

Associate Professor Peter McCallum, Professor John Shields, Faculty Academics, Graduates,
Ladies and Gentlemen

In preparing some thoughts for today, I re-read my previous graduation speech, viz to the economics graduates of 1992. It is indeed interesting to compare the key economic metrics of today with those back in 1992:

	<u>Mid 1992</u>	<u>Today 2015</u>
\$AUD : USD	76¢	78¢
RBA Bank Rate	7.50%	2.0%
Debt/GDP ratio	18.2%	17%
Unemployment	10.5%	6.3%

Prima facie, these figures suggest you are graduating into a much healthier looking Australia today than that faced by your predecessors 18 years ago. Yet all we seem to hear and read about is of a deeply troubled post commodities economy, suffering from a long term national budget deficit outlook, with foreign investors creating a housing price bubble and denying young Australians from ever buying their own homes. It seems the pundits have moved from mining to whining. I fear that such a gloomy and misguided view could become self-fulfilling via a continuing decline in the collective self-confidence of Australians. Let me suggest 3 reasons which support an alternative and better analysis of where we are.

First – the Australian economy is a services based one, similar to the US, with about 80% of GDP and almost 90% of jobs derived from services. That is, sectors such as healthcare, retail, travel and tourism, telecoms and IT, transport, financial services, research and education. All of these will continue to grow, not only because of our expanding domestic population but also because of the international demand for so many of these services. Yes, the mining investment boom has come and gone, but our economy will continue to be sustained by these other growth sectors.

Second – all-time historic low interest rates are not good news for retirees hoping to live off their saving deposits. True, but the important flip side of this minimum cost of capital is that national savings will be diverted away from low risk passive cash deposits into active real assets and enterprises that actually provide goods and services, higher earnings and dividends, and jobs too. This is a fundamentally powerful good news story.

Let me turn to a **third** reason. Your future living standards, and those of your children, won't be determined by the debt/GDP ratio, nor the RBA cash rates. They will be determined by how successful we can become in commercialising Australian innovation. The hand-brake at the moment is a reluctance by government and private companies and investors to pump enough "d" into our national R&D effort. But it will happen. In the 45 years I have spent in venture capital and private equity, I have never witnessed the amount of start-ups that are now underway around this country.

Most of this new entrepreneurship involves web based business models in IT and service delivery. Most focus on global markets not just domestic customers. Many are fundamentally “disruptive” in their technology and/or ways of accessing their customers. This activity is also stimulating existing businesses to accelerate their adoption of new technologies and ways of servicing their customers.

Additionally, we are also seeing expanding interest by innovators and entrepreneurs in other sectors including biotech, (new drugs and medical devices) in agri-business, and in renewable energy solutions.

So for all these reasons, do not allow the “mining to whining” commentators to sap your confidence in the potential of the Australian economy.

Let me conclude by offering you 2 books to read and also my 2 most important learnings.

Two recent books for your list: -

“Sapiens – A Brief History of Humankind” by Noah Harari – a future in this century when science converts death from inevitability to an option.

“Bush” by Don Watson – a remarkable stroll through a history of environmental vandalism since European settlement in Australia.

My two most important learnings since graduation: - i.e. learnings not on campus

- 1) Being willing, to give chance a chance in life. I started Australia’s first venture capital company when I was 25. Back yourself.
- 2) In giving is receiving; pick your timing and opportunity to work with a not for profit entity. You will be surprised how much value you can add and equally surprised by how much you enjoy and learn.

Meantime, carpe diem and congratulations all!