarked, in one of many letters of support for Richard's recent successful nomination as Distinguished Fellow of the Economic Society of Australia: 'What a splendid launch: Richard's name in the title of a publication almost before he had a publication to his name!'

* Eulogy delivered at the Armadale Uniting Church, Melbourne, 8 October 2002.

The only misgiving that Richard may have had about this brilliant debut, which included highly rated journal articles of his own, was that he thereby acquired the nickname 'Sugar Snape', which stuck with him for some considerable time!

Richard's research and publications record soon transcended even these auspicious beginnings. Returning to Australia in 1962, he took up a position as lecturer at the fledgling Monash University, where he and other young lions of the profession — most with freshly minted doctorates from prestigious overseas universities — soon made the Faculty of Economics and Politics the pre-eminent centre for the 'new economics' in Australia.

Another of those youthful academics was Alan A. Powell, now also an Emeritus Professor. Alan will speak about Richard's considerable achievements at Monash University in an academic career spanning some 35 years.

In the time available, my own remarks will focus on Richard Snape's influence on public policy, and the contribution that he has thereby made to enhancing the welfare of the community — the end purpose of an economist's training.

As a specialist in international trade and the economics of protection, it was natural that Richard Snape would choose to make his first real foray into the policy arena at the Tariff Board. Richard was among a group of young academics — including Max Corden, Fred Gruen, Alan Powell and Garry Pursell — who in the mid-1960s helped the Tariff Board under its new Chairman G.A. (Alf) Rattigan develop a proper economic framework for tariff-making. Bill Carmichael, who played a key role at the Tariff Board in bringing this external expertise to bear, recalls Richard Snape taking the lead in organising a joint letter from academics to the newspapers, supporting the Tariff Board in its attempts to broaden its reporting in the face of staunch opposition from the Government.

This is an early example of what a number of Richard's colleagues have identified as his concern not just for academic rigour, but to use his analytical skills to help produce practical results; and to stand up publicly and be counted.

Richard's next foray into public policy required him to take leave from his academic duties in 1973-74 to be on the Priorities Review Staff (PRS) under the Whitlam Government. The PRS was an institutional innovation designed to bring fresh analytical insights to policy development for the benefit of the Prime Minister and his Cabinet. In his letter supporting Richard for Distinguished Fellow, Michael Porter recalls that Richard took responsibility within the PRS for trade and assistance policy, anticompetitive regulation and energy policy (an area which, under Rex Connor, had particular need of Richard's careful analysis).

The reports of the PRS were highly influential on public debate and policy outcomes during its short life. Its reports on industry regulation and adjustment policy are still influential today.

In the late-1970s, under a different government, Richard Snape was appointed to the Treasurer's Panel of Economists and then to his Economic Advisory Group. Ian Macfarlane, Governor of the Reserve Bank — and, like many of us, a former student of Richard's — has recounted the opinion of a previous Treasury Secretary that Richard's contribution at that time to the debate on the relationship between real wages and unemployment, while not widely recognised, was in fact 'more valuable than anyone else's', and that he had been so impressed that he had attempted to hire him.

This illustrates another facet of Richard's contribution. While rightly confident about his analytical ability and forthright in expressing and defending his views, Richard Snape's main concern was to advance the arguments, not himself.

In subsequent years, Richard returned to the Tariff Board's successor, the Industries Assistance Commission (IAC), as a consultant, often on complex conceptual issues. Perhaps the standout contribution in this respect was a 1985 consultancy for the IAC that he undertook with Gary Sampson, developing a framework for analysing barriers to international trade in services. This work soon reached an international audience and eventually became the foundation on which the General Agreement on Trade in Services was built during the Uruguay Round.

As a consultant, Richard upheld the finest traditions of academic independence. Unlike many so-called independent consultants today, Richard always delivered what he believed to be sound advice, not merely what his sponsor may have wanted to hear. Thus in the mid-1980s when the Trade Minister of the day was seeking to justify a Free Trade Agreement with the United States, Richard produced a robust but inconvenient report, making it plain that such a course would not necessarily be economically beneficial. (Since then, other consultancies have been enlisted on this matter, but Richard Snape's original work is still commonly referred to.)

In this period, Richard also made his mark at a number of international institutions, including stints at the UNCTAD and the World Bank. More recently he also made an important direct contribution to the work of the WTO, as a member of an eminent international panel reviewing aspects of India's import protection regime. Garry Pursell notes:

> Richard was the only economist on the panel and he contributed in key ways to the carefully reasoned findings against the Indian Government's position … which were welcomed by domestic supporters of trade liberalisation in India … and established a very important precedent on this issue at the WTO.

Richard's skills as an editor and editorial adviser for an array of professional journals and publications — including Australia's own *Economic Record* — were also sought by the World Bank. A number of those acquainted with Richard's work as editor of the World Bank's *Economic Review* and *Research Observer* have remarked on the way in which he quickly established the reputation and reach of these new journals. Nicholas Hope has recalled his regrets at the time that Richard could not be persuaded to stay on at the Bank in a more direct policy role, choosing instead to return to Australia.

Nick Hope records his subsequent delight, however, in learning that this had enabled Richard eventually to assume such a role in Australia at the Productivity Commission.

Richard Snape was appointed to the then Industry Commission in 1995 as an Associate Commissioner. He was brought in primarily as a research leader and mentor, but he soon became active and expert in all aspects of the Commission's work. As a result, he was appointed Commissioner in the newly (re-)created Productivity Commission in 1998 and, following my own appointment as Chairman, he was made Deputy Chairman.

Richard initially worked on public inquiries and research with a trade policy or industry assistance orientation. His knowledge in that area, together with his capacity to grasp the essentials of an argument and to understand the circumstances and motivation of 'interested parties', are all reflected in the quality of those early reports, one of which has become a model internationally for how WTO 'safeguard' investigations should be conducted.

In the next few years, Richard headed key national inquiries into important areas of public policy outside the traditional industry assistance domain. These included reports to government on the regulation of international air services, broadcasting, telecommunications (as supporting Commissioner) and airports. Richard brought his customary analytical rigour to each of those reports, as well as a level-headed appreciation not only of the potential costs of market power, but also of the limits of regulation in achieving better outcomes.

Alan Mitchell, writing about Richard in last weekend's *Financial Review*, observed:

> His most recent major reports for the Productivity Commission included airports and broadcasting. The Government has accepted most of the wisdom of the airports report and is still trying to evade the wisdom of the broadcasting report.

As I read those words on Saturday, I could almost hear Richard chuckling in appreciation.

Richard took a keen interest in the Press as a vehicle for promoting policy ideas and influencing public opinion. He delighted in a good story about our reports. And he would get very annoyed if a reporter got it wrong. This, unfortunately, was not an infrequent occurrence. On a number of such occasions Richard gave the hapless reporter a stern talking to.

Richard could be tougher still if the offender happened to be an academic, and indeed if he perceived any lapse in academic standards or conduct. Ian Harper has recounted with feeling an earlier and quite innocent experience of his own, noting 'the rebuke of one's professional senior is carried throughout one's career and passed on to the next generation!'

This brings me back finally to the influence that Richard has had, and continues to have, through the work of those students and colleagues who have benefited from his guidance and collaboration. At the Productivity Commission, Richard's door was always open to junior and senior staff alike; he was always willing to help and his support was always timely. Richard's interest in staff went well beyond guiding their work. He also took a keen interest in their professional development and would encourage those with potential to exploit it to the full.

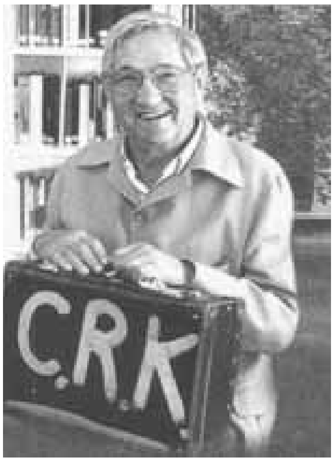
As Philip Williams has remarked from personal experience, Richard's guidance and support for his students was not a temporary thing, but involved a long-term commitment. He writes:

> One of the characteristics of good teachers is that they succeed in transferring their enthusiasm for their subject to their students. It is not so common for this to continue for decades after the student-teacher relationship has ended.

For my own part, it is hard to express how privileged I have felt to have been able to work alongside Richard in common cause over these past few years. And, during his last difficult year, it has been inspiring and humbling to observe Richard's continuing contribution to our work and to have had his unfailing support.

In a sense, those of us who worked with Richard are all his pupils. The standards he set for himself are standards to which we should all aspire. Through his own substantial intellectual achievements and the influence of his teaching, Australia is a better and more prosperous place.

Bert's legacy: a talk to the 'Society of Modest Members'*



Charles Robert 'Bert' Kelly CMG (1912–1997) was a prominent member of the Australian Parliament and a federal government minister. He was influential in urging Australian political parties to move away from protectionist policies. He was well known for his 'Modest Member' and 'Modest Farmer' articles in national newspapers and magazines. The 'Society of Modest Members' comprised parliamentarians with an attachment to Kelly's anti-protection ideals.

Bert Kelly's Modest Member newspaper columns in the late-1960s and early 1970s had a significant influence on my career choice. My first job as a graduate was with the Tariff Board and after a variety of other jobs, I ended up heading its 'descendent' the Productivity Commission.

The Commission was created by the Coalition Government in 1998 as a vehicle to assist it to advance the reform agenda. However, the Coalition has not always been a supporter of economic reform, nor of its advocates (including the Industries Assistance Commission and the Industry Commission — both established by Labor Governments).

When Bert Kelly began his tariff crusade in the early 1960s, his was a lone voice within his party and indeed the Parliament. In his book *One More Nail* (1978), he recounts:

* Parliament House, Canberra, 23 September 2002.

> To say that my message was received with indifference would be an understatement of immense proportions. I used to be able to empty the house quicker than any other Member, and believe me, the competition was not negligible. Lorna, bless her heart, used to be so sorry for me that she used to come over to Canberra if she knew that I had a series of tariff speeches looming. She would then sit doggedly in the Speaker's Gallery (there was never a great demand for seats when I was speaking) and it was some comfort to know that she was there. (p. 77)

However, it appears that Bert received some surreptitious encouragement for his mission. He records:

> Ministers would pass me in the corridors and after a quick look around to see that no one was watching, they would urge me to keep going even if it killed me because I was doing more good than I knew. (p. 84)

Part of Bert Kelly's difficulty in selling reform in those early years was that the Australian economy and community were doing pretty well. Growth was steady, unemployment and inflation low, and the incomes of Australians on average still higher than in most other OECD countries. Australia was at that stage still able to 'ride on the sheep's back'. The terms of trade favoured our primary commodities, and we benefited from a world-wide expansion in demand following the war.

Falling off the sheep's back

But we were riding for a fall. Even in the boom years, Australia's productivity performance was lagging other countries. Over the period 1950 to 1973, productivity growth in Australia averaged 2.3 per cent a year, compared to an OECD average of 3.6 per cent.

Productivity growth is the main determinant of income growth in the long term. Our relatively poor productivity performance was therefore translated into an inexorable slide in our comparative living standards, aggravated by declining terms of trade.

The reasons for our poor productivity performance were not hard to find:

- a fragmented, high-cost manufacturing sector, focussed on the domestic market
- indulgent, inflexible work practices, intransigent and powerful unions and lack lustre management
- outmoded technologies and low rates of innovation and skill development
- bloated public utility monopolies controlling key infrastructure services like power, transport and communications.

As a broadacre farmer selling on world markets, Bert Kelly was well placed to appreciate that these features were not inherent to Australia, but a consequence of an industry development strategy that had become increasingly focussed on impeding or suppressing the forces of competition.

For a small economy, the most important source of competition is international: it defines best practice in costs, quality and technology, and ensures that, at least in the traded sector, our resources are directed to those domestic activities that have the highest payoff. Barriers to international competition were therefore the logical starting point for what eventually became known as 'microeconomic reform'.

This brings me back to Bert Kelly's difficulty in pursuing tariff reform. Like all micro reform it involves unwinding policy measures that support inefficiency. Reform benefits the wider community. But in doing so it threatens the privileges or perceived entitlements of a (vocal) minority. The political calculus is made worse by the front-loaded timing of the losses relative to the benefits from reform, and by the lack of awareness by the potential beneficiaries of what is at stake. Indeed the general community will often find the arguments of vested interests more appealing than those of the reformers. These political difficulties are compounded by a government bureaucracy that often serves to sponsor the interests of particular sectors or groups, and makes it hard for governments to see the big picture.

Bert Kelly understood all this earlier than most. His energies were therefore directed at making the case for reform as simply and persuasively as he could. He staunchly defended the independent role of the Industries Assistance Commission and its successors, as objective sources of advice and information about the tradeoffs for the community in industry assistance.

Reform had a big payoff

I could at this point embark on a blow-by-blow description of tariff reform and the succession of wider microeconomic reforms, but I would not be telling you much you did not already know (or had not lived through). What is worth noting is that protection reform was a necessary precursor to other microeconomic reforms. By exposing firms to increased competitive pressure in the markets for their outputs it created pressure for reform in the markets for their inputs.

Firms and industry organisations that had long been complacent about unproductive work practices and the cost of public utility services, found that they could no longer contrive to pass those costs on. Thus the reforms to industrial relations and government business enterprises, culminating in the National Competition Policy, were a logical outcome of the opening of the Australian economy to international competition.

The reform process by any measure has been a sweeping one. It was successfully implemented only because key industry groups as well as governments became convinced that it would have a substantial payoff. However, that conviction has not always been adequately communicated to the wider community. Concerns and confusion about the reforms and their effects have provided fertile ground for misinformation and misrepresentation, especially in regional Australia. Some think we are worse off, or no better off; others admit to some benefits, but consider that we have had enough reform for the time being. So, *has* micro reform been worth it?

The headline answer can be found in the surge in Australia's productivity growth in the 1990s. Multifactor productivity growth averaged 1.8 per cent a year, one percentage point above the previous trend. This performance outstripped nearly all OECD countries, including the United States.

The sustained rise in Australia's productivity growth cannot be explained away — as some have tried to do — by business cycle effects or increased work intensity, or even by measurement errors. Better macroeconomic management has clearly helped — by bringing a more stable and predictable climate for investment and production decisions.

But *micro*economic reform has been the real driver of Australia's productivity boom. It did this in two ways:

- by heightening competitive pressures and sharpening incentives for firms to be more cost conscious, innovative and productive
- by allowing businesses greater flexibility to make the necessary changes and innovations (particularly through industrial relations reforms).

This clearly contributed to the unprecedented resilience and adaptability of the Australian economy in the face of the financial crisis in key export markets in Asia. The improved productivity performance brought about an acceleration in the average income of Australians from the customary growth rate of 1.4 per cent in the 1970s and 1980s, to 2.5 per cent in the 1990s. One percentage point of extra income growth annually soon adds up. If Australia's productivity had grown in the 1990s at its previous trend rate, households would have been \$7 000 poorer on average by the end of the decade.

The benefits were widely spread

Commission research shows that the income gains have been shared fairly evenly between capital and labour at the aggregate level. In other words, business has not pocketed all the gains from the productivity improvements. (The main decline in labour's income share occurred in the 1980s — during the Accord years.)

Indeed, the competitive pressures engendered by microeconomic reform meant that productivity gains have been largely passed on in the form of lower prices. The Commission's review of infrastructure trends over the last decade shows that there have been lower prices to households for services such as electricity and telecommunications, notwithstanding some recent increases (PC 2002f). Less obvious but real benefits to the community have also come from lower prices to businesses (for example in electricity, rail freight, post). At the same time there has been greater cost recovery and less budget damage, which have fed through to lower final prices and taxes faced by consumers.

Of course, not all prices have fallen. Australia's scarce water resources have long been underpriced. This required urgent attention to promote sustainability. Following the move to consumption-based charges, per capita consumption has decreased by some 17 per cent in major urban and regional areas. Our assessment of service trends shows that price reductions have not come at the expense of service quality. For example, case studies indicate that the frequency and duration of electricity supply interruptions declined by up to half.

Moreover, our preliminary assessment of the distributional consequences of price trends post reform indicates that the direct impact on household expenditure has been more favourable for people on lower incomes (PC 2002f). There is also evidence that price trends have generally been comparable across regional and metropolitan areas.

The regional distribution of gains and losses from reform has been of particular interest in recent years, with many country people attributing the declines in population, services and incomes to National Competition Policy. The Productivity Commission's public inquiry on this matter found that those perceptions were generally misplaced (PC 1999b). The major drivers of the fortunes of rural and regional Australia remain ongoing technology advances and intensifying competition on export markets, which have relentlessly pushed down rural terms of trade and made farming a much less people-intensive activity. Many pro-competitive reforms have helped rural industries cope with these external pressures, by reducing the costs of major inputs such as energy, rail, transport and communications.

The Commission's detailed assessment was that country Australia as a whole would benefit from National Competition Policy, although there was likely to be more variation in the incidence of benefits and costs among regions than among more diversified urban centres (PC 1999b).

The saga of auto industry assistance

One of the industries of particular interest to Bert Kelly was the auto industry, which was conceived out of high protection and has fought vigorously, both as infant and adult, to extend and maintain that protection. The Commission has completed its inquiry into post-2005 automotive assistance (PC 2002e) and I can assure you that the industry's advocacy skills are undiminished. (Some of you may be experiencing them at first hand!)

While the automotive industry has always resisted cuts in protection and consistently predicted its demise if tariffs were reduced — whether from 57.5 per cent or 40 per cent or 25 per cent or indeed the present 10 per cent — the reality is that this industry has, almost despite itself, become an advertisement for the gains from protection reform.

Under the pressure of increased import competition there has not only been significant rationalisation of production (allowing greater scale economies), the industry's innovativeness and productivity have increased, and product quality has improved dramatically. This has meant that, while tariffs have fallen and imports have risen substantially, the industry has fully offset this through export sales, so that production has stabilised and is now projected to expand.

The industry has admitted that tariff reform spurred its performance in ways that it had not envisaged in more cosseted times. But it does not see scope for further gains from reducing tariffs and believes that any further liberalisation should be contingent, among other things, on other countries eliminating their protection.

The Commission has listened carefully to the industry's arguments. We accept that circumstances have changed and that with tariffs at 15 or 10 per cent, the (static) costs of resource misallocation are nowhere near what they were. But the burden on consumers of even a 10 per cent tariff remains significant. When the Automotive Competitive and Investment Scheme (ACIS) subsidies are accounted for, we are looking at over $1 billion of support annually. Moreover, the Commission has argued that further tariff reductions would yield worthwhile efficiency gains, including by keeping the pressure on firms and their workers to achieve best practice workplaces.

Looked at the other way, a decision by Government to maintain the assistance *status quo* would not be a helpful signal about the need for workplace change. It could also signal to other APEC countries that we are not serious about the Bogor commitment, and undermine the potential for gains to Australia from APEC liberalisation.

That said, the Commission has carefully considered the adjustment implications of different policy choices and come up with options that minimise the potential for disruptive change to the industry. To the extent that economic modelling can shine light on this aspect, it indicates that reducing tariffs further would make only a marginal additional contribution to ongoing employment reductions in the automotive industry and employment in all regions would continue to grow. Indeed the adjustment issues for this industry are less significant now than ever before, with rising skill levels improving the mobility of auto workers, and less regional dependence on the industry for jobs and income.

You should not be misled, therefore, by the orchestrated campaign in Victoria in which local governments and local newspapers are predicting big job losses from further assistance reform. These ‘estimates’ have been drawn from a so-called ‘model’ that has never been made available for external scrutiny — including by the Commission (despite our best efforts). A better litmus test of the regional implications of reform is the City of Geelong’s support for the Commission’s option of reducing tariffs to 5 per cent in 2010 (with some further ACIS support to facilitate it) — a marked contrast to its position during the last inquiry.

Further reform challenges

The auto industry’s transformation can be seen as a reflection of the transformation of the Australian economy itself. In the past two decades our economy has become far more open and competitive, more specialised and productive, more adaptable and innovative; in short, a more dynamic economy, much better placed to meet the exigencies of globalisation.

Microeconomic reform — starting with the Modest Member’s quest for some rationality in tariff policy — has had much to do with this transformation. But it would be idle to believe that the reform process had reached its conclusion, including on industry assistance. For example, I imagine that if Bert Kelly were writing today, he would express satisfaction with the substantial overall reduction in import protection, but he would be drawing attention to the remaining assistance peaks — and his mate Fred would be complaining not only about the level of support for autos, but the even higher rate of support for TCF. Our Modest Member might also be urging us to go further with general tariff rates, rather than holding them at 5 per cent on questionable budgetary grounds.

Being also a Modest *Farmer* he would no doubt be looking critically at the handouts to the dairy and sugar industries, and wondering out loud about their costs and their efficacy in securing competitive viability.

As a stickler for public transparency in industry assistance matters, he might raise concerns not only about those decisions, but also about the emerging trend to *ad hoc* assistance for particular firms, such as:

- the lack of clarity about the criteria for making a recent $35 million cash grant to Mitsubishi
- the support for domestic production of ethanol
- the inter-state bidding wars for investment projects, which are at best zero-sum games, but have so little transparency that it is impossible to assess their impacts.

The other key area of micro reform — National Competition Policy — is also still a work in progress. Recent reviews by the Productivity Commission of pro-competitive regulation of infrastructure services have found significant gains, but have also identified a looming danger of regulatory overreach, which could seriously weaken the incentives to invest in long-lived infrastructure projects (PC 2001b, PC 2002d). The Government's recognition of this in its recent response to the Commission's report on the National Access Regime is a very positive development.

When it comes to investigating reforms to improve the performance of Australia's social infrastructure — its schools, hospitals and community services — we have hardly begun to scratch the surface. Social infrastructure is a large and growing part of the economy — some 10 per cent of GDP — and the work the Commission is coordinating for the inter-governmental Review of Service Provision shows wide disparities in performance across and within jurisdictions.

In those areas, as well as in dealing with the important environmental challenges facing this country, the use of market incentives — property rights, prices and choice — can play a crucial role in getting better outcomes.

However the special interests and sense of entitlement that have made microeconomic reform difficult in the industry domain, are no less evident in the social and environmental domains. Moreover, in areas like education and health, access and equity issues loom larger and social sensitivities are greater.

So the need for ongoing reform, and the challenges of achieving it, remain substantial. The Productivity Commission, like its forebears, can help governments identify appropriate reforms, by laying out the costs and benefits of different policy choices. Through our public processes, we can also help promote community awareness about the need for change.

At the end of the day though, it is *your* ability and willingness to take the case for reform to the electorate that will determine its success. In this respect, Bert Kelly's example remains an inspiration for what Members of Parliament — whether modest or not — can achieve.

Building a career on solid foundations: advice to new graduates*

I am honoured to have this opportunity to speak to the many new graduates from the College of Business and Economics at my Alma Mater, the Australian National University (ANU). I had forgotten how exciting a day it is at a university campus when graduations are in progress. Indeed the excitement has communicated itself more widely throughout Canberra.

It is 34 years since I last wore academic robes at my own graduation ceremony at the ANU, but I have maintained connections with the university over the years for which I am very grateful, and indeed this is one of the benefits of studying at such a great institution.

When I graduated in 1974, my fellow graduates comprised mainly people with degrees in economics. Thirty four years later, the majority of you have qualifications in business, commerce or other commercial studies. I won't hide the fact that this is a source of concern to me, and indeed to the Productivity Commission, as an employer of economic graduates! Such graduates are the life blood of our organisation. They generate ideas and bring skills and enthusiasm to its work, which have made a significant difference over time. Indeed, my own first job as an economics graduate was at the Tariff Board, a distant ancestor of the Productivity Commission, for which I am currently the Chairman.

But I have to acknowledge that some shift in the pattern of study has been inevitable, and indeed desirable, given the significant changes in our economy and society over recent decades, and changes in other countries as well.

Australia in the 1970s and 80s was in great *need* of well trained economists! We had seen our economy deteriorate over preceding decades to the point where we had fallen from having the highest per capita income in the world, at the dawn of the century, to 18th position by the late-1980s. This was a consequence of poor policies and bad regulation. These had isolated us from world markets; they had sheltered inefficiency; they had weakened incentives for innovation and skill formation and,

* Conferring of Awards ceremony, College of Business and Economics, Llewellyn Hall, Australian National University, Canberra, 18 July 2008.

as consequence, had kept Australia's productivity growth significantly below the average for the OECD and reduced the relative living standards of Australians.

So for many young Australians in the 1960s and 70s, studying economics and contemplating a career in government was a natural choice, one that responded to the problems and opportunities of our economy and society in that era. Those graduates in turn contributed to the momentum for reforms in the 1980s, the opening up of our economy to foreign goods, services and capital, and the stimulation of competition and enterprise generally, such that Australia's economy and its performance have since been transformed. Today our per capita income has risen again to 6th place in the world.

That is not to say that Australia's, or especially the world's, economic policy problems have been solved! On the contrary, today we must confront such major long-term policy issues as greenhouse, population ageing and its impacts on workforce participation, not to mention the present fallout from the sub-prime crisis in financial markets. These and other challenges reveal an ongoing need for skilled policy makers, advisors and researchers.

But that said, we have today a more vibrant, evolved economy, offering opportunities for highly trained graduates not only in economics and in government, but also in the full range of disciplines relevant to our economy — in business, commerce, accounting and related fields — where positions in the private sector are abundantly available that did not exist three decades ago.

The corollary of this expanded opportunity and diversity — both in Australia and overseas — is that the career you can look forward to is no longer as static or 'path dependent' as it was when I completed my own degree all that time ago. Graduates of my generation, and those that came before me, would typically join a firm or organisation for life. In my own organisation we have recently seen a spate of retirements, with many of the individuals concerned having worked there for over thirty years. When I tell the new graduates this they look incredulous or horrified! Few among them would contemplate staying in an organisation, even one as satisfying to work at as the Productivity Commission, for longer than five years or so.

My own case is somewhat unusual. After a career spanning three decades I am back at the institution I first joined as a graduate. In between, I spent many years working overseas, as well as in a range of other organisations and positions in Australia. Today however, we are seeing considerable turnover and mobility generally, both between the public and private sectors and within each sector. There is also more scope to change course in one's specialisation, or even one's profession, these days.

And there is the opportunity to receive 'top up' skills or new skills, either at a TAFE college or at a university such as this.

This is all to the good of the individuals concerned and of our society. But it needs to be recognised that it is also a more demanding and competitive environment facing graduates today than ever in the past. There are no longer any 'sheltered workshops', either within the public or private sectors. Whatever profession or position you choose, how well you do will depend, more than ever in history, on your own performance; not whether you happen to be male or female, or who your parents are, or what school you went to.

Though I should say, especially today, that what *university* you went to can make a difference! And there is no better start, I am sure many here will agree, than having a degree from the Australian National University. But even then the important thing is not the name, but the substance of what you have managed to learn in your time here.

So with these opportunities and challenges awaiting you, the best that I can do for you today is to offer you the following seven tips, based on my own experience over the 34 years since I was last sitting where you are today.

First, do not be daunted by any early setbacks

When I joined the Tariff Board as a graduate, anxious to make use of my newly honed skills in economics and econometrics, I was initially assigned to provide research support for a visiting economic consultant from the United States, who I will refer to as Dr W. Now Dr W was a lovely man, but it turned out that he was a charlatan. He employed me in a variety of tasks, the relevance and utility of which, even as a young 21-year-old, I soon began to question. In the event, after a few months, following a minor skirmish with the law, Dr W was forced to return to the United States to avoid a messy legal process. On his departure, he assured the senior people in my organisation that he had completed the project for which he had been hired and that he had left all of his results with me.

Imagine my astonishment, therefore, having not seen any of this material — in fact I believe none existed — when the head of my division came to my room and asked me to hand it over! It was not easy to convince him that I had no knowledge of it, without also raising suspicions in his mind, probably justified, that I had been wasting my time for the previous three months. So when I sit down now for my first talk to the latest batch of young graduates, as head of my organisation, I cite this story against myself as living proof that it is possible to recover from a very bad start!

Second, seek out mentors

I hasten to add that I do not mean someone like Dr W! Indeed the best mentor for you may not be your immediate supervisor or boss. What you need is someone who is clearly successful, who you can observe and learn from in building a successful career yourself.

The best mentors are not only technically skilled people, but also those who are held in particularly high esteem within their organisation for their values, their ideas and their conduct in the workplace. A person with qualities such as hard work, commitment, open and friendly dealings with colleagues, and with courage and integrity on difficult issues, will be a role model which, if emulated, will stand you in good stead throughout your career.

Third, learn to be an effective communicator

Many extremely clever, well-trained people never make their mark in life because of a lack of ability to communicate well. Above all, it is important to work hard at your *writing*. Other communication skills will develop naturally in time as you gain experience and confidence. But writing well demands conscious effort and attention.

By writing well, I do not mean just writing grammatically, but also structuring an argument cogently, expressing your meaning clearly, focussing on the essentials of the case you are making and, ultimately, engaging the reader and making that person want to finish reading what you have to say.

Good writing is important not just when writing a paper or a major report; it is also important when you are seeking to communicate through a letter or, much more common these days, an email message.

It would be nice to believe that these skills will have been acquired at school or university. Unfortunately, from my experience that is rarely the case, even in an institution as good as this one. Therefore, a key post-graduate skill that you need to acquire is good writing, and ultimately effective communication. Acquiring those skills early will pay dividends throughout your entire working life.

Fourth, be open to criticism of your performance

Welcome it; embrace it! Of course this is easier if such criticism is offered constructively and, ideally, sensitively. But even when ineptly or badly delivered, it can be very valuable to you, if you approach it with a positive attitude. In fact the more you show you can accept critical feedback, the more it will be offered. And the more you respond to it by changing what you do, the less need there will be for it later in your career — and indeed the better your career will have been for it.

Compared to when I first embarked on a career in the early seventies, these days there are more structured opportunities for you to receive appraisal of your performance in the workplace. In the Productivity Commission, for example, such opportunities occur regularly every six months. My advice to you is to seize the opportunity presented by such regular appraisal sessions.

Fifth, take the bad with the good

Do not expect that every task you are given will be as fulfilling, stimulating and suited to your undoubted abilities as you may wish. The way you treat the more onerous or mundane tasks that will inevitably come your way as a newcomer to the workplace, provides an important signal to your managers and supervisors about what you are made of, and your ability to do more challenging things.

When I was a young research economist at the GATT in Geneva — the predecessor of the WTO — what turned out to be my biggest break was the opportunity to do my branch's most menial task; namely, transcribing editorial changes to the organisation's annual report that emerged from a painstakingly slow drafting discussion among my senior colleagues. However, I persisted in that task, those senior colleagues soon got to know me and eventually to trust me, and before long I found myself co-authoring reports with them. So the moral is, try to do your best even on the worst jobs, and eventually some of the best jobs will become yours.

Sixth, learn about the bigger picture for your organisation

As a young graduate commencing in your first job, you will inevitably be a small cog in a much larger machine. Understanding how that machine fits together — and your organisation's place in the wider world — will help with your own tasks and help you to put things in perspective. It will also give you a sense of where your best contribution may lie over time within the organisation. And it will signal to senior people that you have a more corporate or strategic view, which is one key quality for advancement.

Seventh, stay in touch with your university friends and colleagues

University life provides you with, to use economist's jargon, 'intellectual capital'. But it also provides you with, if I can use further jargon, *social* capital. Maintaining this network of friends and colleagues will enrich your own experiences of life and work, and may open up unanticipated opportunities. The reason, as should be obvious here today, is that your fellow students will end up doing many different things and will be located in many different parts of the world.

So remember: you are graduating from one of the world's leading universities. If you now successfully build on this important foundation as you enter the next phase of your lives, the world itself will be your oyster.

Congratulations once again on your achievement. I wish you well in all that follows.