From the Tyranny of Distance to the Power of Proximity: Can Australian workers trade up in the Lucky Country?

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Introduction:

Imagine a country that is inward looking and rarely notices the world beyond its own borders.

Imagine a country with double-digit inflation and unemployment and a poor record of economic growth. Workers and their bosses are at each other's throats, the country leads the world for working days lost due to industrial disputes and productivity (and how to improve it) is rarely talked about.

Industry shelters behind prohibitive tariff walls (thinking only of the domestic market), the exchange rate is fixed every morning by officials of the central bank and the Treasury and international trade is an afterthought.

Shop hours are regulated, domestic monopolies run most industries, and foreign entrants (in areas such as banking) are prohibited.

Tax is high (and therefore evaded and avoided); expenditure untargeted and budgets in deficit.

There are few foreign tourists, or many foreign students on university campuses. There are few restaurants around and licensing laws are restrictive.

This country is at the bottom of the global premiership table in terms of economic performance despite its bountiful wealth.

You don't have to imagine too hard because that country is Australia - the Australia of the past. It's the Australia that farmer Stan Kelly and his son and fellow free trader Bert Kelly (also known as 'the Modest Member') railed against because of what the old Australia and its protectionist policies was doing to farmers, exporters, workers and the whole Australian community.

Fortunately, since then, much has changed. The Australian economy has progressed from being a poorly performing (though well endowed) economy to the highly performing one that we have witnessed in recent years.

Global engagement with the world through trade and investment was a key part of this reform process. The beach-head reform was the floating of the exchange rate. As, once the dollar was floated, Australians realised they had to compete with the rest of the world and could no longer allow poor productivity performance.

Accordingly, tariffs were reduced and trade was orientated towards the emerging economies in East Asia. For decades, Australia had protected its industrial sectors, whilst living off export earnings in agriculture and resources. Manufacturing was geared to domestic consumers and had little incentive to improve competitiveness. Manufacturing exports were a rarity – just a way of getting rid of excess stock when times at home were slow – now they are a core part of the business.

As a result, trade is a very important part of this Australia’s economic reform story. Openness to trade is associated with higher living standards and Australia’s improved position in the economic growth stakes.

On the trade side, Australians can be very grateful to both Stan Kelly and his son Bert. As we know from the story behind the tradition to this lecture, Stan was a farmer and a strong advocate for free trade as a rural representative on the old tariff board.

He passed on his genes and passion to his son Bert, also a farmer and also a Member of Parliament. He famously wrote ‘The Modest Member” press articles on free trade, economics and other agricultural issues and was a very persuasive advocate. I was very fortunate to have known Bert’s son and family (whom I met on study leave with my own family) and I was encouraged to ring Bert up to discuss economic issues when I was studying Year 11 economics in South Australia. To a 15 year old kid, Bert was warm, friendly, accessible and insightful and generous with his time. He really lived up to his ‘Modest Member’ tag line but there was nothing modest about his intelligence, his analysis and his ability to make a strong case for a cause he truly believed in intellectually and practically.

But whilst Kelly and son fought hard intellectually for the free trade side of the cause (Bert as a lone voice in the Fraser Coalition Government) it took three visionaries of the labour movement to open Australia up and lock in the economic prosperity that the lucky country experiences today.

I think this is a judgement shared by many Australian economists, historians and by both sides of politics.

The Kellys made the intellectual case for free trade but it was Labor Prime Minister Bob Hawke, his Treasurer Paul Keating and ACTU Secretary Bill Kelty who lead the reform charge in practice and importantly managed its social and industrial impact. The float of the exchange rate, the reduction of tariffs, the introduction of inflation targeting via the prices and incomes Accord were bold, brave reforms but they were coupled with enhancements to the social wage with the introduction of Medicare, superannuation, tax cuts and reforms to the education and training system to enhance skills for affected workers.

They were indeed brave reforms in both their scope and in timing. In fact, when I joined the ACTU as a Research Officer/Advocate at the start of 1991, (a position Bob Hawke and Ralph Willis themselves held in the 1950s and 1960s), the March 1991 tariff cuts had just been implemented in the middle of a recession. This was no easy time in the labour market with rising unemployment and with the Industrial Relations Commission (now Fair Work Australia) still grappling with enterprise bargaining on the wages front.

They were bold reforms too because they enabled Australia to open up to Asia and take advantage of the shift in global economic power towards the Asia Pacific region. In short, they were the brave and bold reforms that saved Australia.

From ‘Down Under’ to ‘Down Wonder’: Why did Australia succeed?

You can measure the legacy of the reform period but noticing how well Australia fared during the recent global financial toil. In fact, Australia’s ability to avoid a recession altogether during the GFC was widely noticed by economic commentators especially the US pundits who coined the ‘Down Wonder’ phrase. Why did Australia succeed? There are three key reasons.

Firstly the long term reforms started in the 1980s. The float and tariff reforms forced structural adjustment upon Australia and made us more flexible and competitive and therefore able to cope with other downturns like the Asian Financial Crisis of 1997-99, the dot.com boom and bust and the recent GFC.

Secondly, the world changed with the rise of Asia. Firstly Japan, then the newly industrialising countries the NICs or Asian tigers, then ASEAN, and now China and India. Australia opened up right when East Asia became more economically powerful globally and we found ourselves in the right place at the right time. ‘The Tyranny of Distance’ made so famous by Geoffrey Blainey in the 1960s, has become ‘The Power of Proximity’.

Finally, Australia responded well policy wise. In the great depression of the 1930s, we cut spending, restricted credit, kept a fixed exchange rate, cut wages and hiked up tariffs. The result – a deep and long downturn – with Australia facing one of the highest unemployment rates in the world. This time we did the opposite. We had a targeted fiscal stimulus, accommodating monetary policy, a floating exchange rate, and we kept wages growing and tariffs low. As a result, no recession and no lasting unemployment as occurred in the northern hemisphere. Our exporters in particular “hoarded labour”, that is kept workers on, anticipating that recovery in Asia and the emerging world would see demand restored.

Not only did our exporters back home do well but also abroad as they expand the terms of their global economic engagement. As a self confessed ‘Airport Economist’, I have seen this Australian business all over the world from Sydney to Singapore, Shanghai to Seoul, Saint Petersburg to Seattle and now increasingly from Sao Paulo to Santiago.

What are the lessons to be learnt?

As Australia faces its next challenge in terms of climate change and the possibility of another global financial shock, what are the lessons to be learnt about how Australia opened up its economy? And which lessons are important to *whom* as debates get ravaged in the 24 hour news cycle?

Why trade is good for workers

The first lesson, perhaps for the leaders of the modern labour movement is that on the whole, trade has been good for workers as well as exporters. Some research I did with UNSW shows that on average, exporters pay 60 per cent higher wages provide more job security, equal employment opportunity and better occupational health and safety (OH & S) standards than non-exporters. Exporters are more profitable and achieve higher standards of productivity and therefore can train and reward their workers better, on average, than non-exporters.

Protect workers but not markets

The second lesson, to those on the other side of the fence, is that it is not economically desirable to protect *markets* it is desirable to protect *workers*. An open economy does not mean we have to dispense with all notions of fairness in the labour market. An individual bargaining one on one with management will in most cases not win out. It doesn't matter if you are a cleaner, a computer programmer or even a chief economist; you need protection when negotiating with management to produce a fair and economically efficient outcome. In fact, the UNSW research also showed that export sectors, that were highly efficient also were unionised with coverage by collective agreements. After all Australia has a unique system of industrial relations institutions and its one that produces an unemployment rate nearly half that of the US and some of our other northern hemisphere counterparts. In short, labour market deregulation is not a logical extension of trade liberalisation.

New economy in old economy clothes – avoiding trade policy fads

The third lesson is to avoid fads in trade and industry policy. We have experienced this with changes in the terms of trade and the exchange rate.

The urgency of the reforms implemented by the Hawke-Keating-Kelty triumvirate was partly prompted by the 'Banana republic' collapse in our terms of trade (the price of exports as a ratio to the price of imports). By contrast, today we are enjoying the proceeds of a rollicking terms of trade which are at levels not seen since the nineteenth century gold rush. This is boosting real income right across the board for the Australian community. It's also been associated with a strong exchange rate and the so-called 'two speed economy' (which in reality is a multi-speed economy as different sectors are benefitting from the fast growing resources sector).

But it is important at times like these that we do not confuse the issues around managing prosperity (which in the past Australians have not always been good at) with surviving economic adversity (which we are). It is important not to jump at fads, especially in trade policy and prop up areas of the economy whose best interests are in making a transition.

Eleven years ago, in 2000, just after Sydney had hosted the Olympic Games, the Australian dollar was worth around about 50 US cents and many commentators were pondering why the global financial markets view of Australia's prospects by seemed so different than those who had witnessed Australia's fine performance as a nation hosting what was seen as, according to the International Olympic Committee, "the greatest games ever."

Many commentators aired their views from near and from afar. In fact, one visiting US business executive, from Hewlett Packard, taking advantage of the Olympics to visit Australia for the first time to warn that Australia was too "old economy" and if it didn't create "new economy" industries instead of relying on mines and farms, "the Australian dollar would be worth 30 US cents by the end of the decade." This was coupled by several local views along the same lines including Australia's chief scientist. In fact, at the time, when I was helping to prepare a major report on the future of the exporter community in Australia, when one of team, a management consultant by trade, wanted to cross out the introduction I had penned and have it replaced by the words, "Australia's future as a commodity exporter is over." I am glad I resisted that expert advice at the time and am definitely glad I did now!

Because, a decade or so on, we have seen a major global commodity boom, with Australia's terms of trade at record highs in our recent economic history. The exchange rate, of course, is not 30 cents US, but has been in the range around parity for some time now and those mines and farms we kept didn't do too badly at all, particularly given the growth of emerging markets, particularly in the Asia Pacific region. Australia survived the aftermath of an Asian financial crisis, a dot.com boom and bust and a global financial crisis, with one of the strongest economic records in the industrialised world, with strengthened trade and investment links regionally and globally.

Like all trends that come and go, the so called "new economy/old economy" debate misunderstood what was occurring in Australia's economy as we opened up to Asia and the rest of the world after many decades of protectionism and isolation.

Firstly, the mining and agricultural sectors themselves spawned a whole group of new innovative companies, that are in effect, services exporters (or "new economy in old economy" clothes if you like). We now have some merging export sectors selling mining equipment, technology, training and other professional services to the mining industry and you meet these small and medium sized exporters everywhere from Sao Paulo to Siberia as the global commodity market grows across the emerging world. In the same way you'll meet South Australian sellers of viticulture marketing in the vineyards of Mendoza, Argentina. Stan and Bert Kelly would have been proud of them.

Secondly, our education sector blossomed as it found its international footing and this enabled Australia to develop a professional services sector that is internationally focussed and competitive, in areas as diverse as architecture, engineering, accounting, design, business logistics and management. This has created international opportunities for Australian professionals working in Asia and elsewhere and has attracted many overseas professionals to Australia for the quality of its institutions and the strength of its economy and its labour market. Education forms an important part of Australia's services sector which accounts for 85 per cent of Australia's employment and 40 per cent of Australian businesses' overseas sales.

Thirdly, even in areas you'd least expect it, the end of tariff walls and an inward looking culture unleashed Australian innovation. Even in sleepy surf towns like Torquay, Victoria, companies Rip Curl became international players joining competitors like Billabong and Quiksilver on the world stage. Small and medium sized enterprises found they could be global players too (90 per cent of the exporter community is comprised of SMEs), with some of them going on to be big exporters and employers as a result.

Fourthly, as Australia's fortunes have accelerated so has the need for a sophisticated, world class financial sector to fund our global expansion and engagement. Australia's success as a provider of financial services is apparent to me this week in Kuala Lumpur and Singapore as Australia showcases its financial strength in the aftermath of the GFC. Australia now has the second largest stock market in Asia, the second largest securities market in Asia and the second largest hedge fund sector in the region. Our superannuation system is one of the world's major financial innovations of recent years and we have one of the largest infrastructure fund industries anywhere in the world. A high performing economy, with one of the lowest unemployment rates in the OECD, gets noticed and a growing economy needs finance. Australia's openness to trade and investment, and the resulting economic success, now makes us a major player in financial services in the region and the world, particularly after the GFC. The world, from the industrialised economies to emerging markets, has taken notice of Australia's success and this means more global activity for our financial services sector.

Dead as a Doha? The new world trade order.

The difficulty to resolve the Doha development round poses questions about international governance. Does the WTO now have too many players? Has the Bretton Woods run its race and should it be replaced by the G20 type institutions. And now that the emerging world has emerged can we really have an American (or an Australian with US citizenship) *always* running the World Bank and a European *always* running the IMF? (and many of thought that before Dominique Strauss-Kahn came on the scene).What does this mean for Australia with strong economic interests in Asia and the emerging world (with Brazil and South America, Central Asia and even Africa) now on our economic radar despite our obviously influential and traditional links in terms of information, strategic and defence interests and institutional ties to the UK, US and long standing OECD members. Managing these geo-political shifts in keeping with our economic interests is a major challenge for Australia.

But a final lesson is that trade policy has moved well beyond tariffs. Whilst the WTO may not be as dead as a Doha yet, and Craig Emerson's new initiative shows an innovative way to break the dead lock, most Australian exporters are concerned about behind the border issues and seek off-shore government assistance when trying to understand new business networks and cultures particularly in emerging and frontier markets.

Future challenges: what next for Australia in terms of global engagement?

After surviving the worst global economic crisis since the 1930s, what's on the radar now for Australia in terms of global engagement?

Climate change – putting the green back into the green and gold.

The main policy internationally outside geo-political security and anti-terrorism seems to be climate change. But just as we had the drama of the float of the Australian dollar, or the banana republic warnings, to jolt us into the reform process similarly with climate change they've been symbolic events that have changed the political economy landscape and the community's hunger (or not) for reform.

Certainly, The Stern report named after British economist Sir Nicholas Stern raised the profile of climate change in Australia. Former Vice President Al Gore's Oscar winning film did its bit too in popularising the issue and our own Professor Ross Garnaut has done his bit as well. The Lowy Institute's poll which recorded the Australian community's ranking of climate change above the economy and global terrorism thrusted the issue onto the political stage and increased the consciousness of climate change as a public issue

The issue matters particularly for economists for as Sir Nicholas Stern said, climate change as the biggest market failure or externality of all time. An area which had been left to scientists became a front and centre issue for economists as well.

In many ways, the issue of climate change reform is similar to trade reform.

In both cases, the global economy and the Australian economy, has to undergo significant structural adjustment.

In both cases, market mechanisms are needed to reflect scarcity and to offer incentives for investment.

In both cases, Australia will rely on its competitive advantage in its natural endowments and expertise in professional services rather than being a mass producer of low value goods and services. Australia will export high value good and services – particularly to the developing world – whilst attracting investment in R and D from the developed nations.

In both cases, there are governance issues – particularly across international borders – that require multilateral and bilateral responses.

In both cases, there are winners and losers, especially in the labour market, as new jobs will emerge in new employment creating sectors, with a decline in other areas.

In many ways, in generational terms, the baby-boomers carried Australia from being a closed economy to an open one, and now Generation X and Generation Y will have to carry us through to be open and green.

In both cases, a middle way will be found between ideological standpoints – extreme global-advocates versus global-sceptics in the trade debate or green fundamentalists versus climate sceptics in the climate change debate. Economists can play a constructive role in tempering both sides in these debates.

But whilst the political economy debate will rage, export capability will and is being built up by the Australian exporter community. In fact, as Professor Nicholas Stern said in The Stern report, Australia has great capability in environment technology and will be able to assist the emerging economies like China and India to reduce emissions and put their economies on a more sustainable footing.

I see this (again as as an 'airport economist') everywhere all over the world. A great example is the Water Cube swimming arena at the Beijing Olympics in 2008, designed by leading environmental Sydney architects PTW and the energy and water recycling technologies used in the Olympic Village in Beijing that were originally designed for Sydney 2000. Similarly, if you travel like me, you'll see Australian expertise visiting a water treatment plant in Israel or a wind farm in Denmark.

Australia has extensive export capability in key areas such as renewable energy (solar, wind geothermal, marine energy, biofuels), carbon capture and storage, carbon market services, clean technologies and services (water technologies and services, green buildings and sustainable urban design, environmental technologies and services, waste management and energy and efficiency services). The list goes on. The opportunities are endless. And as we've seen in the last quarter century of global economic engagement, when Australia transformed itself from a closed, isolated economy to an open market, they'll be plenty of emerging industries taking the reins as a source of growth and employment.

But how is climate change policy *different* from trade policy? Some trade economists like Ross Garnaut himself, have pointed out that it is different. Some economists believe that if Australia had reduced tariffs on our own, regardless of what the rest of the world had done, we still would have been better off. But in climate change, the solution is a bit more complicated. Hence the need for multilateral arrangements. But what we do at home matters too. After all a nation's reputation is important, as a strong national brand drives demand for our exports. And as all economists know, especially during the GFC, it is all about demand. The national brand surveys consistently show that how a country treats its environment is important in how the world perceives it, especially with climate change being such a hot topic. Things like ratifying the Kyoto Protocol are noticed globally and do affect environmental exporters success in promoting their capabilities on the world stage. Australia's environmental credentials and capabilities will matter as we derive demand for our exports and attract investment. We must always be conscious that we must put green back into the green and gold.

Demographic shifts: Can Generation X become generation eXport?

Finally, what of the micro changes in Australia's economy and society? How will that affect our global engagement in terms of trade, investment and immigration? In fact it's a good time to talk about our generations as the first of the baby boomers will be retiring this year. In fact when Bob Hawke and Paul Keating floated the dollar, many baby boomers were in their 30s and 40s and taking their businesses out of 'Fortress Australia' and onto the world stage. As our leaders opened up our economy to Asia and the emerging world we were fortunate that many of our businesses were brave enough to chance it in new lands that were not nearly as affluent or easy to do business in as they are today. Yes the lucky country was lucky to have those brave and bold baby boomers in business just as we did in the policy arena.

But who are the next generation of exporters that will lead Australia for our next stage of prosperity? When the post-war generation move on to that business lounge in the sky and when the baby-boomers retire to their lucrative superannuation and part-time directorships, will generation X fill their shoes to become 'generation export' and will gen Y become the 'global generation'.

Austrade/Sensis data can give us some guidance. Of all small and medium sized enterprises (SMEs) who are exporters, 42 per cent of businesses have been in the game for over 20 years. This compares to 6 per cent who have been around for less than five years, and 25 per cent who have been around for less than 10. Why is this so? Because you need a bit of experience to compete in global markets (to get used to swings in commodity prices, exchange rates etc..) and also to build strong relationships with your overseas business partners so you can survive dramatic events like the Asian financial crisis or the recent GFC (which Australia got out of unscathed thanks to our past reforms and the resilience of our experienced exporters).

But there’s another implication to gaining export experience. This also means that the average age of the *proprietor* of an exporting SMEs tends to be older that your local domestic businesses. According to the research, 39 per cent of all exporting SMEs were classic baby-boomers aged in their 50s, and a further 27 per cent were over 60. By contrast Generation Xers made up smaller numbers with 20 per cent of all SME exporters in their forties and 13 per cent were thirtysomethings. GenYs were 1 per cent and Gen Zs are still watching The Wiggles.

Should we be worried? Not necessarily, as it is just a matter of Gen Xers getting the experience to run exporting companies. This will occur through generational change as the baby boomers pass on the baton. In addition, there are many reasons why Gen X and Y and Z will be ok to lead the charge.

Firstly, the Internet has allowed many smaller businesses to export straightaway which has opened up global marketing opportunities to SMEs. Lara Solomon a savvy Gen Yer started up her business totally online and saw her market as global from day one. “Australia is too small a market for me, and online gives me the potential to reach the UK, the USA and Western Europe with the same speed as Australia. 80 per cent of my business is now in the USA. I can’t physically be there all the time so the technology really helps”

Secondly, attitudes to entrepreneurship and global markets are very positive according to *Newspoll* surveys about how young people regard trade and global branding. According to Jade Stack a Gen Y financial planner, “The Australian market does have a lot of opportunities but I do find that our closest countries including places like China and Japan are more open to the idea that the youth can be a valuable source of information and skills. This makes it easier to do business with them as they respect you for the work you have achieved at your age instead of distrusting your level of commitment and reliability to tasks and services.”

Thirdly, there are plenty of global role models in popular culture that youngish Australians can look up to. Take music. Gone are the days when you had to get a gig on *Countdown* (as great as it was) to get better known in Sydney and Melbourne. Now Australian bands simply go global. In many ways they have technology but also a few pioneers like the Easybeats, LRB, INXS, ACDC, and Midnight Oil who helped pave the way as well as Molly Meldrum's ability to network internationally. The same thing applies in popular entertainment (the Aussie takeover of Hollywood at the Oscars this year) or the Kangaroo mafia running riot in corporate circles in London, New York, Bangkok or Dubai. There are about a million Australians who work overseas as expats and that's allowed groups like *Advance* to recruit Gen X and Gen Y expats to form an Australian community in the world's business capitals.

Fourth, we already have some fantastic Gen X and Gen Y global leaders be they engineers, entrepreneurs or marketers. Take Martin Lewis of Enduro-Shield, Greg Jason of Austal or Scott Osborne of Total Synergy or Laura Snook of Laura and Kate, Jade Stack of Optimo Finance or Lara Solomon of Mocks. So have no fear, Generation X is here and is ready to become the export generation. And Generation Y will really be the global generation. As for the baby boomers, some of them are already sea changing, tree changing and cool-changing down to Tasmania (for more comfortable, cooler weather and a good pinot noir) but we need their experience and mentoring. After all in our recent economic history we converted from being a closed economy to being an open one and in the future we will need to be open and green.

Fifthly and finally, we have the advantage of being an immigration country. Our immigration numbers are another area of the Australian economy that is often overlooked in the wider media. Australia's immigration numbers mean that we do not suffer the effects that come from the demographic issues experienced in places like Japan and Europe where the aging population is outstripping the younger money-earning sections of the economy.

It is important to remember that one in two exporters (in Australia) are born overseas. In fact, currently, one in four Australian's are born overseas and two thirds of our entrepreneurial class are born overseas – in short, Australia imports a lot of human capital. If one is to look back over the last few years at people who have made significant contributions to the Australian economy, names like Crazy John (mobile phones), Frank Lowe (of Westfield) and Bing Lee (owner of the largest privately held electrical retail business in NSW comprising 41 superstores) come quickly to mind and demonstrate the significant, positive impact that our immigrant population has had on the Australian economy. And as the rest of the industrialised world is doing it tough, it is not inconceivable that the best and the brightest might look to countries like Australia to make a new home, which can only be positive for us and will help strengthen our trade and investment ties with the world.

Conclusion

In summary, Australia is a different place than it was when the Kelly's were firing on all cylinders and trade played a crucial role in that structural adjustment. We can mark the float and the reduction of tariffs as 'beach head' or landmark reforms. It was a time when we developed a strong export culture in industries we hadn't considered as being ready for the world stage.

No doubt the next ten to twenty years to 2020, 2030 and beyond will throw up its unique set of economic challenges both globally and locally and on both the demand and supply-side. But over the past years since that golden period of the 2000 Sydney Olympics Australia has proved its mettle in tackling some major global economic crises whilst still managing to maintain its traditional areas of comparative advantage and developing some new sectors too that are now global players to an extent that wouldn't have been expected in 2000 or in 1980. The so called 'Lucky Country' did make its own luck with careful reform and management, in resisting fads and looking at the true economic fundamentals that drive innovation, productivity growth and with it improved living standards.

As Stan and Bert Kelly showed in their own personal contributions, Australians are a practical people and if we stick to these traits, the next ten to twenty years and beyond could see us 'earn some more luck' once again. For example, in another 30 years' time, we may well look back to the current arrangements we are pursuing in terms of climate change, and find that, again there were many companies and sectors that emerged to help Australia make a substantial adjustment to a changing global environment.

As Australians we can be very appreciative of the contribution made by Stan Kelly and Bert Kelly in making the case for opening up Australia, at a time when they were very much lonely voices in the wilderness. Accordingly, I am very honoured by the Economic Society of Australia to give this lecture in honour of Stan Kelly. And I want to recognise today, the contribution of Stan and Bert to Australian economics and public policy in the area of trade that is so dear to my heart as someone who spent a fair bit of my career as chief economist of the Australian Trade Commission through much of this successful change.

But I want to end with the mention of another Kelly, Paul (the distinguished journalist and political thought leader with *The Australian*) who has done so much to chronicle these times. Paul Kelly wrote recently, in reference to events at Qantas, that traditional Australian industrial relations are not compatible with us engaging in the 'Asian century.' I think this misses the point, and that on the contrary, many people of Asian descent have come to Australia to experience the fairness and freedom in the labour market here that is denied to them in their countries of origin. Many people come to this country not just for its high living standards but for the social and economic institutions that produced them. The Australian social 'model' produced the Australian economic 'miracle'. The Australian model combines the right to 'have a go' (in terms of trade and entrepreneurship) with the right for a 'fair go' (in terms of the labour market and social inclusion). The Australian model allows us to trade with Asia, but to work and live according to the Australian traditions of fairness and flexibility. All members of the 'Kelly gang' (Stan, Bert and more recently Paul) got it right in terms of advocating free trade, but it took Hawke, Keating and Kelty to make it work by managing the social and economic impacts in the true Australian tradition.