

Productivity Commission 2016, *Increasing Australia's future prosperity*, Discussion Paper, November 2016.

In response to your invitation for submissions on the above discussion paper, please find attached a paper entitled *A Primer on Economic Growth, Productivity and Shared Prosperity* which contains some policy ideas for productivity and economic growth which may be of interest and relevance to the Commission's productivity review.

Some suggested themes worth emphasising are:

- Governments (Federal and State) should focus economic development policy on simultaneously strengthening the operation of markets while helping to bring about mechanisms—led by the private sector—for the generation of ideas, opportunities, and supporting capabilities (what is called a 'market facilitation' approach in the paper). Although recent initiatives by the government—including the National Innovation and Science Agenda and the response to the Harper Competition Policy Review—are encouraging, it is important that policies are widened to encompass reforms to the taxation and workplace relations systems; there is further innovation in regulation and policy development; and policies are co-ordinated and interrelated for maximum effect for scale and scope.
- For building capabilities, subject to overall government policies and the provision of certain core services and infrastructure by governments, public policy should be focussed on stimulating and encouraging the private sector to lead in providing business development programmes, infrastructure elements, and other support services. In addition to its traditional business role, there are many opportunities for the private sector to exploit the opportunities in providing economic development infrastructure, as has been demonstrated overseas.
- In view of the crucial role of the States to the success of any meaningful reform programme, it is essential that institutions for Federal-State relations (e.g. COAG) are refocused and strengthened to re-energise cooperation and collaboration. Fresh agreements, that include appropriate incentive mechanisms or payments if necessary to move the development agenda forward, should be put in place urgently as a national priority. Expert membership of advisory committees or task forces should be drawn not only from the public sector but also from the private sector and academia.
- Given the importance of SMEs to Australia's economic and employment growth, policies should stress unlocking the potential of existing businesses and encouraging the emergence of new start-up businesses, particularly for traded goods and services. Although a start has been made in this area, much more needs to be done to achieve the scale required. There should be a strong emphasis on local and regional development programmes through private-sector led 'cluster' mechanisms and suitable business 'ecosystems'. City and regional administrations have a major role to play here in setting a supportive environment. Much could be learned by adapting successful overseas examples to Australian conditions, and linking to these as appropriate.
- It is vital that leadership from the top of government continually communicates directly with the community on the need for ongoing reform, and the large net benefits (economic, social, and environmental) potentially available from such reform—e.g. television addresses by the Prime Minister. This engagement with the community needs to articulate and explain a conceptual framework for growth and shared prosperity and advocate the ways and means for its adoption, including:

- the nature, purpose and net benefits of economic growth policies, and the need to further embrace globalisation and the liberalisation of markets
- the dangers in the current trend of not maintaining Australia’s international competitiveness, including declining relative prosperity over time and the consequent lost opportunities for social and environmental improvements, income redistribution, and structural adjustment policies to mitigate the adverse effects of disruptive change.
- Explanatory publications suitable for general public assimilation that support the above messages should be provided online. An example might be a series of papers similar to those produced by the *Economic Planning Advisory Council* (EPAC) in the microeconomic reform period of the 1980s and 90s, updated to reflect current circumstances. The Productivity Commission would be the appropriate vehicle for the establishment and progression of this initiative.

Regards,
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