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**Embargoed until 6.00pm on  
Wednesday 26 February 2003**

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A Changing Australia: The Business and Social Imperatives -  
Keeping Reform on Track

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to

the UNSW Australia Graduate School of Management Alumni Meeting  
Canberra, 26 February 2003

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**The beginning of change**

A while ago I spent my lunchtime trying to track down a rather obscure DVD. After rummaging through a couple of stores I finally asked a sales clerk if he could order it for me. Of course, he said, but it could take several weeks. I told him not to bother. Recounting this later to my teenage daughter, she asked why I hadn't ordered it myself on the internet. She logged on to a DVD retailer site, and within a couple of minutes, had located, ordered and paid for the disc. It arrived a few days later.

This is a small example but it illustrates a wider point.

Australia's economy is undergoing rapid change driven by innovations in communications, financial and information-based technologies. Australian firms now compete against nations that are using technological advancements to drive down costs and enter markets that were previously sheltered by barriers of

information and distance. With the integration of markets, world's best practice is the new benchmark for efficient supply.

These changes come in conjunction with wider forces of structural change, including demographic movements and a long term decline in commodity prices. There has also been a shift in consumption patterns and an erosion of traditional demarcations between products and markets - for example, the emergence of multi-utilities selling gas, electricity and telephony.

### **The move towards competition policy**

For Australia, wealth creation is no longer simply about boosting aggregate production. Increasingly, it is about finding better ways of doing things, and better ways of meeting consumer wants. Wealth creation now means things like:

- The supply of high value, sophisticated professional services in the areas of health, education and the law, including the export of those services.
- Increasing the value of tourism services
- Producing higher quality food and drink, like high quality wine (rather than just more of the same product).
- Providing services that make it easier for people to shop for what they want (rather than expecting consumers to buy what's for sale during traditional shopping hours).
- Producing primary inputs like grains or iron ore that are designed to reduce manufacturing costs or improve product quality in downstream value-adding activities like meat or steel production.
- Providing innovative personal services to help improve the quality of life of consumers of these services

The nations to prosper in the 21<sup>st</sup> century will be those that adapt quickly to rapidly changing demand and supply conditions. And increasingly, it is irrelevant to talk about change in Australia as a distinct phenomenon from global change. With the increased mobility of capital, Australia's interest rates and exchange rate – major influences on the wellbeing of all Australians – are now shaped by global capital markets and international perceptions of our responsiveness to the challenges of global change.

Economists recognised that to close ourselves off from the rest of the world – through trade barriers and the like – would be one response to this challenge, but that it would be an extremely costly one. The isolationist route would mean taxing the inputs of our own industries, and numbing them from the disciplines of competition. This would insulate us from the very impetus needed to sustain growth and employment in the years ahead. The isolationist approach is the road to becoming an economic backwater; and history has shown that the costs fall heavily on those least able to meet them. Few countries would now even contemplate the idea.

But while it may be difficult, and indeed counterproductive, to resist change, it is important to recognise that the Australian community can play an active role in deciding how it adapts to change. To this end, one of the most important roles for governments today is to manage the forces of change to achieve the best possible outcomes for society.

The big question for Australia in the past was how to keep pace with changes economically, whilst ensuring concomitant social growth and wellbeing.

Governments responded in the early 1990s with a wide ranging program of microeconomic reforms, including the package of measures referred to as National Competition Policy. These reforms are directed to improving community welfare by encouraging businesses to use resources more efficiently and be more responsive to consumer choices, acting as a spur for better service provision and lower prices. We've already seen some of these benefits coming through in areas ranging from energy and transport charges to prices for milk, bread, air travel and telephony.

In the context of globalisation, competitive reform also makes business more flexible and adaptable to change, encouraging a sharper eye on the rapid changes taking place in markets. And while anti-competitive approaches may delay the pain and uncertainty associated with change, global capital markets penalise harshly those economies that fail to adapt.

I think most people now agree that Australia's remarkable resilience to the Asian economic crisis of the late 1990s had a lot to do with the leaner, more flexible economy that had evolved through these microeconomic reforms.

### **The change package**

A critical element of the economic reform process was to remove impediments that stopped Australia from reaping the benefits of competition. These evolved into a package of measures we know as National Competition Policy or NCP.

The NCP approach was multi-pronged and included:

- Using the *Trade Practices Act* to prevent all businesses, including those that were government-owned, from market fixing.
- Removing anti-competitive restrictions unless they provided a net benefit to the community.
- Introducing competitive neutrality.
- Developing an economically viable and ecologically sustainable water industry.
- Making it easier for businesses to access major infrastructure like rail, gas pipelines and electricity grids on reasonable terms and conditions.
- Monitoring the prices charged by government monopolies.

### **Measuring success**

Quantifying reform is notoriously tricky because the effects have to be extracted from a range of composite and interrelated global and domestic market factors. Notwithstanding this, over the past years measures have emerged that show the positive effect of deregulation for individuals as well as the whole economy. The

introduction of competition reform combined with the move to more market-based mechanisms has underpinned Australia's recent strong performance economically. The benefits include:

- Australia's economy has now been growing for more than 10 years – this is the longest sustained growth since the 1960s.
- Over the past decade, nearly 2 million jobs have been created.
- Australia has been characterised by low inflation, low interest rates and sustained economic growth – inflation averaged 2.8 per cent annually over the 1990s, compared with 9 per cent per year over the previous two decades.
- Australia's unemployment rate has dropped from its 10.7 per cent peak in late 1992 to its current rate of 6.2 per cent.
- During 1990–2001, Australia's average annual growth in real GDP per capita (2.5 per cent) exceeded the OECD average of 1.5 per cent and the United States average of 2 per cent.
- Despite numerous global crises in the past decade, Australia's economy has continued to grow.
- It has also resulted in cheaper airfares, clothes and shoes; cheaper and more efficient telecommunications; cheaper milk, barley and wheat.

### **Industry-specific change**

There is a lot of industry-specific data that supports the success of NCP in the various industries to which it has been applied. For brevity, I will extract just one example from a few of the industries that have been impacted.

- Exports –the value of business and professional exports reached almost \$3bn in 2000/01 – a 186% rise over the previous decade.
- Electricity reform – In 2000 ABARE estimated the benefits from reform equalled a \$1.5 billion rise in Australia's gross domestic product.
- Gas – there is now interstate trade ensuring gas supply is more reliable and there is the prospect of competition among suppliers.
- Urban water – when consumption-based pricing was introduced in the ACT average household consumption fell from between 150 – 500kl to between 150 – 300kl.
- Rural water reform – the creation of tradeable water rights has resulted in the redistribution of water to more productive uses resulting in higher value agricultural and other outputs. For example, early minimal water trading in New South Wales (1997-98), increased the value of irrigated agriculture by \$65 million. Similarly, in Victoria, the net present value of annual trading is estimated to be over \$100 million.
- Part IIIA of the *Trade Practices Act* now establishes a legal right for third parties to share the use of certain nationally important infrastructure on reasonable terms and conditions.
- Legal review – many laws that restrict competition have already been removed. In NSW, when the legal profession's monopoly on conveyancing was removed fees dropped 17 per cent, an annual saving of at least \$86million to consumers.

While these results are impressive, economists and policy makers acknowledge that there is a long way to go. NCP has been a successful approach, one from which we have learned an enormous amount over the past seven years and one which can, with ongoing commitment and refinement, continue to push Australia in the right direction.

### **Are economic benefits attributable to NCP?**

There have been many investigations into the improvements in Australia's productivity. Of course a number of factors have been relevant, but it has now become clear that competition reforms have been a significant contributing factor.

Leading British economist, Charles Bean, claims Australia's improved productivity is a result of trade liberalisation and labour and product market reforms. Specifically, he recognises the value of the reform of anticompetitive legislation and increasing competitive and commercial pressures on government businesses —two significant elements of NCP.

Gary Banks, Chairman of Australia's Productivity Commission, has said that microeconomic reforms that increase competition faced by government and private businesses have contributed enormously to productivity growth. He says,

“Microeconomic reforms were pivotal in Australia's improved productivity performance, by sharpening incentives for businesses to be more productive and providing them with greater flexibility to adjust to a more competitive environment. Microeconomic reforms encouraged and assisted the uptake of ICTs [information and communications technologies] and the transformation of industries in ways that tap new productivity potential.”

Inter-country analyses by the OECD also show a direct link between greater competition and stronger growth in innovation, productivity and employment. Increasing real GDP per capita means that each citizen is, on average, better off. Higher average GDP also increases the tax base, providing greater revenue for government spending on community needs, such as education, health, infrastructure and welfare, or scope for reductions in taxation. The lower rate of inflation benefits consumers and the improvement in unemployment means that more people can pursue their economic goals without relying on government support.

### **Reform in the public interest – the fiscal-human nexus**

Not every proposal for reform that improves business competitiveness is desirable. While promoting competition will generally improve economic efficiency and community welfare, this may not be the case in specific instances where the benefits of reform would be outweighed by associated costs, or where market failure might warrant regulation.

An important change management role for governments is therefore to determine whether reform brings a net community benefit. In doing this, governments must consider an array of community interest matters, including the environment, employment, social welfare, regional development and consumer interests as well as business competitiveness and economic efficiency.

A challenge for governments is to focus on outcomes that benefit the *community as a whole*, rather than providing special treatment for certain groups at the expense of consumers generally. At the same time, the impacts of reform on the individuals, regions and industries directly exposed to reform must be taken into account. It is also important that any trade-offs between the interests of different groups are made explicit so that governments can objectively consider the case for adjustment assistance to those who bear the costs of reform.

Of course many reforms that proceed on the basis of net community benefit will nonetheless impose costs. The same can be said for the process of change more generally. Global change in combination with economic reform are contributing to an expanding – and more robust – economic cake, but the shape and flavour of the cake are undergoing continuous change. In the process, cake ingredients are being substituted and rearranged, and some are losing their relevance in the mix.

In the short-run, the benefits of change and reform are reaped by those able to capture them through skill, initiative, resources and adaptability. In the long run, the benefits accrue more widely through economic and employment growth, in turn generating resources needed to fund welfare, education, health and other social priorities. But amidst this, economic change is also downgrading the relative values of some skills and eroding job opportunities in some of the industries directly exposed to change.

In socio-economic terms what this means is that amidst aggregate production, income and employment growth, particular segments of the community are bearing some fallout from change. In contrast, the old world of protected markets engendered feelings of comfort and certainty. Now, instead, many people feel a loss of power over their lives, not knowing whether they will still have the same job, or whether their small business or farm will be viable in the future. The global market can deal harshly with those that do not make the cut. Some industries and geographical regions may lose their economic viability.

The needs of communities to adjust to changes have often created significant challenges for those who have been instrumental in bringing about the changes – in particular, governments and business. One benefit of the NCP public interest test is that competition is not introduced for the sake of it, but for the benefit of the community as a whole. As such, NCP is attentive to both fiscal and human needs. However, change management has not been an explicit requirement under the agreements and would, I believe, benefit from additional attention.

While policy reforms have aggravated hardship in certain industries or communities, the underlying issues are much broader. For example, the viability of some rural communities has been threatened due to a combination of a long term decline in commodity prices, changing preferences among people to live near the coast, and advancements in farm technology. As agricultural markets become more integrated, producers with an eye for innovation, niche markets

and cost-effective technology will do well; but the challenges for producers will certainly increase.

Whether adjustment costs flow from government policies or the wider process of change, a society split between haves and have-nots is simply not acceptable, no matter how much benefit is accruing in aggregate. Change management must therefore go beyond facilitating change to reap the economic rewards offered by the global market place. It must also ensure an equitable sharing of the spoils.

The alternative – to accept the global market as both the engine of wealth and the ultimate arbiter of distribution may not be a sustainable proposition in the long run.

As Thomas Friedman points out in *The Lexus and the Olive Tree*, the biggest losers from change – people who have lost their traditional livelihood – can suffer swiftly and severely, and are often able to mobilise opposition to further change.

Against this, the beneficiaries of change and reform are millions of consumers who gain access to lower prices and better services. The beneficiaries also include producers whose input costs are lowered through reform, and people who find employment in the industries that grow off the back of these changes.

Given that the benefits to each individual may be relatively small, may flow through in the longer run rather than immediately, or may be too remote from the original cause for a link to be obvious, it's not surprising that we haven't seen street rallies demanding change and reform.

But the silence of the majority can give opponents of change considerable leverage in mobilising public and political opinion against change. This only adds to misinformation and confusion in the community that globalisation is a new and corrosive phenomenon – rather than a new stage in a process that has been evolving for centuries. And factors like immigration, international trade and pro-reform policies become scapegoats for the fallout from change, when in fact they are helping Australia capture the benefits of global change.

What this means is that a society that relies purely on market forces to distribute the benefits of change will inevitably sow the seeds for polarisation and resentment. Ultimately, this feeds into social dislocation and political instability.

### **The importance of fairness as well as prosperity**

In a society that is predicated on the notion of a “fair go”, I think we should also not be too surprised when we see a questioning of policies that may appear to unduly sacrifice fairness for economic growth.

However, developments in the global economy mean that Australia cannot afford to turn its back on a robust program of economic reform. We need to make

ongoing efforts to maintain our competitiveness in what is an increasingly cut-throat global marketplace.

So on the one hand we are presented with a community need and desire for increased fairness. But on the other the imperatives to maintain or improve our economic performance remain.

### **Some implications for government policy**

These developments all have implications for those of us concerned to see governments around this country continue to pursue a robust and comprehensive program of reform. It has implications in determining what reforms we undertake and how we manage their implementation.

Indeed, if issues such as fairness are not adequately addressed, people may simply equate economic reform with job losses, breakdown in communities and so on. This in turn will increase resistance to economic reform.

However, the need to foster fairness does not mean that we should abandon economic reform. After all, as I will elaborate on shortly, most reforms that improve our economic prosperity will also improve fairness. And there are often smarter ways of achieving fairness than cutting back on economic reforms that have some adverse side-effects for fairness. We need soft hearts, certainly, but we also need hard heads.

And so we really need to think smarter about what range of policies will give us the most prosperity with the most fairness and, where they are at odds, the policies that will strike the best balance.

Helping people adjust to change must become an integral part of reform. It is imperative not just on moral and equity grounds, but to help communities feel more optimistic about their ability to adapt in a world where ongoing change is a part of life. Perhaps, most important of all, assistance ensures that people don't feel that they have been forgotten or discarded by the rest of the community.

As Nobel Laureate Amartya Sen points out, global change can generate the resources needed to alleviate poverty and marginalisation, but it takes commitment and vision to achieve this end result.

Critically, governments must not undermine the incentives to create and innovate, for these are the very generators of wealth. The best safety net of all is a strong economy able to provide jobs. And while traditional safety nets such as social security, public health and education are important, what is also needed, in the face of rapid change, are opportunities for people to adapt so that they can play an active role in the dynamics of change.

Managing change involves advice and assistance (personal, business, financial and even psychological), retraining, re-skilling, and access to services. It may mean things like access to venture capital for entrepreneurs keen to invest in a depressed region. It may mean replacement of lost services with alternatives such as enhanced communications infrastructure.

Technological progress and engagement in world markets offer very substantial benefits to Australians. Indeed, more than enough benefits to be shared by everyone. Well implemented, economic reform that has as its foundation a public interest objective provides the means to deliver improved living standards for the whole community. But governments must go beyond facilitating and implementing reform to also ensure that the benefits are shared equitably.

### **The role of business**

What is the role of business in dealing with these issues? Increasingly over recent years our political and community leaders have been exhorting Australian businesses to assume a greater level of corporate social responsibility. I must say that I prefer the expression corporate social *sensibility*.

Many business leaders have taken the position that business responsibility should remain focussed exclusively on returns to shareholders. Their community responsibility could be fulfilled by contributing towards a vibrant business sector whilst governments could look after equity and social policy.

Now there is some truth in this. There is an argument that, if shareholders wish to direct some of their returns to philanthropy, or in fulfilling a social responsibility, that is their right - that it is not the place of company directors to make those decisions on their behalf. However, taken to extremes, such positions are surely myopic, ignore the lessons of history and, perhaps more starkly, fail to read the clear messages that have surfaced over recent years in the Australian social and political scene.

Business, to date, appears to have been hamfisted or somewhat oblivious to handling the impact of change in communities affected by their business decisions.

For business, as a full participant in the Australian community, has a social responsibility – or rather a responsibility for social sensibility. What does this mean in practice?

I think, in a sentence, it requires business to have a sensibility and responsiveness for actions that have pervasive impacts on the community – business has an obligation to properly manage change – just as governments do.

Corporate social responsibility or sensibility is a business imperative as well as an altruistic nicety. It is not so much about cheques as it is about attitudes, social involvement, and sensible, socially responsible change management.

For example, the community's concerns about bank closures, especially in small rural communities, are well known. While branch closures may make good commercial sense (although some of our banks seem to be having second thoughts on this issue), what is surprising is the perception that the banks have not always thought ahead to manage the impacts of change on their customers.

While alternative types of service are now being offered – for example, greater use of mobile banking, agency banking and electronic access, these alternatives were often not in place – or not adequately made known to the community – when the branches were closed. The end result was that many rural communities

were left with the perception – right or wrong – that the banks didn't care about them, and that new services were only offered under pressure.

Increasingly, corporate profitability is about good employee relations and good relations with the community. Perhaps these links are emerging more slowly in Australia than in Europe, but they will only grow stronger. More and more people will shy away from buying products from – or even investing in – corporations perceived to be delinquent citizens.

A business philosophy that abdicates social responsibility or sensibility also runs the risk that governments will intervene to address the community's needs through regulatory requirements.

One has only to look at the increasing level of regulation relating to the environment, occupational health and safety, and recent demands for regulatory requirements covering the provision of banking and other services to regional Australia. In each case, governments are being asked to respond to a perceived default by business in addressing social needs, or assisting the community to adapt to inevitable economic technological and social change.

It is fundamentally clear that business must recognise that it too has a social responsibility to the whole community of which it is an important, indeed vital, ingredient. Where business declines to acknowledge a social responsibility, it can hardly complain if it is regulated for them.

But a broader, and I think an even more important issue is the social responsibility of business as a full participant in the Australian community. We all should recognise that a sound community requires more of its citizens than mere adherence to the rules and doing whatever you can get away with. A sound community relies on the acceptance of the social and economic objectives behind the rules. In particular, the notion of good corporate citizen should be more than just rhetoric or public relations jargon

This is not to say that business decisions should be guided entirely, or even significantly, by social considerations. Indeed, the capacity of business to generate national wealth derives significantly from its ability to respond quickly and innovatively to market conditions. But for decisions likely to impinge on community sensitivities, it is important to take account of socio-economic impacts. This not only serves the interests of Australia. In the long run, it also makes good commercial sense.

### **Key themes**

There are some key themes that emerge when dealing with economic reform.

The first is that we cannot avoid change. The world will no longer allow us to sit on our hands while the dollars grow on our sheep's backs, for instance. Change is hard for all of us, but it is inescapable.

However, there is a need to recognise the nature of our economic situation as a small trading nation in a changing world, dependent on trade to maintain our living standards. It is simply unrealistic to cut ourselves adrift from the rest of the world. In our circumstances, change *is* a reality, not an option. We can

tackle it or let it tackle us. We therefore need to ease and facilitate change, and to address its social costs, wherever it occurs.

But it would both unfair and ultimately self-defeating to seek to halt it indefinitely, because sheltering one area of life from the realities of change simply shifts the costs to other people and ultimately makes us all poorer. We seek to avoid change only at a greater cost to our own future.

On this point, my desktop computer has a screen saver installed on it. Its scrolls relentlessly through the day with the message:

***“Grant me serenity to accept the things I cannot change, courage to change the things I can, and wisdom to know the difference.”***

We need the wisdom to know that we cannot stop the world changing, and the courage to act proactively to make the most of our changing circumstances and opportunities.

The second point is that there are few straightforward answers. When it comes to change, there will always be differences of opinion on what is the best way to deal with it - what is the best course of action to take.

This implies that before we endeavor to implement change, we must recognise that other sections of the community may not share our views. Indeed, in many instances they may not have considered the issues from our perspective or, indeed, from any other, and need first to be informed and ultimately convinced as to the need for change. These views need to be discussed in the community, to develop an understanding that there is a problem that requires to be fixed before an attempt is made to promote the merits of a solution.

The approach to any problem must recognise and reflect the interests of all elements of the community, individually and collectively, rather than the narrow interests of a reform proponent. Why should anyone support, or even acquiesce in, a reform measure that involves no apparent benefits and perhaps a few risks? Ideally everyone is a winner. Or, more realistically, there are substantially more winners than losers. And even the losers can be shown to have been treated fairly and equitably.

And this leads to the final point - the importance of addressing fairness, as well as economic prosperity, when considering government policy. As I have said, this does not mean that we should abandon economic reform. Nor does it imply a descent from robust wide-ranging reform into populist policy palliatives. But it does mean that we need to recognise and address the trade-offs that will sometimes emerge between fairness and prosperity objectives, and ensure that we choose the right policy mechanisms to pursue these community goals. And this applies in all areas of reform, whether it be tax, competition, labour market policies, the bush, or social areas.

## **The new wave**

I noted recently that in their new book *Hard Heads, Soft Hearts*, authors Peter Dawkins and Paul Kelly emphasise that any new wave of reforms should have as its core concern the “human dimension”. This is of course a process that is already intrinsic to NCP through the public interest test – the very fiscal/human nexus. A focus on human welfare is critical to any future reform program and could benefit from improved changed management. Better change management can be achieved through consultation, education and communication. There is both the recognition and consensus that managing change needs to be an even more explicit criterion of any future reform program. While the public interest has always been an assumed part of NCP, I would say that individuals, communities and governments have a lot to gain by having change management as an overt requirement of any change process. Why? Because it puts human beings at the core. It demands constant reference back to the only reason these changes were introduced in the first place, and that is for the good of the Australian community as a whole.

## **So what’s next?**

Australia must continue to make progress in established reform areas and ensure the right processes are in place for identifying, assessing and managing any future reform processes. First, reforms need to be identified in a transparent way. Governments must also commit to implementing any new reforms with full and explicit consultation. And last but not least, mechanisms have to be in place that maintain the momentum of reform and manage the effects of change. This approach values the fiscal/human nexus by placing the focus of economic reform where it should be – on human beings.

Evolution in modern times is a quiet beast - especially economic. We learn where we are going as we go. We can’t predict the future because the world is changing too fast.

Past changes become so integrated into the fabric of our social structure that we can’t recall a time we were without them. They create benefits and can, as a result, also reveal or highlight problem areas of which we were not aware. In other words, we cannot know what will emerge from that which is not yet built.

What I am saying is that it is impossible for me to be specific, to give a list of what is next to be reformed.

Patently though, I think a primary impetus must be to continue to make progress in established reform areas. We need to consolidate our gains.

As far as competition policy goes – we need to keep the pressure on. We need to make ongoing efforts to maintain our competitiveness in what is an increasingly cut-throat global marketplace. Australia is in the race; we need to make sure that we stay in it.

There are numerous areas in which the reform process has commenced but is not yet completed such as gas, electricity and water/natural resources management

areas as well as in road and rail transport. It is clear that in all of these areas maintaining sustainability and good environmental outcomes is a priority.

Water reform has already made substantial inroads in this area. Urban water reforms – which involve consumption-based pricing and structural reforms - are basically complete and have been designed to create an efficient and sustainable water industry. Rural water reforms are currently underway and specify returns to the environment. There is no doubt that land management is one of the most critical issues facing Australia and reforms goes beyond the basic NCP water reform package. The national salinity program has supplemented NCP water reforms and there are already intergovernmental agreements on tree clearing.

There is, nevertheless, a long way to go. The current dry seasonal conditions highlight the complex interrelation between community, environmental and economic tradeoffs. Tackling water management issues will require both rigour and commitment. The emergence of the Wentworth Group – a think tank of scientists – demonstrates that this is an area to which we need to apply our best minds - policy development will need to follow suit.

Governments have also recognised the need for further reform in the electricity and gas industries with the Parer Review and the impending review of the National Gas Access Code. And while NCP has introduced a regime that could be used to improve environmental outcomes in energy, environmental issues have not been addressed explicitly in the NCP electricity and gas reform agreements.

There is also an awareness of the need to create an integrated land transport sector. The recently established National Transport Commission has prioritised the development of a national approach to rail safety and more effective mutual recognition regimes. To maintain uniformity, the Commission will also ensure that reforms which have already been implemented are kept up to date.

## **End thoughts**

Many of you here tonight are economists and policy makers.

I am not sure how many of you were working in the field when the Hilmer Report made its first recommendation for competition policy. Those ideas have now come to fruition. Importantly, all the Australian governments have been part of that process and must take credit for developing the reform package.

And all those years on I don't think the core question we are asking now is vastly different from that which we were asking back then.

How can we ensure that Australia remains economically resilient while being at the same time human-oriented?

Now I know there will be as many answers to that question as there are commentators. There certainly were in the 80s. Our job as realists is to take all these views on board and then figure out which proposals are workable.

That is what NCP has done. That is what any future reform program must do.

Australia has grown from strength to strength not just because of good ideas, but because those ideas have been actioned. All action comes with risk, but there is no other way forward.

I think the future lies in creating a workable marriage between economic and social policy. Creating a better economy and a better society. Proving that economics and society are not paradoxes – but equivalents.

I think that we would be unanimous in endorsing the most commonly recognised aspect of the Australian ethos - the notion of the ‘fair go’. We are now well past the “greed is good” eighties.

I put it to you that we should be seeking to encourage those who lead us, in government, business and the general community to have the *understanding*, *courage* and *social sensibility*:

- Firstly to understand the economic imperatives that limit our choices.
- Secondly, within those choices, to have the courage to embrace a sustainable and robust program of economic reform directed to benefiting the community as a whole, and
- Thirdly, to have the social sensibility to ensure that, while the reform program we choose delivers the economic efficiency we need, it will also deliver a fair and cohesive Australia.

Australia, like the rest of the world is undergoing much change. At the same time governments are trying to facilitate the best possible outcomes of change through economic reform.

The challenge is about responding to the concerns of all Australians *without* jeopardising the path of growth and change which lay the foundations of wealth for the whole of society.

The challenge is to ensure social and economic good grow in tandem. This is a challenge to which governments – and business – must rise.

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