Australia's economy in 2020 and beyond: Ric Simes in conversation with Ross Gittins

27 August 2014

Economics and the Big Picture

The Australian society and economy are evolving rapidly. Digital technologies are transforming how individuals consume, work, learn and interact. And how businesses attract customers, organise their workplaces, generate their next product.

Australia's links with Asia have deepened as China, India, Indonesia and others blossom - all too speedily. This is not just about selling more coal and iron ore, or even selling more tourism or education or financial services. It is also about cultural and societal linkages.

More gradually but also inexorably, Australia is ageing. Our cities are becoming larger – more congested but at the same time more vibrant. Our environment is being put under greater stress.

These are transformative changes. Australia's economy and society will be very different in a decade's time, and even more so, a decade after that.

Thinking about these changes leads to thinking about our ability to manage and make the most of the opportunities that will arise. How well positioned are we to take advantage of those opportunities, and what may be needed from government? More specifically, what role will economics and economists play in this process?

For it is the case that economics is today playing a much more central role how the country is run than it was when I started my career. This should be for the better since economics, done carefully, does provide a very useful framework within which to consider many of the major decisions a nation needs to make.

However, when I start to think about how economic issues are being debated today, it is easy to despair. Or at least, easy to get frustrated.

So, today, I'd like to explore some of these ideas. How the Australian economy is being transformed in ways that, on balance, are very positive. But how a lot of economic debate and policy development is either struggling to cope or missing the mark.

In doing so, I'd like to comment on talk about a number of 'big picture' issues – that is, a number of issues that have the potential to have very large impacts on economic and social well-being. These include the impact of digital technologies, how we organise our cities, health and the management of incomes and risk in retirement.

To bring some of these issues into a more central place in policy-making we need to elevate the economic debate from the level of catch cries about debt and deficits, or about productivity, or even about the use of cost benefit analyses. We need some deeper analyses being brought to the surface.

Role of economics

In thinking about the role that economics can and should play, two episodes from my earlier career illustrate my starting point. The first emphasised the importance of government being prepared to engage in economic issues; the second is that the best starting point for this is for government to seek ways to use market mechanisms.

Let me elaborate. The first was when I was in Philadelphia doing my doctorate at the start of the 1980s. We were taught the marvels of Arrow and Debreu's general equilibrium model and the fundamental theorems of welfare economics. Things of beauty for someone like me who likes mathematics and logic.

But, of course, the economists in the room know that these results are based on very strong sets of assumptions. The real world was far removed from Arrow-Debreu, and you had to be careful basing policy decisions on the model.

As Paul Krugman has recently said, "the trick, always, is not to take your equilibrium stories too seriously, to understand that they're aids to insights, not Truths …"

This message resonated most strongly early in my career when I was at a talk listening to Nobel laureate James Tobin comment on a paper – a paper written by another leading economist – that was exploring a few quirks from a rational expectations model which implied that there was no role for macroeconomic policy. Tobin was not only one of the very top theorists of his generation, he was also clearly influenced by memories of the Depression.

His message was that economics could make a difference, and do so by the government playing an active part in the economy including through the use of fiscal policy. What really left its mark was just how emotional Tobin became in expressing his frustration at how so much of the profession's effort was been taken over by esoteric theoretical games of little relevance.

So economics can and should be used to improve lives.

But how? Yes, there is always market failure and improvements are theoretically possible, but how and where can we intervene? After all, government failure is also rife.

The second learning came from my years in Treasury and Paul Keating's office. The gut instincts of Ministers when faced with a new problem tended to fall into one of two camps, those who first looked to spend or intervene to solve a problem, and those whose first action was to seek a market-based response. Spenders versus pro-competition advocates.

I'd like to think that I am in the second camp. Most of the benefits that we see today from Australia's strong economic record relate to flexibility and active competition throughout major areas of the economy.

So there are many parts of our economy where the market, left to its own devices, will not deliver results that maximise social welfare. But where government then does intervene, it should first seek first to find market based solutions. And to ensure that this is accompanied by effective competition as private players seek to innovate and respond to consumer wants.

With this in mind, it is worrying to hear Rod Sims talk about his concern that we have seen a weakening in Australia's pro-competition culture. For example, Rod is concerned about the tendency to have the maximisation of the sales price as the main driver of how public assets are sold rather than how the sale and accompanying regulatory framework can best maximise benefits for society.

To me, Rod's concerns are valid, and an illustration of the problems that arise when policy is heavily determined by overly simplified mantras – in this case, public debt is bad and the private sector is always a better owner of assets than the public sector.

On the specific issue of competition, I am, however, more optimistic re the outlook for overall competition in the economy. This is because of all things digital, a subject to which I will return in a moment.

Asia and external risks

In fact, I am quite optimistic about the prospects for the Australian economy for the next decade. The reason for this optimism is not only that we are well placed both to take advantage of opportunities from Asia and technology, but also that we are well placed to manage the inevitable bouts of turbulence internationally.

It is all about the inherent strength and flexibility of the domestic economy. Let me elaborate.

The global economy has come through a severe crisis in the form of the GFC, and it is on the mend.

Yet, looking beyond the short term, significant risks persist. The Euro zone remains in many ways dysfunctional and a renewed crisis at some point is likely. China continues on its high risk/high return path to prosperity and it frequently flirts with danger. The risk of severe bubbles and related imbalances persists. And, as we all now know all too well, Australia's external accounts will suffer from any downturn in China. In addition, we will become increasingly exposed to other economies in the region such as India and Indonesia where growth profiles will, episodically, be fragile.

So there will be pronounced external threats. But Australia has shown with the Asian Financial Crisis, the tech bubble and now the GFC that external shocks can be managed, and managed with relatively modest impact on GDP and employment. The flexibility we have seen – essentially through exchange rate and financial and labour markets – will almost certainly still be there when the next external shock arrives.

This means that it is very unlikely that Australia's next recession will result purely from an external shock, even a recession in China.

Instead, our next recession will have its source in Australia.

That domestic source may be an imbalance in an asset market, or a misjudgement of policy, or a collapse at core of the financial system. But from wherever it comes, it seems to me that we are not close to such a serious imbalance today and so the medium-term outlook for the economy has to be positive.

Productivity

With that in mind, let me turn to some policy questions. A recurring theme will be that we need to deepen the discussion around what are seen as elements of economic policy.

Let me begin with productivity. Productivity is used as a catch cry for calls to enact a myriad of possible actions from government, so what is to be made of the cries? Productivity is obviously important. As Paul Krugman said:

> *Productivity isn't everything, but in the long run it is almost everything. A country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker.*
>
> Paul Krugman, *The Age of Diminishing Expectations* (1994)

So, yes, policy should be focused on lifting productivity. But we do need to be careful about what this may mean in a particular circumstance.

There are two issues with how the term productivity is being used in public debates, one is that it is being used as a catch cry for a myriad of causes, often unjustifiably, and the other is that it is a far from perfect measure of economic well-being.

Mike Keating has written recently about the first of these. Mike, being Mike, has used language that is a little less temperate than mine would be, but the basic idea has substance. He said:

> *"… business associations, some leading employers and their camp followers in the media are insisting that future reforms must focus on alleged labour market rigidities and reductions in taxation, as if these were the most important influences on productivity." And while "there is scope for improved labour relations to make a modest contribution to improved productivity … the main responsibility for improvements in that regard lie with employers themselves". "The best thing that employers and their trade associations could do is to stop*

> *passing the buck to everyone else for their own failings, and get on with making their workplaces more productive using the existing freedoms that they undoubtedly have."*

John Edwards has recently commented along similar lines.

So, stop whinging and get on with what you are supposed to be doing.

Of course, that is exactly what most businesses try to do.

When I first moved to the private sector in Rothschild in 1996, the previous CEO said to me when we were trying to get some clarity on some tax issues – something that was complicated in Rothschild's case by its unique ownership structure – that he didn't really care what the decision was, just tell him the rules and he would go out and make a buck.

A little later, my next private sector employer, ICAP, was even more single minded in its drive to make money, this time through its brokers building close relationships by wining and dining. So my experience is that most businesses do operate within the prevailing regime to maximise profitability.

Mike's idea of businesses making their own workplaces as productive as possible is something I'll come back to in a minute when I talk about the role of digital technologies.

The second set of issues with how "productivity" is being used in the public debate is measurement. Productivity is simply a less than perfect measure of economic well-being, and having the public debate focus so much on what the ABS reports as productivity can be unhelpful.

In fact, John Quiggin called productivity an "unhelpful concept", and did so largely because, as I read John's comments, of how capital and labour were being measured and thought about in debates about productivity. [1] John instead argued for the use of a term that is closely related to productivity, namely technological progress, "that is, the introduction and adoption of technological innovations such as new products and improved production technologies".

This thought resonates strongly for anyone like me who has had the good fortune to spending hours upon hours playing with econometrics and estimating production functions or labour demand equations. The two are close to equivalent concepts.

---

[1] John argues that we need to take proper account of the intensity with which labour and capital are being deployed to draw implications from trends in productivity as measured. Research I conducted around the turn of the century did demonstrate how two factors that would affect the intensity with which capital and labour are used, namely capacity utilisation and real wages, did indeed find pronounced effects on productivity, accounting for much of the slowdown in measured productivity growth in the 1980s and the subsequent improvement.

But the change of language matters. If Krugman, as John Quiggin suggests, had said that technological progress was almost everything in the long run, then perhaps Mike Keating and John Edwards wouldn't have been frustrated by how productivity was being used as a pretext for whatever may be the latest agenda someone wanted to pursue.

So where do I stand? I have sympathy for both Mike and John's positions. Rhetoric does matter, and the rhetoric surrounding productivity is being used in a way that isn't helpful. Tax, or industrial relations, or fiscal policy, can and should be refined, but they are not at the heart of why measured productivity weakened after 2000.

I think the measurement issue goes further than that. I think we have a fundamental problem in that our measures of GDP or productivity are becoming less reliable proxies for economic welfare.

The digital economy

Stand back. Forget what the ABS is saying for a moment.

Instead, look at how societies and businesses are changing. Some pretty profound changes are under way. Let me just focus on all things digital.

Over the past few years, we have written about numerous aspects of how digital technologies are driving change.

How consumers are forcing retailers and media companies to transform.

How, without telework, only 14% of new mums say they will return to work with their old employer, but 61% said they would if telework was available.

How IT policies around the use of social media or BYOD are growing in importance in attracting young and talented employees alongside traditional concerns about wages and conditions.

How businesses that are able to create a collaborative working culture (including through their use of digital technologies) succeed in growing faster than otherwise.

What has this got to do with productivity? Two things.

Firstly, most of the change that we are seeing is being driven by individuals, individuals whether they be consumers, workers, students or patients. For all the neo-classically trained economists in the room, this should suggest that economic welfare has probably risen. And risen a lot.

Of course, we consumers may all be irrational or there may be perverse incentives or market failures. Maybe. But it is hard not to conclude that individuals making deliberate decisions to do something new will not, on balance, add to their welfare and, in turn, to society's.

If this isn't showing up in our measures of welfare, then maybe there is something wrong with our measures.

We seem to have a fresh version of what Nobel laureate Bob Solow was puzzling over in the late 1980s when he said "you can see the computer age everywhere but in the productivity statistics." The puzzle at that time produced a variety of possible explanations in both the US and here, including measurement issues and time lags.

For Australia, at least, by the end of the 1990s, the Productivity Commission's research did finally start to detect an impact on productivity from the 1980s and 1990s' boost to ICT. So, at least part of the explanation to the puzzle was time lags.

This time around it seems to me that there is something more fundamental than time lags. Productivity as measured misses many, if not most, of the gains to consumer and social welfare that digital technology is delivering.

It does not capture the benefits from improved convenience when we no longer have to queue for 30 minutes at the RMS or our bank branch. Or, the convenience of being able to search for a needed service at a fraction of the time that would be needed without the Internet.

It does not capture the benefits of much greater choice. To illustrate the magnitude of this, consider Amazon – Amazon as a purveyor of books. It succeeded by doing two things, namely taking costs out of the supply chain and providing a lot more choice to consumers in a convenient manner. Instead of having to choose just between Dan Brown and Ian Rankin, we have millions of titles in easy reach.

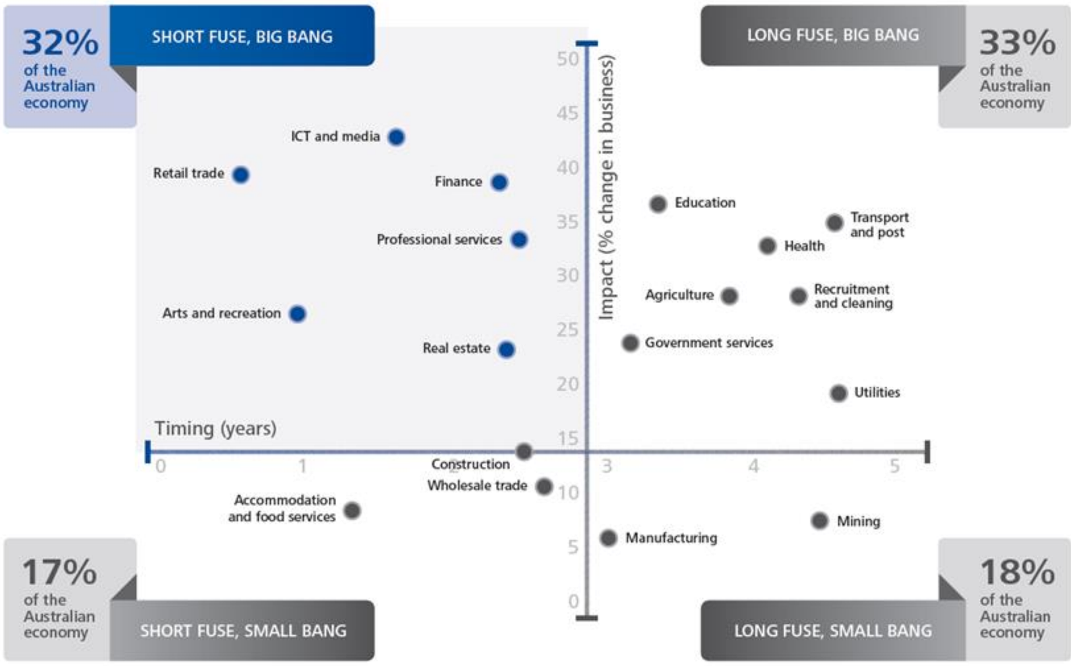
A series of studies by some researchers at MIT including Erik Brynjolfsson have explored this issue by estimating the benefits to consumer welfare using a standard consumer utility function. They found that the benefits of easy access to the tail of this distribution of books – of the greater choice involved – generated between seven and ten times as large benefits that flowed from the improved operational efficiencies. That is, in this case, benefits that would not directly flow into measured productivity were seven to 10 times as large as those that would be measured.

I am not advocating that we need to build estimates of the benefits of convenience and choice in our measurement of GDP – this wouldn't work.

Instead, what I am arguing is that we need to be careful to base policy decisions on a deeper understanding of our objectives and not be driven by simplistic rhetoric.[2]

With this in mind, my second message about the productivity debate – or let's now call it the technological progress debate – relates to what I believe should be a much more central policy agenda than it is, namely the use of technology for government services and those parts of the economy where market forces are muted.

You may be aware of Deloitte's report on digital disruption subtitled Short Fuse, Big Bang. The idea was to trace through the speed and force with which digital technologies would affect different parts of the economy.



This report is now two years old. Those industries that were judged to be in the short fuse, big bang quadrant have indeed been disrupted. This obviously applies to retail and media where the consumer is in the driver's seat and forcing business to change in terms of product offerings, location, way to market etc. But it is also the case in professional services where, for example, tax and audit services being provided to small business are being done in a very different manner than we saw just a year or two ago.

---

[2] This is not a new message. For example, in the summary that Mardi Dungey and I wrote for the symposium on 2003 on the future of the bond market we wrote "it was time to nurture a deeper, more intelligent policy debate". At the time, there was serious consideration given to closing the market for CGS, largely because of the use of simplistic rhetoric around debt. A moment's reflection on how the GFC unfolded and was addressed shows how disastrous such a decision would have been. The main alternative to CGS being contemplated for pricing and risk management were securitised instruments. That symposium was designed to inject some operation reality from practitioners into a debate that, until then, was being couched in a mixture of politics and theoretical economics.

The market place is driving those changes. What this entails is a wave of new competition, a wave that rivals the scale of competition injected into the economy through the microeconomic reforms of the 1980s and 1990s. And this time, the changes are occurring more rapidly.

For those parts of the economy where market forces are paramount, Government's main role is to make sure that regulation or its own actions allow that competition to unfold without unwarranted intervention. Mike Keating doesn't need to encourage businesses in these sectors to make their workplaces more productive – digital technologies have lower entry barriers and are forcing businesses to be both more productive and more responsive to consumers.

A larger agenda for government, however, lies in the long fuse, big bang quadrant. These are sectors of the economy where market forces are not as pronounced and where government either directly, or through regulation, has a large role to play.

In fact, the potential for technology to make some of the largest improvements in Australian lives lie in the long fuse sectors including health, education and transport. This is hardly a new thought, and there has been progress. But for the most part, the progress is all too gradual.

The exemplar is probably electronic health records which has been the focus of considerable effort for perhaps 15 years now but where we still seem to be a long way off the goal of having them routinely used throughout the health system.

Or, take even an example where we have done well, the SCATS for control of traffic lights. SCATS was originally developed 40 years ago, it has been constantly refined since then and is now in use in 27 countries. So, a success story, yet, as a Sydney driver, I know my welfare would be improved with a more refined SCATS system. It's coming – NICTA and others are working on optical based monitoring and improved optimisation algorithms – but more support for both the research and especially its deployment would lift my welfare!

A quick reflection on both these examples – electronic health records and SCATS – shows that the efficiency improvements from technology where the government plays a central role will represent a relatively small part of the overall benefits. Especially in health and education, many of the benefits will involve improvements in the quality and range of services rather than efficiency gains.

This requires fresh ways of approaching decisions on what is to be delivered and how it is delivered. An empowered patient and student will be central if we are to move beyond fairly narrow case stories of success to changes that permeate whole sectors. This will happen in time; but can the process be brought forward so that the benefits flow on scale within years rather than decades?

Making the most effective use of digital technologies in health and education – as well as other areas where government has a direct role such as smart technologies in transport or utilities – will deliver much larger economic and social benefits than where we seem to like to focus much of our policy attention on such as whether we should get the budget back into balance by 2017 or 2019, or whether the Bank is going to hike rates by 25 bps next quarter or not.

It is a big picture agenda.

Managing incomes and risks in retirement

Another big picture agenda is how we manage incomes and risks in retirement. With the expansion of superannuation and the gradual reduced reliance on pensions, we have progressively moved more responsibility from government to individuals.

Empowering individuals to make decisions that best suit their circumstances sounds like a good thing – especially given what I have said earlier about consumer choice. And for the most part it is.

But it does come with challenges as, based on its Interim Report, the Financial Services Inquiry is finding out. How can the bulk of the population ever make informed decisions about their retirement incomes and associated risks given the complexities involved?

Wallis got it wrong by advocating a system based just on disclosure and a bit of financial literacy. The complexity involved means that more regulation over products and the deeper involvement of advisors, or at least individualised advice from the superannuation funds is needed.

However, this comes with costs. We've seen a rapid increase in the share of national resources devoted to the financial sector over the past two decades with wealth management being a major factor behind the rise. And that increase is only going to continue.

For example, Deloitte estimates that over the next two decades, superannuation assets will increase from around 120% of GDP today to 180%. The Interim Report talks about a 40bps cut in management fees on these investments from their current levels of over 1%. If this were achieved without a loss of benefits, this would represent an improvement in productivity that would rival that generated by the major microeconomic reforms of the 1980s and 1990s.

The proviso, of course, is that there would not be a loss in benefits.

Two types of benefits illustrate the challenges involved. The level of management fees for superannuation reflect in part an emphasis on active investment management by Australian funds compared with those overseas and the funds provide individualised services, including a level of advice. Any effort to cut fees needs to balance fee reductions against their impact on these benefits.

In particular, superannuation funds rightly have mandates that encourage long-term investment perspectives. This should benefit investors – witness the long-term performance of stocks and private equity relative to fixed income. It should help Australia's financial system direct sufficient money towards investments such as infrastructure and corporate equity to underpin economic growth as more of the economy's assets are held in superannuation.

On the matter of individualised services, general and scaled advice by superannuation funds would seem to be one of the most cost effective means of providing information to investors. For example, it costs funds less than $3 to provide scaled advice annually per member.

None of this is to say that ways to reduce the resources needed to support superannuation and, more broadly, the management of risks and incomes in retirement should be explored. They should – the potential gains are very large. But rather than the focus being on fees and fee-based competition – as is the main focus of the Inquiry's Interim Report – the focus should be squarely on *net* outcomes.

Finally, while on the subject of risks in retirement, it is a pity that the Interim Report limits its consideration almost exclusively to superannuation. If we looked at the issues from the retiree's perspective, we'd be considering all forms of savings including property. And we'd be considering health risks as well as income. How well do health and life insurance sit alongside super? And why don't we have aged care insurance?

How we organise our cities

Let me turn to what I see as another potentially major area of microeconomic reform, namely how we organise our cities. Around 75 to 80% of Australia's output and employment occurs within its major cities. The fact that people and businesses are choosing to locate in cities surely means that there are some benefits from doing so.

Yet we know that the problems are mounting. Congestion, compromised open spaces, the loss of amenity – if I tried a little harder, I could sound like a town planner – all risk detracting more and more from those benefits.

The issues being cited today are exactly the same as the ones we discussed a decade ago when I was on the NSW Government's Reference Panel for the Metropolitan Strategy. And I am sure they were being discussed by a similar group a decade before that.

So it's hard. But the scale of the potential benefits make it a genuinely 'big picture' agenda. As with digital, many of the benefits will not show up in our standard measures of welfare based on the national accounts. 10 minutes less travelling time to work, or to school, doesn't have direct effects on GDP. A more vibrant space around the harbour, or convenient shopping centre in the burbs, doesn't get picked up. But social welfare is clearly affected.

And doing a few calculations on aspects of the issues that we can measure illustrates the scale of the agenda. For example, if commuter travel times on Sydney's roads were reduced by five minutes per trip, the benefits would amount to $3.6 billion a year if we valued an individual's time at AWE. To this, you can add savings for freight or commercial vehicles. And savings for going to the shops, or school, or to the beach.

Organising our cities is obviously not just about infrastructure. It is about the relationship between where we work, live and play. It's about how we plan our buildings, neighbourhoods and open spaces. It's about how the infrastructure and planning align. It's about how we use infrastructure better.

So there are a lot of possible agendas. Most of them involve affecting existing individual property rights – for the better or the worse. One area where the impacts will be almost all positive is how digital technologies can be used to improve the use of our transport and water infrastructure.

I'll also leave for another day discussion of planning issues – including talking about the virtues of allowing four or five floor developments on your boundary right outside your living area. Instead, I'll raise two policy options to illustrate what I see as possible if we lift our eyes a little.

The first relates to toll roads. I have always thought we were silly to have privately owned toll roads in our cities. As we have seen with the Lane Cove and Cross-city tunnels, the biggest risks for the owner of urban toll roads relate to how many vehicles pay the toll – how many vehicles want to use your pipe within what is a network of roads.

From the point of view of the whole network, how many vehicles use a particular road isn't a big deal; you're interested in how smoothly the whole network operates. The owner of the whole network – the government – will be much better placed to bear traffic risks. Of course, it could and should use private operators to design, build and maintain roads, it just doesn't need them to own them.

For Sydney, this line of thinking leads naturally to the idea that we could pull all existing toll roads and any new tolls roads into a new body that would be tasked with managing the system in an integrated manner. This could be done at the end of existing concessions, or those could be bought back. Along with helping make investment and maintenance decisions more coherent, this agenda would be to enable a consistent approach to the pricing of toll roads, including an easier means of getting into congestion pricing.

And for anyone who is concerned that the government would end up holding more debt (ignoring the matching additional asset on its books), we could set this up as a Government Business Enterprise (GBE) and have all the balance sheet all off-budget since the tolls could easily be set at levels to cover all costs. For those of you with a more economic rational approach to debt, this wouldn't be needed.

The second agenda may seem more futuristic, but it is the sort of agenda needed for long-term infrastructure decisions. The need for greater investment on Sydney's infrastructure has obviously been the focus of successive State Governments, and we are seeing more action. This is to be welcomed.

But, according to the Department of Planning, Sydney will have a population of around 6.2 million by 2030; it will be 7.9 million by 2050 according to the ABS. Better roads, better planning related where people live and work, and the better use of pricing and smart technologies will all help.

However, they will not be enough to cope with mass transit needs.

There are a number of options for this, but the one that I am attracted to is a proper metro system. That is, by 2050, Sydney should have proper rail grid – not just an essentially radial system from the CBD – with stations spaced roughly half the distance they are currently, and with single decker trains. Yes, Sydney's topography doesn't always lend itself to this, so we may need to be augmented by buses. And yes, Sydney's population density is less than other cities with metros.

But it will become a lot denser. So we need to prepare.

The key is to start by setting down a framework. Define the corridors, establish property rights. For example, a good amount of the funding could come from the increase in property values if the rules were established at the outset so that owners of existing properties where values increased significantly because of the infrastructure only benefited from part of the uplift.

There are other models. The point is that we need to find a way to take some long-term planning and infrastructure decisions if we are still going to have vibrant, liveable Sydney in 2050.

The use of cost benefit analyses

This brings me to a final point, namely where the main tool that is been advocated for considering large policy decisions, cost benefit analyses. They are not always well suited for some of the big picture issues, at least as currently conducted.

We clearly need rigorous assessments for any major policy initiatives. We need as much relevant evidence as can be garnered, and a means of scrutinising and evaluating it.
The risks with cost benefit analyses is not that they are not a sound framework – well done, they certainly are – but rather than they will confuse in areas where the project or problem is not narrowly defined.

For example, staying with issues surrounding urban transport, a cost benefit analysis could be well tuned to the consideration of whether to rely on buses or light rail to alleviate problems in a particular part of the network.

On the other hand, it could be a distraction for consideration of a new metro system to be in place for 2050. Here, as I have said, the main issues relate to establishing corridors, property rights and funding regimes. Also, we will not be able to determine many things ahead of time – an early CBA risks both minimising practical hurdles and the costs of transition, and not properly anticipating many of the potential benefits.

Cost benefit analyses do represent a project approach to policy – essential for some policies, potentially distracting for others.

They risk lowering our gaze.

Conclusion

I rather pretentiously titled this talk a return to the big picture. I guess there is some nostalgia in the title.

But I do think that the current public debate in economic policy is suffering from being couched in too limiting a way. The current reviews into competition and financial services are important and should reinforce some of the fundamental strengths of the Australian economy that I discussed earlier. So too could the forthcoming tax review.

However, there is more to be done, and generally with a longer-term focus. We are spending too much effort debating how and how quickly we should bring the Commonwealth budget back into balance, and when will the Bank raise rates 25 or even 50 bps.

Instead, what I have argued here is that Australia's economic and social fortunes will be helped most if we can bring a few other agendas that have the potential to elicit very sizeable benefits properly into the centre of our national discussion.

Getting the most out of the new opportunities that digital technologies will bring; empowering patients and creating a responsive health system; organising our cities better through technology, planning and effective mass transit infrastructure; and crafting a system to that better supports individuals manage their incomes and risks in retirement as their superannuation assets grow, are all of a scale that would have big picture effects on economic and social well-being.

Many of the benefits may not show up in GDP or productivity as we measure them; but they would all be large contributors to that esoteric beast, the nation's social welfare function.