

**2018 Social and Economic Outlook Conference**  
**Plenary 2: Politicians Delivering Change**  
**Professor Ross Garnaut's Plenary Speech**

11.30am-12.30pm

Thursday October 11

Savoy 1, Grand Hyatt Melbourne

Ross Garnaut AC  
Professor of Economics, The University of Melbourne

I am not comfortable with the title of our session today. Australia is in trouble. The international economic and political situation is more complex dangerous than in my conscious lifetime. We have allowed internal imbalances to grow in ways that will make it difficult to face up to shocks as they arise. As a community we are denying the scientific and economic and other expert analysis that would allow us to understand and therefore to respond productively to the dangers. We have seen monopolies and rent expand in our economy, feeding back into the political system as vested interests' dominance over the public interest in policy-making. And yet members of this panel are being invited to discuss whether our leaders, the politicians, the "system"—the stars--can deliver the change that is needed.

We, members of this panel, would do well to ask whether the fault is in our stars, or in ourselves.

The political system is much more than politicians; and policy reform in the national interest depends on the work, the values, the objectives, the quality, the behaviour of many people and institutions beyond politicians and the institutions through which they work.

Liberal reform leader in the Fraser period, John Hyde, in his memoir "The Drys", identifies Bob Hawke's Industry Statement of March 1991 as Australia's high point of public interest policy. My book, "Dog Days: Australia After the Boom" identified 1983 to 2000 as Australia's Reform Period. The end of the Reform Period was marked by the rancorous debate over the GST, and over the compensation for the GST that cost the Budget bottom line a percentage point of GDP and our political system a vast expansion of the reach of the Grants Commission's problematic Horizontal Fiscal Equalisation. The GST debate was followed by years in which major policy change, reform, in the national interest became rare, more difficult, and temporary. In 2005, I made the first of many references in these conferences and elsewhere to the Great Australian Complacency of the Early Twenty First Century.

It is not that there was no big policy change introduced to implement Governments' perceptions of the public good after 2000. I will mention three big things.

First, Work Choices. The policy change went beyond Australian perceptions of what was reasonable. But whatever else might be said of it, work choices was a hard reform implemented against great pressure because the Government of the day judged it to be in the national interest.

Second, macro-economic policy to avoid recession. Deft fiscal and monetary policy was crucial to Australia avoiding recession through the Great Crash of 2008—alone with Korea within the OECD.

Third, Climate policy. Far-reaching Australian climate policy reforms were legislated in 2011 and implemented from 1 July 2012 to 30 June 2014, and, while they were operating, achieved their announced objectives in detail. In retrospect we can see that they would have allowed Australian contribution of its fair share to an international effort without economic disruption or substantial cost. We would been part of a carbon trading system integrated into the European Emissions Trading Scheme from 1 July 2014, with carbon prices at relatively low European levels—without the energy market uncertainty that has seen electricity prices soar above

levels that ruled when we had a carbon price.

Whether you think Work Choices and carbon pricing were good or bad, they were the product of Governments taking hard decisions in the national interest and putting them into practice—and then facing pressures that led to their repudiation. And the macroeconomic policies that kept Australia out of recession were shouted down by the majority media and the then Opposition parties to an extent that will create barriers to Australia responding wisely next time we face recessionary pressures from the global economy.

While Hawke and his Cabinet embodied in rare and high degree qualities of democratic leadership in the public interest, and Howard himself and some of his Ministers had considerable strengths, differences in quality of politicians explain only part of the story of poorer public policy since the turn of the century.

Let us reflect on what changed between the Reform Period and the Great Australian Complacency.

Most importantly, we have endured a thinning of an informed, engaged, independent centre of our polity, the members of which put effort into policy discussion because they seek better outcomes in the broad Australian nationalist interest.

Part of the cause can be found in changes in political leadership. Bob Hawke saw reform in the public interest as beginning with public education. He saw this as requiring the nurturing of an independent centre of our polity—encouraging into the public debate voices that would be heard as speaking in the public interest, drawing on knowledge and expertise; avoiding entrenched division in the community; tolerating competing opinions; settling for moderate rather than winner-take-all outcomes. We haven't always had that approach to policy-making from recent leaders.

But much of the cause has been in the political culture more generally. We have a smaller, less active and less influential independent centre of the polity, respected for participants' knowledge and expertise and commitment to the national interest. The majority media and the business lobbies have drowned out the independent centre, with raucous assertion of opinions that are convenient to their private interests. The words that are shouted most loudly are now taken by their proponents as facts. Most damaging of all to economic policy has been the promotion of cash-for-comment economic modelling, where the truth is incidental to promotion of outcomes that suit the private interests that commission them.

Climate and energy policy, and the taxation of corporate incomes, provide examples of the problem.

Perhaps to the surprise of the majority media and the business lobbies, the new political culture has not delivered comprehensive victory on policy for the loud voices. It has delivered community distrust in many powerful institutions of our society. The loud voices do their best to shout down the institutions that have retained public trust. A sullen electorate is inclined to doubt its political leaders, and disinclined to follow them, both when they are right and when they are wrong.

We will not get back to policy-making in the public interest without reform to reduce the influence of vested business interests in the political process, to strengthen independent centres of policy research, and to nurture a more competitive and better resourced media.

We will not build a base for a return to good policy in the national interest by decrying the flaws in our politicians. Let us be ready to give credit where it is due. If at some time in future we have a Government that is ready to put real effort into analysis of alternative policies; develops some policies, say related to climate and energy and taxation, that it judges to be in the public interest; and explains and defends the policies against pressure from vested interests over a long period of time, let's not rush to shout it down simply because the policies don't feed our private prejudices and interests.

And let's recognise that return to good policy requires a stronger independent centre of our polity, more engagement in policy discussion by many people without an axe to grind, more respect for knowledge and expertise, more tolerance of others' views, and acceptance that it is unwise when we win to take it all.