

EABER WORKING PAPER SERIES

PAPER No.9

POLICY DETERMINANTS OF PRODUCTIVITY GROWTH IN AUSTRALIA

BERNARD WONDER

PRODUCTIVITY COMMISSION

AUSTRALIAN GOVERNMENT

BWONDER@PC.GOV.AU

PAPER PREPARED FOR DISCUSSION AT THE
MICROECONOMIC FOUNDATIONS OF ECONOMIC PERFORMANCE IN EAST ASIA CONFERENCE
MANILA 23-24 NOVEMBER 2006

ABSTRACT:

The transformation in Australia's economic performance since the early 1990s has generated much interest overseas as well as within Australia. The contribution made by microeconomic reform in this country has been a particular focus of inquiry by officials from foreign governments, national research institutes and international and regional economic agencies, not the least in East Asia. This interest reflects not only the manner in which the reforms were introduced and sustained but also the magnitude of Australia's reform requirements and the institutions associated with reform.

It was against this background that the Chairman of the Australian Productivity Commission, Gary Banks, prepared a detailed assessment of the Australian approach to structural reform (Banks 2005). Many of the views expressed by Banks are directly relevant to the interests of this conference and hence this contribution (particularly the first half) draws extensively on his paper. The paper commences with an overview of the turnaround in Australia's economic performance before outlining the broad nature of the microeconomic reform program and associated outcomes, as well as the key elements of the reform 'strategy' and its institutional underpinnings. Particular attention is given to the contribution made by the Productivity Commission (and its direct predecessors) and the important attributes of the Commission enabling its contribution. A risk in such a presentation is to over account the significance of the Commission to the extent of reforms. The Productivity Commission is, after all, only an advisor and not a direct player or policy decision maker. However, the intention is to outline the Australian experience with a view to assisting others make their own assessment of institutional frameworks that might help sustain reform efforts in their own countries. The Commission's track record in having much of its advice accepted by government in many areas of microeconomic policy demonstrates the potential for an agency such as the Commission to make a difference to the course of policy development.