

Some Australian Perspectives on Economic Reform

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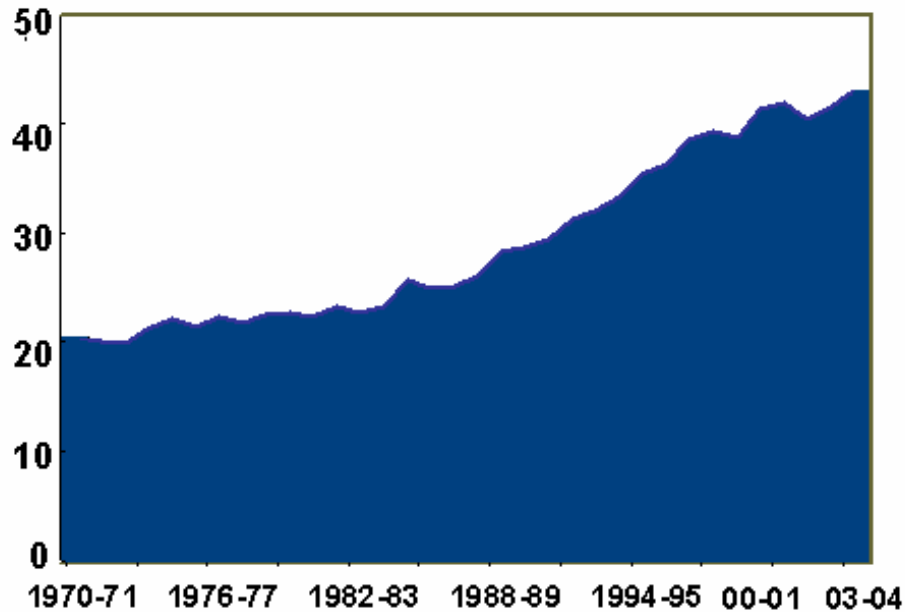
La France en Europe: Un Acteur pas comme les autres?, Sciences Po
Conference, Paris, 12 June 2008

Australia has undergone wide-ranging structural reform

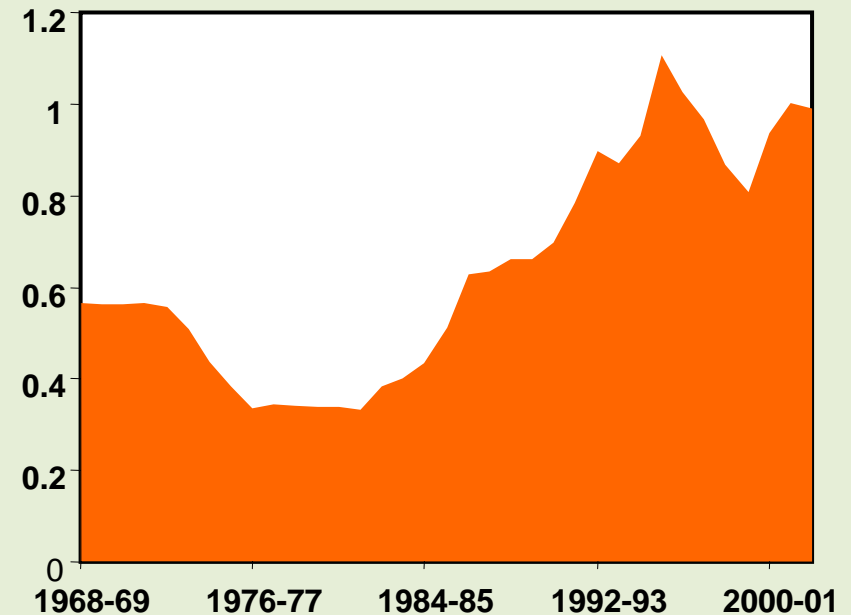
- Trade liberalisation (1973; then from 1985)
- Capital market liberalisation (from 1983)
- Pro-competitive infrastructure reforms (from mid-80s)
- R&D tax concession/assistance (from mid-80s)
- Labour market 'deregulation' (from mid-80s)
- A coordinated 'National Competition Policy' (from 1995)
- A new 'National Reform Agenda' (from 2006)

Increased trade and R&D intensity

Trade-to-GDP ratio

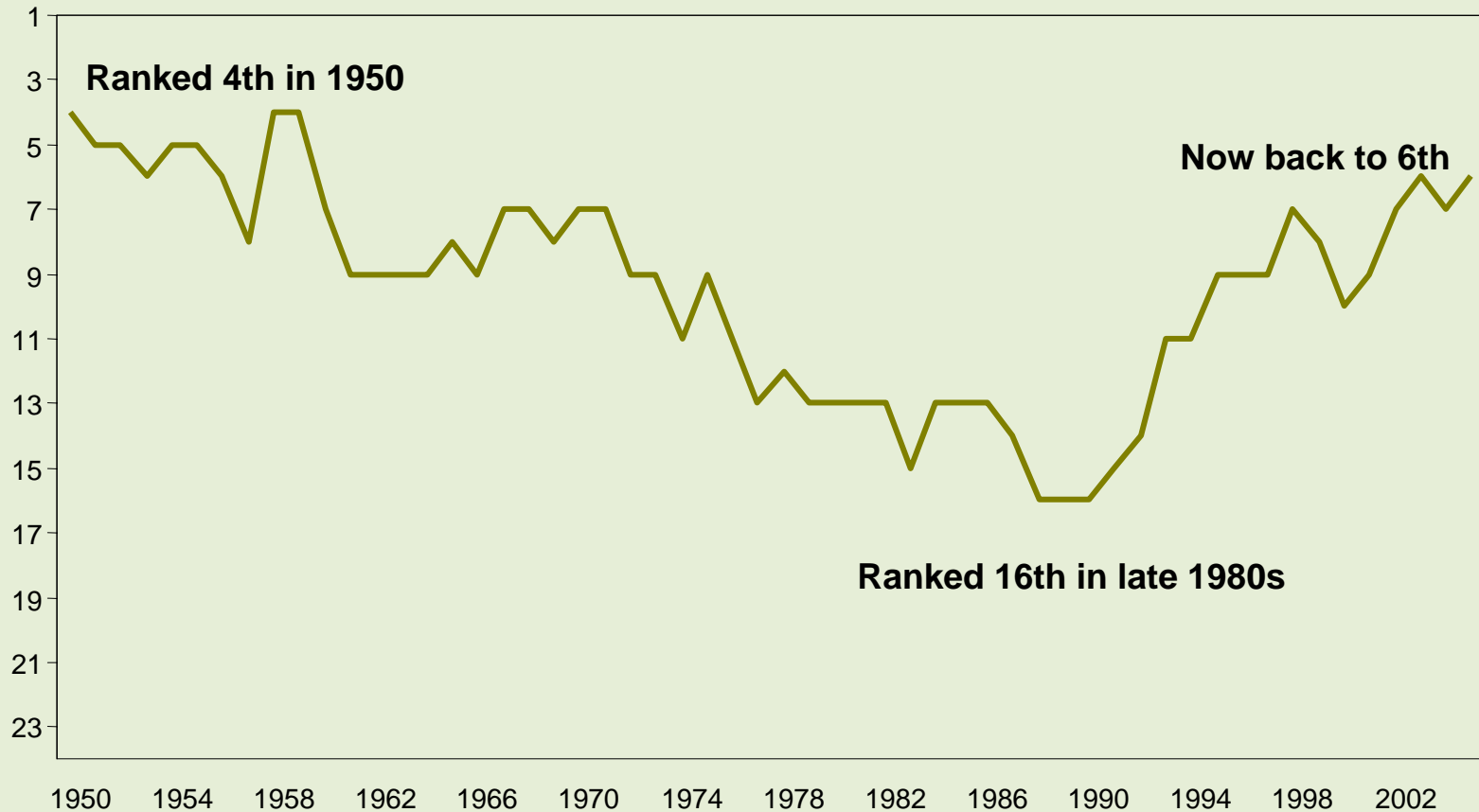


Business R&D share of market value added



Australia's economic ranking has rebounded

Per capita GDP World Ranking



The bigger economic cake

- The 1990s productivity surge worth 4000€ per household
- NCP infrastructure reforms – 2.5% increase in GDP
- NRA human capital reforms – speculatively 9% of GDP before costs

Bipartisan support for reform

- Successful and sustained reform is challenging
 - many reform issues are complex
 - adjustment costs can loom large
 - vested interests
- But all Australian Governments support it
 - A means to improve the well-being of ordinary Australians
 - economic and social goals need not collide

Some features of Australia's implementation strategy

- We proceeded iteratively and gradually
- But we acted on a broad front
- We assisted adjustment in sensitive sectors
- And we put in place robust institutions to help shape the reform process and keep it on track

Lessons: Reform involves many players

- Political leadership crucial
- Public education also a key

More lessons: Reform is a process not an event

- A coherent analytical framework
- A good understanding of problems
- Rigorous policy/regulatory evaluation
- Acknowledge trade-off between imperfect markets and imperfect government
- Build and consolidate analytical skills
- Look at what others do

Institutional 'change' agents

- Institutions and processes must take account of local circumstances
- But institutional change agents can help to drive reform
- Australia's Productivity Commission
 - Independence, transparency and an economy wide perspective

How has the Commission assisted reform in Australia

- Impartial advice in the 'national interest' on a wide range of policy issues
- Ammunition for government in selling reform
- Findings publicly scrutinized and robust
- Greater community awareness of the costs of existing policies and benefits from reform
- Accumulation and concentration of analytical expertise