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The three great transformations

The Hon. Paul Keating

Former Prime Minister of Australia

Former Prime Minister, the Hon. Paul Keating took to the CEDA stage for the first time in more than 20 years to deliver an address to CEDA's Annual Dinner. In his address at the sold-out event, Mr Keating recounted "fights worth having" in delivering the Hawke and Keating Government economic reforms of the 1980s and 90s that saw the Australian economy opened to global competition.

Mr Keating named these economic reforms, the rise of China and technological change as the three major economic transformations of our times. He urged Australia to resist nostalgia for past reforms and instead harness imagination and boldness to rise to challenges wrought by rapid technological advances.

Thank you indeed. It's so nice to be here. I spoke here last 23 years ago, so I am a bit of a fair-weather friend, you could say. But I mean well. Let me acknowledge my friendship with your chairman, Paul McClintock, and his contribution to public life, including now as chairman of CEDA, your new CEO Melinda (Cilento), (Professor the Hon.) Stephen Martin who crash tackled me to get me here, and who I was very gratified to see tonight honoured by such an acknowledgement by the board of CEDA[1]. The (NSW) Leader of the Opposition, Luke Foley, I understand is also here tonight, among many distinguished guests.

I want to begin with a little retrospective. And when one thinks about speaking to an audience, an informed one as this is, how do we integrate a milieu of things, try and discern things that we can notice and talk about? So, I thought I might address what I think are the three great economic transformations that have taken place in our more recent lifetimes; the ones that most closely concern us.

One is our own transformation; the one that we undertook through the 1980s and the 1990s. Another is China's transformation. And the third is the transformation wrought by technology – the dazzlingly rapid change in the global economy and in our lives, being brought about by information, by cheap, fast, ubiquitous communication, and of course, by the connectivity of the internet.

Three transformations that have changed our world, and are changing it now, and will continue to change it in coming decades. I think they're the three biggest economic developments of my lifetime and the lifetime of most of us here tonight. Unlike many transformations, these have not only been long lasting and consequential but, fortunately for us, they've been mostly favourable. But favourable as they are, they pose also big challenges for us. Challenges to which we are responding, I think, only hesitatingly, encumbered as we are by the baggage we bring from a world rapidly disappearing behind us.

The first transformation is not important to the rest of the world, but it was very important to us. It was the transformation that has prepared us to more readily respond to the other two. This is the transformation we have made of ourselves, of the Australian economy. Just six weeks ago, Australia began its 27th year of uninterrupted economic expansion. No other advanced economy in the world has matched that record. In 1991, I said we were about to snap the inflation stick that had obstructed Australia for the previous quarter century. And I said then that we would have a long economic upswing, with low inflation and high productivity. I could see it in all the changes, the productivity would evidence itself and, as we broke the back of inflation, the wage system was much easier to run.

We had created the conditions by dramatically floating the currency, deregulating finance, dismantling tariffs, and selling off government businesses. We introduced capital gains taxes and fringe benefits taxes, and used those revenues to sharply lower the top personal income tax rate. It was 60 (per cent) when I became Treasurer, it was 47 (per cent) when I left, and it's 45 now. And the company tax rate, which was 47 per cent when I became Treasurer and when I left, it was 33 (per cent) with a system of full dividend imputation. I then announced that we would transition away from our century-long system of centralised wage adjustments, towards a system built around enterprise bargaining. And we completed that transition in the following three years after I became Prime Minister.

So, I confidently predicted at the time, the durability of the upswing – the enhancement of Australian prosperity, which began way back then in the third quarter of 1991 – and that has pleased me no end. I can tell you; the only reward in a public life, is public progress. You walk out there – there they are with their 4G phones; they're moving up from the Commodore to the Audi. That's the thing that matters. It's not the white government cars, or the Orders of Australia. I knocked the AC back, as a matter of fact, to get things in perspective. So, I thought that, from the third quarter of 1991, these changes – and seeing them really succeed lifts your heart; to see the place lift.

When the gadget works, everyone profits. Between 1960 and 1991, the Australian economy had six recessions. We were a very recession-prone place. But since then, 26 years of uninterrupted growth. Among advanced economies, we have been uniquely prosperous. It's a pretty big statement to be able to make.

In those 26 years, our output of goods and services has much more than doubled, comfortably exceeding the growth of the United Kingdom or the United States or Canada or Germany or Japan. Labour productivity has increased by around 66 per cent. Real income per head has increased by roughly the same – by two thirds. On one measure, average wages have increased – after inflation – by around 70 per cent. Show me any country where real wages have risen by around 70 per cent and I'll show you a prosperous one.

The volume of our capital stock has more than doubled. We've built over four million new homes. Australia is a much bigger place, a more productive one, a better equipped place and it's also a far wealthier place. The net wealth of Australian households has increased more than seven-fold in those 26 years – a remarkable statistic if ever there were one.

In 1991, we had $118 billion in superannuation assets. Today, we have over $2.3 trillion – a 20-fold increase. And these assets aren't owned only by people already well off. The best part about this is we've had all that growth, all that prosperity, but importantly, without destroying the underlying values on which Australia has been built.

Our income distribution after tax and government transfers – it's not as flat as Western Europe, but it's much flatter than the comparables like the United States or the United Kingdom. This is, I think, a really important point. Even the lowest fifth of Australian households by income have seen a nearly two-thirds increase in real income in the last 20 years. And the top fifth have done much better, but not outrageously better. We built a good social safety net and rigorously means tested it so we could afford meaningful benefits. We switched to enterprise bargaining but importantly, we kept the base and safety net of minimum award rates in our award system – minimum rates of pay in our Award system.

Above all, the long run of economic success has meant we have high work-force participation, and relatively low unemployment. But it hasn't been without its problems. I am concerned that our income distribution is becoming more unequal, and our wealth distribution much more so, too. But what a contrast in attitude, nevertheless, between then and now. In 1991, we had more than two decades of economic *un*success. These two decades had been followed by what many people found to be a bewildering struggle over economic reform and change. That struggle went on all through the 80s and most of the 90s. And then, 26 years of prosperity.

It's not only been a remarkably prosperous time, but also a culturally enriching one for us. Our population has become much more diverse. Nearly one-third of Australians today were born somewhere else. The share of children who finish school at Year 12 is more than twice as high today as in 1983. In fact, when I finished as Prime Minister, it was three times as high. So too the share that are now able to go on to university or apprenticeships, or other forms of training, is much higher. In fact, we trebled university places. We've become an even more services economy than we ever were, and we have become much more oriented to Asia.

And this introduces the second great transformation which concerns us tonight. In 1991, just over half of our goods exports went to Asia. And when I pointed this out at the time, we ourselves were astounded at how big that share had become. Today, more than three-quarters of our goods go to Asia. The share of exports in our GDP has increased from one-sixth to one-fifth, which is a big shift. Service exports have increased six-fold particularly with an Asia focus – for instance, international students studying in Australia now account for spending of just over $20 billion; a five-fold increase in just 17 years. And two-thirds of students are from Asia.

Tourism exports have increased more than five-fold, compared to 1991. Again, the most rapidly rising tourist numbers are from Asia. We've turned to Asia to an even greater extent than I was expecting in 1991. And of course, we've turned especially to China. Our goods exports to China now account for one-third of our total exports of all goods, compared to less than one-thirteenth in 1991. You don't need to get your threes mixed up here to work out how profound that shift is. Students from China now account for over a quarter of the total of international students in Australia. Tourists from China now account for more revenue in Australia than tourists from any other country.

Just a decade ago, the stock of China's direct investment in Australia was derisory – around half a billion dollars. US direct investment, by contrast, was 174 times bigger than Chinese investment, back then – just a decade ago. But by last year, the stock of Chinese direct investment in Australia had grown to $42 billion, an 80-fold increase and getting on for about a quarter of the stock of US investment. So, you can see this big shift happening in the Chinese – in the money coming from China, and in seeing their savings shifted to countries like Australia. China has become more important to us, as it has become more important to the world. It is the centre of the second great economic transformation that is changing our lives and our children's lives.

But our own transformation actually coincided with China's. When Bob Hawke and I – and the great reforming cabinet – took office in 1983, Deng Xiaoping had already been reforming China's economy for five years. While we opened up the Australian economy to the world with the floating of the exchange rate, freeing finance and breaking down the tariff wall, he was opening China to the world at the same time. He was inviting foreign businesses to manufacture there. He was telling the Chinese state enterprises to invest and to export. He was encouraging the Chinese to set up their own businesses, and to become as rich as they were able. He began building the heavy industries to support China as the export powerhouse it has become.

While our economic output has more than doubled in the last 26 years – which by any OECD standard is a pretty good result – China's has increased by more than eight-fold over the same period; not only remarkable, but really without precedent in economic history. Our per capita GDP has increased 150 per cent – one and a half times – theirs by 700 per cent.

Purchasing power parity weighted GDP per capita in China is now double India's and is a third higher than Indonesia's. The wages of factory workers in China are now higher than many economies in South America. On IMF purchasing power parity measures, China surpassed the United States as the world's biggest economy in 2014. Even on current exchange rates, it has long surpassed Japan and Germany, to become the second biggest economy in the world. China is more than 10 times our size in output, nearly 50 times our size in population, and our productivity level is, let's say, about four times theirs.

But all that said, there were similarities between the way we went about opening our economy to the world – deregulating, and looking for trade and investment – as there was with the Chinese. Both transformations required clarity and urgency in political leadership against fierce opposition. And significantly, both sets of change were politically driven. In both cases, the leaders needed to bust the old arrangements, and release the creativity and the aspirations of their people. Both sets of leaders took big risks.

Over the years, I've had discussions with the former Premier, Zhu Rongji, who I saw only about six weeks ago; former President Jiang Zemin; and more recently, President Xi Jinping. And I've always seen, in any one of these people, a keen interest in the lessons Australia is able to offer in economic change. They love our Medicare system. They love occupational superannuation. They love a lot about us. So, the transformation of the Australian economy, and of China's economy, and China's role in the world, have had a vast impact on us, on all of us here tonight.

But the technological transformation now underway may well prove more consequential for us than either of those great changes. When the long running Australian economic expansion began in 1991, we were still getting used to the novelty of having computers on our desks. We went to bookshops and record stores. We read newspapers that were actually printed on paper. We spoke a lot on the telephone, but thought twice about calling overseas. We still sent letters. We examined printed catalogues and read printed advertisements. We already had the IBM personal computer and its competitors. We already had Microsoft with Word and Excel. But it would be another three years before Amazon got going, and another seven years before anyone had heard of Google.

We were just beginning to use the internet for emails. We carried big clumsy mobile phones, and thought they were amazing. I actually had the first one in a Commonwealth car. We had barely begun to realise the possibilities of the internet. Now, digital technologies are changing every aspect of our lives. They have changed the global economy, and our own. They're changing the way we relate to people, and the way we communicate. They're changing our culture, as that changes. They're offering us new economic opportunities, and new impediments and threats.

We are now moving into a way more lateral, interconnected, collaborative world – one that does not respond or interact with a managerial hierarchy as formerly, in all previous industrial organisations. In short, we are in a new world. A world we have to comprehend and absorb. So, let me sketch out where I think we are, in the afterglow of Labor's and Australia's great reform period.

I'm always gratified by the frequency with which the 1980s and early 90s in Australia are hailed as the golden age of economic reform. As Oscar Wilde once said, "Anyone who doesn't like flattery has never been flattered." Even when the applause comes from groups and interests who were opposed to what Bob Hawke, my colleagues and I were doing to remove the shackles on the Australian economy at the time.

So, I say this. Nostalgia for the reform politics of the 80s and 90s is not going to advantage us or advance us mightily. It was not, as is often suggested, a period of consensus between the parties on what needed to be done. Today, the Business Council of Australia tells us we need to go back to the Keating reform era. When we were actually *in* the Keating reform era, the Business Council, of course, was of no help. They opposed any notion of a tax on consumption, the taxation of capital profits and fringe benefits, and therefore they opposed the means necessary to fund lower personal income tax rates and company tax rates, and to put into place this world-ranking system of dividend imputation. They also opposed our enterprise bargaining reforms, as did the Opposition.

And I can tell you the then Liberal and later Howard Opposition did not wave things through as conservative apologists suggest these days. If you were writing for the newspapers in John Howard's day you had to say – or just after Howard's day you had to say – "The great reform periods of the 80s and 90s, and the Howard Government". You'd say "Well hang on, what were Howard's great reforms, apart from the GST? Where were the structural changes?" But these references are there, because it means they keep the Tories happy.

But let me tell you this – this is the truth – they voted against means testing pensions. In fact, Bob Hawke and I fought the 1984 election on putting an assets test on the pension. Could you imagine today having an income test but then saying "No, look I think you should have an assets test on the pension?" The Opposition voted against these sets of measures. They voted against the enterprise bargaining, the superannuation guarantee and the broad elements of the landmark 1985 reform tax package.

They opposed – and this is very important – they opposed each and every pay increase under the Accord. It was the Accord processes, the consensual arrangements, that broke the back of Australian inflation. The Liberals opposed every increase. My colleagues and I had to fight for every one of those reforms, invariably against the Opposition, mostly against the business lobbies, and occasionally with our own caucus. They were fights worth having.

When I superintended the last national macro and micro reform program, it was all about opening our protected, sclerotic economy to global forces – peeling back the onion. It was about getting blood to the muscle of the economy. And through the big tariff reduction program, trying to ensure that our investible capital found its way into the optimal places in the then more open economy, and not finding its way into areas protected by quotas and tariffs and distorted by these sorts of measures. Essentially, those reforms revolutionised the traded sector of the economy, making them ultra-competitive and open to productivity gains.

But I had great difficulty with the non-traded economy; the part which, in very broad measure, belongs to the authorities of the states in areas like transport, health and education. To encourage the states to do something about these lethargic instrumentalities, I established a formal competition policy, in which I had a range of payments available to the states for pro-competitive things I was encouraging them to undertake – a program most states took up with some enthusiasm. So, in the broad sweep of just on a decade and a half of almost daily reform decisions – there's thousands of decisions that affect the broad parameter of this kind of opening – the focus was all about opening the place up while generating real competitive forces in a country comfortably used to monopolisation and protection. The whole culture of monopolies and protection had engrained itself in all fields of our commerce.

Now that agenda has been accomplished. Those changes have been made. These things have been done. The exchange rate can only be floated once. The financial system can only be liberated once. The tariffs can only be abolished once. The privatisation of big government assets like the Commonwealth Bank, CSL, Qantas and Telstra can only happen once.

There's just no point or profit in returning to those particular wells. But today, the economy is still crying out for liberating forces in the nature of those we employed in that tumultuous period. As a consequence, these days, people talk incessantly about reform and the need of reform.

As I remarked in the 1980s, so ubiquitous was the reform debate then, even the pet shop galahs knew about microeconomic change. I'm sure the galahs were having a real discussion about the benefits of particular micro reform measures. Yet you hear these days reform expressed by organisations like the Business Council as simply being about a reduction in the corporate tax rate, or hopping into low-paid workers by knocking off their penalty rates. The limitedness of it is remarkable. The laziness and backwardness of it profound.

If you had any foresight or understanding of the forces now available to promote the kinds of changes we employed in the opening of the economy 30-odd years ago, they're staring you in the face. Globalisation and galloping international digitisation. These dual forces are all about competition: competition and complementarity in the provision of goods and services through globalisation. We sell the Chinese iron ore. They sell us back developed products. And with digitisation, competition in all fields of products and services, with the accelerating ubiquity of the global digital economy, with telecommunications and the smart phone facilitating much of it.

Digitally-enabled business models are reshaping entire industries, which the technology facilitates to scale faster at lower prices. And in reshaping those industries – bringing down monopolies, smashing market barriers, while lifting the utilisation of otherwise static or underperforming assets. You can see simple examples of that with Airbnb, where properties are being used now where they were once closed and never used. Or Uber, where people are using their motor cars, where formerly they were not. This is just the tip of a big iceberg. We can see the first big phase of this shift with consumers responding directly to the smorgasbord of things on offer at their fingertips. As we can see, information lowers prices.

The wider phase, the grander phase, where even larger gains are to be had is in the heavily government influenced areas of health, aged care, education and human services. Can you imagine what is available to us in terms of productivity and improvement with the digitisation of these huge areas of the economy? With the use of big data, it is possible to make the delivery of these services smarter, less costly, more tactile and more friendly to the consumer. Informed by mass data and automation, simplification at work will be facilitated by machine learning and computational language processing. This same artificial intelligence should be applied in the efficiency of health delivery, education, our road and transport systems, and the general operability of our cities.

Now these are the reform horizons we should be concentrating on now, and not the dross handed down from the Business Council or the *Financial Review.* With the Holy Grail simply – you cut the company tax rate and the Holy Grail arrives. This is the hollow promise. Or whinging from the ACCIs of this world about penalty rates when the reality of static wages growth stares us in the face. Wages growth has been declining for a number of years now, and ACCI is out there – ACCI is actually a national menace, a national menace – is out there whinging about penalty rates of pay.

Changes on a canvas of this kind are not going to drop from any department. You won't find these falling from a Treasury printer. Because of their essence, they require imagination. Imagination. And imagination, believe me, was a principal tool that was employed in underwriting the 80s and 90s changes. If you can't imagine it, you're as sure as hell never going to see it.

As I said earlier, in those days – in these days in fact – people talk about reform as though you could dial it up, if only you could remember the number or the prefix. Of course, before the 80s – and this is a fact – before the 80s, Australia never had reform. There never was reform. It couldn't even conceive of what a reform program would have looked like, much less articulate one.

Australia was a locked up and locked down little insulated economy long presided over by that vacuous dandy, the great god Ming. In the long Menzies torpor and with his modest successes, we gently slipped into an industrial backwater. Ever so quietly, mind you. No fuss whatsoever. We just slid quietly into there. The kind of slipping we are seeing now – quietly also – gently doing nothing other than genteel subsidence. And there's another thing conservative Australia never had any respect for, or understanding of, and that is inclusive growth.

The rarely if ever mentioned second strut of the 1980s and 1990s reforms was, as I mentioned earlier, the concomitant commitment by the Government to equity and inclusion. In the cooperative framework which the Accord process engendered – wage restraint over a decade of time, a commitment, the unions adopting the Reserve Bank's inflation target for God's sake – this engendered large slabs of the garnered productivity, which was then allocated to new community standards, in such things as Medicare, universal superannuation, a world-leading system of minimum award rates of pay, and strong real wages growth.

The 26 years of our current expansion were designed so *all* Australians had a share in the national action. Now, I don't particularly want to make overt political comments in this address, but you are a captive audience. So, it's perhaps apposite to point out that the Opposition led by John Howard, opposed each and every one of the new community standards we sought to entrench.

He fought Medicare to a standstill. Like he did superannuation. Like he did minimum award rates of pay, with his miserable *WorkChoices* program. Like he did each and every national wage adjustment over 15 years under the Accord. And while it mattered, like he opposed the capital gains tax and the fringe benefits tax, which as I said earlier, we needed to fund the big personal and company tax cuts, that changed the competitive landscape. This was the reality of the thing. Not this current nonsense – how it was all sort of a consensus between parties.

The Hawke/Keating changes, while market oriented, differentiated themselves from neoliberalism and plain reactionism of the Howards of this world by the commitment to inclusion. The Government at the time was committed to market reforms, and it had them uppermost in its mind. But the economic and social imperatives of inclusion and justice had equal standing and precedence.

We can see, in America today, what the loss of these balances means, watching the extremes of income and wealth rip at the fabric of American society. And we can see, now time has passed, how superior – and I emphasise, how superior – Australia's model under Labor has been to that of the United States, or for that matter, most comparable industrial countries.

This question of inclusive growth remains large, and will loom larger, because of the continuing impacts of globalisation and technological disruption. Large percentages of the population have been able to enjoy the benefit of trade and open competition, while others have suffered the brunt of concomitant adjustments. Now, in this country, we try to put our arm around people and ease those adjustments, but this has never been true of countries like the US. This effect, these trends, are likely to amplify themselves as the network economy moves large chunks of commerce into automation, under the stratagem of artificial intelligence.

The productivity surges with losses in employment have to mean that management of the economy has to focus heavily on inclusion. Large bodies of people simply can't be left out, or left behind. In the 1980s and 90s, we established these principles and they have served Australia so very well. So, we do know what to do, and we know that the outcomes will be superior.

But this also tells us that in the cascading digital age, where self-learning algorithms and computational processing eke away at today's jobs before it is clear where tomorrow's jobs are coming from, comprehensive and inclusionary programs must become central to our economic progress and, with that, our social bindings.

We are in a somewhat early stage of this remarkable change, but 2016 was probably the tip over year, when developments in artificial intelligence made clear that this was a primary and new technological path. We are in a new world now. A world which requires new world thinking and awareness that other states – and I don't mean here simply the United States, but states like China – will set the pace in these competitions; a competition that – because of the connectivity of all of us to the rest of us – we're now all in.

So, while we were able to do capital so well in the 1980s and 90s, the challenge for Australia now is in human capital, as the knowledge economy, the network economy tears away at exponential speed. All of our lives we have witnessed change, more or less on a linear basis over time. If you take your own life and think of the changes over the years, you can see how you've moved – in incomes, in accommodation, in property, and all sorts of other things, it's been more or less linear. Discernible and linear.

These technologies dramatically change those trajectories. From now on, the changes will be so rapid, so exponential, we'll have difficulty even in our mind's eye of comprehending their scale of application, let alone planning for them. They'll be so fast. All the more reason our imagination must be leaping and not at all being relaxed and comfortable.

So, we have a lot of challenges, and we're going to need enlightened and resolute political leadership to deal with them. So far, we've avoided the political rebellions against trade and immigration of the kind evident in the UK Brexit vote and the election of Donald Trump as President.

We have the advantage of being increasingly integrated into an economic community which is the fastest growing in the world, and which has China at its centre. We actually fit well. We have the advantage of those 26 years of uninterrupted expansion, which have given us more confidence in accepting change, in meeting and dealing with our problems. We have the advantage of a diverse population – one of the most diverse in the world – and one without any serious ethnic or cultural tensions.

We have an immense demographic advantage. On UN projections, Australia's workforce will, in coming decades, increase more than six times faster than the United Kingdom workforce, five times faster than the Canadian workforce and nearly three times faster than the US workforce. These are very important indices.

With sensible policies, Australia's economy can expand more rapidly. And as living standards increase faster than most other advanced economies, including the United States. But perhaps let me finish tonight with a comment not on what we need to do here, but also on our external challenge.

The issue that most concerns me now is how the United States and China manage their relationship over the next couple of decades. For Australia, there is no bigger threat than a breakdown of cooperation between the United States and China. A breakdown of cooperation between these two great states changes our world forever. We must do all we can to resist such an impasse. America will still remain our security alliance partner, the world's predominant military power, and a great democracy to which we are philosophically akin.

But we are increasingly part of a regional economy based on China. We have an overwhelming interest in seeing these two huge economies, these two powerful states, co-exist as harmoniously and as fruitfully as possible. Last week's meeting between US President Trump and Chinese President Xi Jinping was encouraging in these respects.

We should have no interest whatsoever in publicly or privately encouraging either America or China down the paths of crude economic nationalism. A mercantilist path where investment in each other's economy is resisted or where trade is thought of as wins and losses, where agreed global rules can be suspended, is of no use to us.

I've spoken elsewhere of my very firm view that America must accept, for all of its power and all it has done, that it cannot remain strategically preponderant in the Western Pacific. There are increasing signs that the inevitable strategic competition between these two nations risks spilling into trade, investment and technological competition, as well as issues of global economic governance.

I've said before, but it's worth repeating, that the Clinton presidency and the Bush presidency that followed denied America the opportunities offered by the US victory in the Cold War. I wanted them to use that opportunity to reshape the world by allowing the great populous states of China, India and Indonesia a place at the great strategic table. I wanted the US to make room for China and for India, and to come to proper terms with Russia. The fact was, and remains, there was no coherent American strategic plan for the post-Cold War world, and America is now paying a huge price for this, as China rises rapidly and so confidently in the east.

It is clear that the United States can be the framer and the guarantor of the Atlantic, as it was in World War I and after, in World War II, but not now the Pacific, as China will never allow itself to be a strategic client of the United States, as Japan has allowed itself for 70 years. Yet the US can be, and actually should be, the balancing and conciliating power in the Asia Pacific. We need the United States here. But the notion of the alternative, "the pivot", that the Chinese state is going to be superintended by the US military, is simply incredible.

So, I've tried to cover tonight where we've come from in the 1980s and 1990s and the attempts we had at opening the economy up to competition in those years. When you look at it now, in policy terms we were really using crowbars to break open the hard shell of Australia and let the competitive forces in. We've succeeded in that. The economy is much more flexible and much richer.

We've gone on to be really the predominant economic growth state of the western world in the years since. But the competition we were seeking then is now coming to us not by the use of the crowbars breaking down tariff walls, breaking financial regulation, taking the exchange rate off the cabinet table. These things are not necessary in the new milieu, in the ambience, of the great technological revolution that takes us over.

But we've got to be alert to the fact that it's moving at an exponential rate, and that reform in Australia must be, in some substantial measure, connected to how we engage with the rest of the world. For the first time in human history, every one of us in this room is connected to everyone else in the world who has a computer or who has an email address. This changes the whole framework. Before this, the world was run in regions and in places. It was never run as a totality.

And so therefore, reform in Australia can't be these simple notions. I said, I don't like the Business Council's prescriptions, of course I don't like the *dullness* of it – if we cut the company tax rate all will be fine. It's nonsense. Pure nonsense.

So, the opportunities are there for us. They really are. But you've got to see them, and you've got to take them on. I've tried to cover a fair bit of ground. We have big challenges and big opportunities. We've come a long way. The important point is that the pace is quickening, and rapidly. There is no rule book or plan for the next phase. Absolutely no rule book. But imagination and boldness have to be the essential elements of our next major advance.

CEDA has been an important contributor in this respect, in the national economic debate, now for a very long time. The range of its interests and the breadth of its membership equips it to make an enhanced contribution as these challenges come in on us. And they will.

I was very pleased to accept tonight's invitation. Thank you so much.

Endnote

1 Professor the Hon. Stephen Martin was made an honourary life member of CEDA.