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Globalization, Technology and Inclusive Growth

CHECK AGAINST DELIVERY

Opening Remarks

Thank you, Martin, for that very kind introduction.

Thank you also to Dawn for your leadership here today and everything else that you do for the Australian public service.

In particular, thanks to Aunty Janette who provided us with what I thought was an outstanding welcome. And thank for your humour and your optimism. It is really quite impressive.

And hello everybody. Thank you for your interest in attending today.

It is truly an honour and a privelge to be here to speak to you about topics we do not pretend to have solutions and particularly definitive answers to, but on which we are working almost on a daily basis in Canada and in all of the international work we do – be it through the G7 or the G20.

Before I start, let me just say thank you to our hosts: the Department of the Prime Minister and Cabinet and the Institute of Public Administration Australia.

And I too would like to begin by acknowledging the traditional custodians of the land on which we are meeting, the Ngunnawal Nation, and extend my respect to all Indigenous people in attendance here today as well as online.

Martin gave what I thought was a fantastic overview of the similarities between Canada and Australia.

We are really very similar in all kinds of ways, and I think this Initiative – the Canada-Australia Public Policy Initiative – is one of the many forums that we have to express ideas, to think about where we are in the world, and to think through some of the different approaches that we are both taking to deal with issues and problems.

As Martin said, our countries look remarkably similar on both ends up of this ball that we live on: common values, large and diverse immigrant communities, large territories, important Indigenous populations, as well as open economies that are very reliant on natural resources and global trade.

And as we look to the future, both countries face similar opportunities as well as similar challenges. These include, on the one hand, very strong university and scientific research communities and well-educated labour forces, and, on the other hand, we are both dealing with the challenges relating to aging populations and rising household debt.

Like other countries, we are also confronting major public policy issues associated with globalization, rapid technological change and the rise in inequality. Although, as Martin indicated, the latter may be less of a concern at present in Australia than in other countries.

But I think it is fair to say the emergence of these issues has coincided with widespread, and potentially growing, dissatisfaction with economic outcomes, as well as a loss in confidence in the institutions and the approaches to economic policy that most Western countries – including Canada and Australia – followed from about the 1980s to the present.

Let me give a couple of examples. Over one-third of Canadians feel their quality of life is worse than that of their parents. And nearly two-thirds of Canadians believe that the next generation will be worse off than the current generation.

It is in this context that I want to discuss approaches to public policy that result in economic growth being more broadly shared across our populations – sometimes called “inclusive growth”. The objective is both to raise economic growth and to ensure that the opportunities and benefits of growth are available to all.

As you will see, I do not view this as a wholesale change in direction, but rather an evolution in public policy. In fact, part of my thesis here today is that many of the ills that plague the politics and economics of advanced economies today have resulted precisely because some of the basic tenets of traditional post-war neoclassical approach were not followed.

And then this leads me to argue that we need to focus on three important areas.

First, I strongly believe that we need to bolster and evolve our systems of international governance. I am going to argue that a significant part of the rise in inequality in advanced economies is due to our inability to enforce some of the “rules of the game” that were established in the post World War II period. Rather than retreat from these, we need to strengthen our international institutions and make them more effective. This includes, for example, the need for flexible exchange rate mechanisms, the enforcement of rules at the World Trade Organization and a new focus on emerging international issues related primarily to digitization and the role of data more generally in the global economy.

That is point one.

Point two: I am going to argue that ongoing sound management of our financial systems is paramount. One of the reasons that Australia and Canada fared so well in the last financial crisis is that we practised much stricter financial regulation than other countries, particularly with respect to our banks. And so, continuing prudent financial sector regulation and attending to the increase in household indebtedness in both of our economies is going to be critical to both our economic performance and broad public confidence in government and in the institutions of government.

That is my second point.

Third, we need to carefully think through many of our domestic policy frameworks and ask ourselves if they are really providing appropriate support to equality of opportunity and, where appropriate, equality of outcomes.

Even if Australia and Canada have been shielded from many of the trends that have driven populist sentiment in other countries, it is fair to say that we too, in both of our countries, underestimated the speed and depth of globalization and technological change, while overestimating our ability to adapt to those changes, particularly as they affected our workforces.

And so, dealing with these issues as we go forward requires a broader way of thinking.

And that is the issue I want to come to in the third part of my talk.

Sound International Governance

Let us start with globalization and technological change.

For a long period, these forces have been an important source of prosperity.

They have improved living standards in both advanced economies and developing countries by raising productivity and lowering prices on consumer goods like appliances, electronics and clothing. We have all experienced it.

Globalization and innovation have been credited with helping to lift more than one billion people out of extreme poverty worldwide over the last 25 years.

And, importantly for Canada and Australia, rapid industrialization in emerging economies created strong demand for our natural resources – improving our terms of trade and, in turn, boosting investment and incomes in both of our economies.

Economic inequalities between nations are now at their lowest levels in recent history.

But those positive trends across countries have masked several underlying challenges, including an unsettling pattern of rising inequalities within most countries.

To give you a couple of metrics: from 1975 until just prior to the Great Recession, the top 10 per cent of income earners in some countries captured half or more of all income growth. For example, those top earners took in about 50 per cent of income gains in Australia and the United Kingdom, two-thirds in Canada, and 80 per cent in the United States.

During that same period, labour has lost ground to capital in terms of its share of national income in G20 countries.

These results largely reflect advances in labour-saving technologies like computers and robots, which gradually reduced the relative price of capital and allowed business to replace routine tasks with machines.

At the same time, the rise of offshoring and increased global competition amplified the loss of many routine jobs, especially in manufacturing.

But I think we need to step back and ask: Why did we not adapt to the changes unleashed by globalization and technology in a more orderly way? We have dealt with many shocks in the past.

Let me show you a picture of Canadian data, which should provide some insights. It suggests that economies can adapt to structural change, but that very rapid structural change is difficult, and raises inequalities and anxieties. This chart shows the ratio of income earned by the top 10 per cent of Canadian families to the bottom 40 per cent of Canadian families.

Looking at the chart, you can see that the level of inequality jumps up in two distinct periods. They are the two deep and very prolonged recessions that we experienced in 1981-82 and 1990-92. Those were deep, deep recessions – deeper than the recessions that many economies experienced during the global financial crisis.

In both of these periods, what happened is that we went through very rapid structural change. You see it when you look at the industrial composition of Canadian manufacturing: certain sectors just simply disappear.

It is precisely this type of change that causes deep and unexpected job losses. It throws workers, usually the less skilled ones, into unemployment, often for extended periods of time, without any real ability to adapt or find new opportunities.

I would argue that this same phenomenon has played out over a longer period of time in many parts of the global economy. It is precisely because the speed of change that we have experienced has been nothing less than dramatic and too rapid for those that have been affected to adjust.

As a share of gross domestic product, global trade reached 31 per cent in 2008, compared to 19 per cent in 1990.

The expansion in global trade was largely driven by the relocation of goods production to emerging markets and developing countries. To see this, you only need to look at China, whose share of world manufacturing output increased from 4 per cent in 1995 to 27 per cent in 2015 – that is only 20 years!

One of the reasons for this rapid change is that exchange rates did not adjust as required. As a result, the burden of adjustment was borne excessively through wage compression and employment loss in advanced economies.

And so, a critical lesson of the past 25 years is that properly functioning balance of payments adjustments are critical to global stability. This is because they serve to smooth shocks and allow businesses and employees time to adjust to changing circumstances.

Canada and Australia have both benefitted from flexible exchange rates. And we need to continue to work together to ensure proper balance of payments adjustments – and it is worth stating that these adjustments can work either through exchange rates or wage rate inflation.

It is critical to ensure the broad system we set up post World War II that effectively allows for smooth adjustments across countries continues. This is as true today as it was in 1944 when the Bretton Woods institutions were established.

But I also think we need to consider how globalization will play out going forward.

It is unlikely that we will see further integration of massive amounts of labour into the global economy over the medium term as was experienced with the rise of the Chinese economy over the last two decades. The bulk of these changes are probably behind us. They are not over, but we are not going to see another China being integrated into the global economy.

The next set of challenges are more likely to involve issues related to the rapid wave of new and emerging technologies. These technologies have started to transform our economies in ways we are only now starting to understand.

Advances in articicial intelligence and the rise of data more generally raise questions of privacy, security and intellectual property. They also require competitive conditions that will allow firms and countries to compete on a level playing field.

And so, solving these questions will not only require policy responses within our own domestic economies, but reinforce the importance of international institutions and multilateral cooperation.

In this context, the evolving role of the Bretton Woods institutions – the International Monetary Fund (IMF), the World Bank Group and the World Trade Organization – as well as the Organisation for Economic Co-operation and Development (OECD) and the United Nations will be critical to our ability to craft an effective, collective response to these challenges, so that current and future advances in technology result in benefits that are widely shared.

I have to note that I am an optimist on this point. There are people that look around the world and disparage the work of the international institutions, but I think if you look at the response to the 2009 crisis that we managed to put together: it was a globally coordinated response and it was an effective response to a terrible situation. We have made tremendous strides at the Financial Stability Board to put together a set of coherent and internationally coordinated financial sector regulations, and we have recently concluded important work at the OECD on the issue of base erosion and profit shifting.

While none of these issues are easy, we need to approach them with some optimism. Canada and Australia can play important roles in the international fora on these questions. Working together, we can make significant progress.

That is my first big point.

Let us move on to the next part of the discussion.

The Great Financial Crisis and its Aftermath

Another part of the answer to the question of why the recent period of globalization and technological change did not deliver broad-based benefits was the scale and impact of the global financial crisis.

In fact, it is hard for me to imagine that we would be here today talking about inclusive growth had we not had the global financial crisis in 2008-09.

Almost exactly ten years ago today, in April 2008, cracks were starting to emerge in the U.S subprime mortgage market. The investment bank Bear Stearns had just failed. U.S. home prices were down by 8 per cent year-over-year. The single-family residential mortgage delinquency rate in the United States was 4.4 per cent, nearly double what it was one year prior.

Just five months later, in September 2008, the collapse of Lehman Brothers triggered a full-blown global financial crisis and ultimately a global recession.

If you look at the U.S. numbers even today, they are absolutely staggering.

U.S. home prices eventually dropped 26 per cent from their 2007 peak. That is 26 per cent on average. There were segments of the U.S. economy where the price declines were phenomenal. The U.S. mortgage delinquency rate would eventually peak at 13 per cent. In 2009 alone, almost 3 million homeowners in the U.S. received a foreclosure filing.

The ensuing European debt crisis resulted in the two largest blocs of the global economy – the U.S. and the European Union – in crisis, followed by an extended period of very low growth.

That low global growth is exactly what the students of financial crises told us would happen. I remember looking at the studies that had been done and then we went through a period of about 8 years where we consistently overestimated growth and asked ourselves why we were off. Well, we knew why we were off. We just found it hard to come to terms with it.

The combination of severely impaired household balance sheets and a long period of weak wage growth, weak economic growth and low employment explains a lot about the current mood in the United States and in other countries.

And so, the most obvious policy lesson from the Great Financial Crisis is that proper financial sector regulation is critical to both growth and inclusiveness – that is my second point.

The work of the G20 and the Financial Stability Board to improve financial sector regulation – raising capital and liquidity buffers in banks, bringing greater clarity to the interconnectedness of banks, and dealing with shadow banking – is an important step forward and an important aspect of economic inclusiveness.

Fundamentally, a system of financial regulation that ensures that the household sector's greatest asset – their homes – is not at risk is absolutely critical to ensuring that our citizens feel that the economic system is working for them.

For Canada and Australia, of course, the decade of accommodative monetary policies that the crisis made necessary has presented its own set of challenges.

While the period of low interest rates facilitated balance sheet repair and deleveraging in the United States and in Europe, in our countries, where the financial systems and credit intermediation worked perfectly fine, that same period of low interest rates has pushed up household debt and house prices.

To provide some context for this, consider this next slide.

As shown on the left-hand side, house prices have increased by 70 per cent since 2012 in Vancouver and Toronto, by 75 per cent in Sydney and 55 per cent in Melbourne. House-price-to-income ratios are dramatically higher than they were just two years ago.

Developments in our housing markets are both contributing to inequality and generating unease about economic conditions.

On inequality: rapid house price acceleration acts to transfer wealth from new buyers – mostly young – to existing owners of real estate – mostly old.

On economic unease: as you can see on the right-hand side, the financial vulnerabilities associated with house prices and indebtedness are concentrated in young and moderate- to low-income workers.

And so, ensuring that this system remains stable is one of our more important responsibilies as public servants.

In Canada, we have been taking action both to boost supply and to curb excessive demand.

Most recently, we have required new borrowers to meet a stress test to qualify for new mortgages. This involves verifying that the borrower can meet debt service requirements at an interest rate that is 200 basis points higher than the contract rate.

Similarly, the provinces of Ontario and British Columbia – where house prices are most under upward pressure – have recently introduced foreign buyers taxes to address some of the pressure coming from offshore buyers.

Although some of these changes have been politically difficult, they are absolutely necessary: housing represents 55 per cent of household assets in Australia and 41 per cent in Canada.

And so, again, proper oversight of our financial institutions and housing markets is as important as any other measure that we may take to bolster our economy or improve inclusiveness.

On this topic, we have benefited greatly from the discussions we have had with colleagues in Australia as well as those in New Zealand.

A New Path Forward

Up until this point, I have argued that if we want our citizens to continue to have confidence in the face of globalization and technological change, we need to deliver on some of the basic tenets of economic policy. These include: flexible exchange rates, the need for overall economic balances between countries to adjust smoothly, the importance of enforcing rules-based international trade, and sound financial regulation.

Now I am also going to argue that governments need to rethink some of their domestic policy settings – this is my third point.

Starting in the 1980s, many countries, including Canada, adopted a similar set of policy reforms in a desire to lower unemployment, increase productivity, and reduce fiscal debt and deficits. These types of policies included: a reduction in top personal income tax rates, a reduction in corporate income taxes, deregulation, cuts to unemployment insurance programs, trade liberalization and balanced budgets.

Many of the measures were, and still are, the right thing to do to create prosperity. But I think it is fair to say that we policy makers did not pay enough attention to the distributional impacts of these reforms.

In the last decade or so, mainstream economists led by the IMF and the OECD have started to re-examine how the income distribution may affect a country's macroeconomic performance.

New research shows that higher inequality is associated with lower and less durable growth.

The main channel through which this takes place is reasonably intuitive: higher inequality means fewer resources available to families to invest in their kids, leading to growing gaps in investment – particularly in education – between children from disadvantaged backgrounds and those from more-privileged ones. And, ultimately, this combination leads to unequal outcomes in adulthood.

In short, excessive inequality can be harmful to growth because it locks in privilege and exclusion.

Again, for the most part, Canada and Australia have escaped the worst of the trends that have affected many other countries, but not exlusively so.

The bottom line is that we need to pay more attention to policies that generate greater participation in the economy, promote equality of opportunity, and lead to more equal sharing of the benefits of growth.

The trick, though, is to do so in ways that do not introduce the disincentives to work and risk-taking that crept into some of our social and economic programs in the 1960s and 1970s.

It also entails moving forward in parallel with what we might think of as conventional "pro-growth" policies like open, flexible and competitive markets, and ensuring that tax systems are competitive and conducive to wealth creation.

Canada's Inclusive Growth Agenda

In my remaining time, I would like to walk through some of the key policies that the Government of Canada is pursuing to boost growth and economic inclusion.

Classical Approaches to Growth

Let me start by reviewing what you might think of as traditional levers to increase our long-term growth trajectory.

On this, the Government is providing the equivalent of about 8 per cent of GDP over ten years to build infrastructure across a broad range of areas – trade corridors, transit and affordable housing.

We have also created the Canada Infrastructure Bank to leverage private sector capital into public sector infrastructure. On this project, we have learned a tremendous amount from Australia's very forward-looking approach to infrastructure.

What we have done is essentially created an investment fund – consisting of $35 billion in capital – of which $15 billion can be used for concessional finance.

The idea is to build up a body of expertise in the public sector to serve as an agent for governments to enter into projects with the private sector. We hope to leverage the private sector to add value to public infrastructure to get better planning, stronger execution, better pricing and more infrastructure per public dollar spent.

Turning now to actions to boost the labour supply, the Government has recently increased Canada's annual immigration target. We will welcome 310,000 new permanent residents in 2018, or about 1 per cent of our population. This is set to rise to 340,000 in 2020. All told, that would represent a 30 per cent increase on the average intake over the 2006-15 period.

As we are increasing immigration, we are also renewing efforts to help attract and retain global talent, including highly skilled temporary workers to help Canadian businesses succeed in what is an increasingly competitive global market for talent.

On the productivity side, we have recently undertaken a range of measures to deal with Canada's longstanding conundrum: that we have outstanding, globally competitive scientific research and only modest success in converting that research into commercial products.

And so, what we are doing now is reinvigorating our research enterprise with the largest increase in science and research funding since the 1970s – about a 25 per cent increase over three years in funding for basic research. As well, we moving forward with a major restructuring and simplification of our innovation programs to reduce them from a collection of about 90 programs down to about 30 programs focused on four platforms.

To complement these actions, the 2018 budget launched industry-specific regulatory reviews to examine ways to make our regulatory approaches more streamlined and efficient. The idea is to take a very micro approach to improving efficiency and timeliness of regulatory processes on an industry-by-industry basis.

Lastly, we are pursuing an aggressive trade agenda that includes recent agreements with the Trans-Pacific Partnership and the European Union, as well as continuing work with the United States and Mexico on modernizing the North American Free Trade Agreement (NAFTA).

New Skills-Based Economy

So what I have just described are a series of policies that we might think of as fairly traditional responses to boosting growth. The recipe is quite familiar: increase labour and capital, and look for ways to boost productivity.

These policies are necessary, but in no way sufficient to build the type of economy that we want and have come to expect, and to respond to the concerns and the anxieties of our citizens about where we are headed in the future.

To provide some context for this, consider this next slide. It shows the change in employment by educational attainment in the United States since the peak of the last business cycle in 2007.

You can see that all of the gains have gone to Americans with university degrees. For Americans with less than a university degree, there are far fewer jobs available and, in fact, the level of employment is now lower than a decade ago. In other words, the employment gains from growth in the U.S. are going to knowledge workers.

All of our economies are facing a similar challenge. The question is how to build a policy framework that supports citizens and boosts economic inclusion in this intensively skills-based job market.

Approaches to Inclusive Growth

Over the past three years, Canada has been putting in place a policy framework to boost economic outcomes from childhood to retirement – very much taking a life cycle approach.

With your indulgence, I will provide you with the broad strokes of this policy framework, and leave the details for the question and answer period if there is further interest.

Starting with children and youth in this life cycle approach.

The main element is the new Canada Child Benefit. In 2016, the Government of Canada took a complicated system: at the time, we had one child benefit that was universal and taxable, and we had two other benefits that were income-tested and tax-free – a fairly complex array of programs. We replaced it with a single tax-free child benefit that was income tested. It is significantly more generous at moderate- and low-income levels than the set of programs that it replaced. Just to give you one metric, the maximum amount for a family with a single child is about $6,500, indexed to inflation.

We estimate that this measure alone will reduce child poverty rates in Canada by about 40 per cent. So, it was a significant increase in the generosity and targeting of child benefits in Canada towards moderate- to low-income families.

At the same time, the federal government is also working with provincial governments in areas where they have primary responsibility. In particular, we have been acting to provide financial incentives for provinces to increase access to early learning and childhood education as well as to push for minimum key performance indicators as they relate to early learning and childhood education.

At the other end of the education spectrum, the Government has also materially enhanced financial assistance for university education, primarily through grants available to students from lower-income families.

And so, for children and youth, the primary thrust of our policies has been to provide greater financial assistance for parents in moderate- to low-income families to care for their kids so they can get a better start in life, and to receive opportunities to have greater early learning and childhood education. And, at the other end of the spectrum, for those who are getting ready to access university that financial barriers not be a constraint in university enrolment.

So that is what we are doing for children and youth.

To support Canadians in their working years, the Government has been pursuing policies to boost both labour force participation and labour market training.

Our analysis shows that boosting labour market participation of under-represented groups – women, recent immigrants, Indigenous peoples and Canadians with disabilities – could boost the level of Canada's economic activity by 5 per cent over the medium term.

To give you some context, in an economy with a potential growth of between 1.5 per cent and 2 per cent, 5 per cent is a lot. And it is more than we estimate that we got from any trade agreement that we have ever signed – probably by a factor of two.

To achieve those increased rates of labour market participation, we are taking actions in a number of areas.

We have recently renamed and expanded the Canada Workers Benefit. This is a benefit that provides a wage top-up to lower-income workers who are transitioning from welfare to work. The idea is to encourage more lower-income Canadians to participate in the workforce, and that welfare not be a barrier to workforce participation. This is a variant of the Earned Income Tax Credit in the United States, which has proven to be very successful and well targeted.

Recent budgets have put in place a series of measures to increase the labour force participation of women, who have done relatively well in Canada compared to other countries but are still under-represented both in our labour force and in more senior management positions.

As well, we have put in place significant measures to boost economic outcomes for Indigenous peoples and for persons with disabilities.

With respect to Indigenous peoples, there is a tremendous effort taking place in Canada to achieve reconciliation. The last three budgets have put in place roughly $15 billion in incremental funding for Indigenous Canadians covering a range of areas: childcare services, education, Indigenous languages and cultures, as well as Indigenous health. This is a main priority of the Government and one that we recognize will take time to achieve but is absolutely critical to moving forward with this agenda on inclusiveness. Our Indigenous population is by far the fastest growing element of our labour force.

That provides a rough sketch of the measures related to the workforce.

On this, maybe the last point is that skills training is becoming a major focus of policy. We do not pretent we have solved everything but we are devoting a lot of effort to try to figure things out.

It starts with a significant increase in resources for skills training, including for work-integrated learning. Many of these resources are transferred to provincial governments, who deliver most of this training.

We are also working with provincial governments, the private sector and universities to test different approaches to skills acquisition through a new Future Skills Lab. The idea is not only to deal with the problems that we currently have in workforce integration, but also to get set to manage what we think is the next wave of disruption related to increased digitization in our economy and the impact that will have on our workforce.

So, we have set this Skills Lab up. The idea is to work with both government and external experts, and to give the Skills Lab a sufficient amount of funds to conduct pilot projects that, if successful, could be scaled up through our regular programming.

As well, we have announced that we will be undertaking, at the federal level, a comprehensive review of all of our skills programming with the idea of determining what works and what does not work.

And so, you can see in the skills area: while we are putting significantly more resources into this, we are fundamentally getting ready to try to figure out where we need to go next.

The last point on this approach to inclusiveness relates to retirement.

To better support Canadians in retirement, the federal and provincial governments have recently agreed – two years ago – to increase the Canada Pension Plan. This is our core public contributory pension plan.

The expansion consists of increasing the maximum amount of income covered by the plan by about 15 per cent. The maximum amount is currently about $55,900 and will go up to about $64,000. As well as increasing the maximum amount, the earnings replacement rate will increase from one-quarter to one-third. Currently, if you retire and you have a full number of years, you would get 25 per cent of up to $55,900. In the new world, you will get 33 per cent of up to $64,000.

Although it might sound modest, it is quite significant. By the middle of the century, we expect the Canada Pension Plan fund to the equivalent of about one-third of the size of our economy. So, it is a material expansion in our public pension plan, and responds to the reduction in defined-benefit plans that has occurred in Canada in a very material way over the last 15 to 20 years.

So, what I have just described – measures related to supporting kids, workers and retirement income – is not a complete accounting of the measures, and we do not pretend that what we have done is the answer to this question about inclusiveness. But I hope it provides you with a general idea of the approach we are taking and the policies we are putting in place to promote broad-based participation in the economy and confidence in the economy.

Challenges and Next Steps

Let me stop here and briefly sum up – and leave the rest of the time for questions.

I have argued that the trifecta of globalization, technological change and higher inequality will be features of our economies and societies for some time to come. If we are to deal with these effectively, we will need to pursue a series of interconnected policies.

These start with bolstering our international institutions and ensuring that they operate effectively in order for us to deal with both the standard trade irritants as well as new and emerging issues like the taxation of digital services, crypto currencies, and the growing importance of data more generally.

Second, we absolutely need to continue to ensure that our financial systems are well regulated, and in the specific context of Australia and Canada, that we are putting in place policies that deal with our high levels of household indebtedness.

Third, our domestic policy toolkits need to be augmented. The standard policies of boosting capital, labour and productivity continue to make sense. Indeed, without economic growth, income redistribution end up being close to a zero sum game, which is absolutely difficult to do. But these same policies need to be bolstered by implementing others that strengthen growth at the same time as promoting inclusion.

Nonetheless, as we go about building a more inclusive approach, we need to make hard choices involving trade-offs, particularly between efficiency and equity, and not repeat many of the mistakes that we made in the 1960s and 1970s which led to the policy approaches of the 1980s.

So, part of this is a pendulum readjustment. And as we do this pendulum readjustment, it is important for public servants to develop our capacity to identify and evaluate these trade-offs, and understand behavioural economics much better, including having better data.

Finally, although I have focused on promoting labour market inclusion, in this same area of inclusiveness there is a set of other policies with potentially “win-win” outcomes that are available to us, and that fundamentally relate to dealing with some of the rents that exist in our economies. These include actions to promote more open and competitive markets in areas we all know well.

More work is required to develop thinking on these challenges and to ensure a more comprehensive and effective growth agenda.

But I think we should be hopeful: both of our countries provide great examples to our citizens and the rest of the world that proper public administration can deliver broad-based benefits.

And it is my hope that this Initiative – Canada-Australia Public Policy Initiative – is an important part of that process and in finding solutions to many of the problems we are both working on.

It was my sincere pleasure to speak to you today.

Thank you for your attention and I look forward to any questions or comments that you have.