

2009 Conferring of Degrees

Delivered by

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It is a great pleasure to have this opportunity to address such an outstanding group of Australians. All are high achievers. And today is, more than anything else, an occasion for all of us to celebrate their fine achievements.

Yet, even as we celebrate past achievement, we know that for all of our gifted graduates there exists an enormous potential for future achievement.

All of today's graduates have choice. Because of their skills and the capabilities they possess, both of which have been enhanced considerably by their education at this outstanding university, they have the opportunity to choose a future. This is not an opportunity available to more than a small proportion of the world's population.

People who have that opportunity – people who are endowed with the freedom to choose a life they have reason to value¹ – have much to celebrate. But with that freedom there also comes responsibility. And it is responsibility that I want to talk to you about today.

30 years ago I completed an honours degree in economics at another fine Australian university. The cohort of students who graduated in the last class of the 1970s also had much to celebrate. They too graduated with a set of capabilities that endowed them with the freedom to choose a future.

¹ This expression is due to Amartya Sen (*Development as Freedom*, Oxford University Press, Oxford, 1999). It lies at the heart of the Treasury's wellbeing framework; see, for example, 'Policy advice and Treasury's wellbeing framework', *Treasury Economic Roundup*, Winter 2004, pp 1-20.

And yet, earlier this year when I was invited back to that other university to address another impressive group of graduates, I had to confess that when I reflected back on the students of the 1970s, and on what they had chosen to do with their lives, there was something that bugged me.

The students of the 1970s were idealists. They grew up in the fog of the Cold War, and faced the real risk of having to go off to fight in the Vietnam War. Then, in 1972, Gough Whitlam became Prime Minister. Access to a university education expanded enormously and Australia's involvement in the Vietnam War was brought to an end. In the 1970s, as in other periods, student idealism found expression in music and fashion. And it found expression also in a level of interest – unprecedented in Australia – in environmental concerns. Some of those concerns were motivated by the nuclear cold war horror that that generation had grown up with. But environmental consciousness was actually very broadly based.

The students of the 1970s were also deeply concerned about poverty and other forms of extreme social disadvantage. And they understood, perhaps better than any other generation, the importance of social infrastructure – infrastructure to support education and health care services, for example.

And yet, if we are to judge by outcomes, we would have to conclude that most of my generation left these concerns behind the day they graduated.

How else might one explain our failures? How do we explain the failure to deal with the extreme disadvantage still evident in many of our indigenous communities? How do we explain the failure to invest sufficiently in the nation's roads, hospitals and educational facilities? How do we explain the failure to deal rationally with the allocation of water on this driest inhabited continent on earth? How do we explain the failure to prevent the continuing destruction of habitat, vital to the survival of many of our endangered species of native flora and fauna? And how do we explain the failure in dithering for decades about an appropriate response to climate change? How to explain these failures?

If we wanted to be charitable, we might conclude that my generation simply took it for granted that governments could be relied upon to deal effectively with social and environmental matters. But in being that charitable, we would have to conclude that they had made a very serious mistake.

Governments take an interest in the things that matter to those who take an interest in them. Thus, unless the electorate is highly focussed on indigenous disadvantage, inadequacies in social infrastructure provision, the crisis in water, the destruction of native animal habitat and species extinction, there should be no expectation that governments will take an interest in any of these things.

Instead, policy decisions will benefit those with voice – even if their voice represents a peculiar minority interest.

Those who approach governments with a loud voice are usually seeking a concession. Governments grant such concessions on behalf of the community in general. What, then, about the community interest in sustainability? Who takes responsibility for sustainability?

Australian governments, for many years, have licensed irrigators to extract water from the Murray-Darling Basin at rates considered sustainable. Today, Australian governments set quotas at levels they consider to be consistent with the sustainable 'commercial harvesting' of kangaroos. If we're lucky, it will be many decades before we know whether these judgements are well based. If they are, this will turn out to be the first instance in human history of the sustainable plunder of a natural resource.

I know a bit about plunder. Most Australians of my age do. They grew up with it.

For all but a few years of his working life, my father was a timber worker – cutting railway sleepers and felling logs, principally out of the state forests of New South Wales. Saw mill owners for whom he cut logs had to pay royalties to the NSW government for what was taken out of the forest. One afternoon, as we were admiring an immense log that my father had taken out of the Lansdowne State Forest – a log large enough to provide the framing for three average-sized houses, cut from a tree that was probably several hundred years old – I asked about those royalty payments. Dad told me that the royalties payable on that one tree were a few

dollars. He went on to say that he had cut down hundreds of trees of a similar size and age, but had had to leave them lying in the bush. He explained that old hardwoods typically have hollow cores — ‘pipes’ he called them — and the saw mill didn’t consider it ‘economic’ to pay the transport costs that would be required to bring in a log with less than one foot of solid timber around the hollow core. That was one of the impressive things about the log we were looking at that afternoon: it had a very small ‘pipe’. The problem was that you couldn’t tell how hollow a tree was until you cut it down. That didn’t trouble the saw mill, because it paid royalties only on what it took out of the forest. The Forestry Department — that is, the people of NSW — didn’t get a cent for what was left behind on the forest floor. This, then, was government sanctioned plunder. Hundreds of trees, hundreds of years old, torn down and left to rot where they fell.

Years after that childhood lesson in the way governments operate, I learned that one of the conditions of dad’s father retaining possession of his 640 acre ‘soldier settler’ block of rainforest timber running up the side of the Comboyne Mountain was that he ‘clear’ a certain number of acres each year. Over the years that I visited the old fellow’s place I got to see how the trees were replaced by bracken fern and lantana and I saw how the soil washed into the creeks and gullies, replacing the native fish that had long since been plundered to extinction anyway.

Earlier generations, on both sides of my family, were ‘cedar getters’. When, as a child, I asked my parents what a ‘cedar getter’ was, what I heard them say was something like: “well that’s why we don’t have any red cedar trees anymore”.

My ancestors plundered the red cedar. They plundered our native hardwoods. And they plundered our native fish stocks. Other people’s ancestors plundered our birds, our rock wallabies, our cycads, our fragile soils and our fresh water resources; and they plundered our natural temperate grasslands – of which less than 2 per cent now survives, and even in that alarmingly degraded state manages to provide a home to at least 14 endangered or vulnerable species of flora and fauna. Collectively, our ancestors kidded themselves that these resources, and many others, were so plentiful that no rationing was necessary – the rate of extraction would never exceed the rate of reproduction, or renewal. Our common-pool resources were thought inexhaustible. We now know how wrong they were.

The sustainability of the human exploitation of naturally occurring resources for their wood and meat products is an important topic. But it is not the subject that motivates those who take an interest in environmental sustainability. People interested in that topic are more worried about the trees than the wood; and they are more worried about the fish, the birds and the native mammals than they are the meat on their bones.

These people have a lot to be worried about, because the general body of evidence on this matter points to a rather disturbing conclusion: sustainability arguments in this more important domain – of trees, fish, birds and mammals – have influence only when it is too late.

There are well understood reasons for this, having to do with so-called ‘free-rider’ problems and something that behavioural psychologists, and behavioural economists, refer to as ‘neglect of scope’.² I don’t have the time today to take you through that reasoning. Suffice to say that these things explain why our native species have to be extremely severely depleted – more or less on death row – before their vulnerability stands a chance of grabbing the attention of governments.

They explain why we humans have, in a little more than two centuries of industrial settlement, plundered to extinction some 115 species of native flora and fauna, including 23 birds, 4 frogs, 4 reptiles and 27 mammals; and why there are another 1,700 Australian species presently considered by the Australian government to be threatened by human activity.³

This is a timely moment in Australia’s economic history to reflect on sustainability issues; timely because, while the challenges of the

² For example, Willaim H. Desvousges et al, ‘Measuring natural resource damages with contingent valuation: tests of validity and reliability’, in Jerry A. Hausman ed., *Contingent valuation: A critical assessment*. Amsterdam: North-Holland, 1993, pp. 91-164. For a readable accounting of these and related matters in the field of behavioural economics, see Daniel Kahneman, ‘Maps of bounded rationality’, *American Economic Review*, December 2003, p1463.

³ <http://www.environment.gov.au/cgi-bin/sprat/public/publicthreatenedlist.pl?wanted=fauna>

past have been very substantial, in many respects they pale in comparison with the challenges that lie ahead.

I am referring to the immense challenges – economic, social and environmental – posed by a rapidly ageing, but also rapidly growing, human population on this large but fragile continent of ours; noting that over the next 40 years the Australian population will grow to be about 35 million; nearly 8 million Australians will be aged 65 or more; nearly 2 million will be older than 85 years.

I am referring also to the challenges posed by climate change – the challenges of adapting to a warmer, more volatile climate and of adjusting to climate change mitigation strategies.

And I am referring to the challenges posed by the changing shape of the global economy; with China and India, in particular, emerging as global super-powers.

The prospect of a much larger and older population raises some confronting questions about where Australians of the future will live and the large-scale economic and social infrastructure investments that will be required to sustain economic and social activity. A larger population also sharpens some old questions relating to environmental sustainability.

Climate change adaptation and the response to mitigation strategies will also have profound implications for the pattern of human settlement on this continent.

Taken together, these forces could produce the largest structural adjustment in our economic history.

And the emergence of China and India, especially because of its implications for global commodities demand, has conferred on Australia a large boost to its real wealth; but, at the same time, has set up a set of structural adjustments that will challenge policy makers for decades.

Challenges of these dimensions confront countries all over the world today. In all countries there are immense challenges that will test the limits of sustainability; economic, social and environmental.

Of course, they also offer unprecedented opportunity. This really could be a golden age for much of the world's population.

But here's the thing: the way this plays out is up to you. It is not something you should be leaving to governments. The question for you is whether you want to be able to say to your children, and their children, that you did everything you could to ensure that their generation would also enjoy the freedom to choose lives they would have reason to value.