

THE RESOURCES BOOM: UNDERSTANDING NATIONAL AND REGIONAL IMPLICATIONS

Public Conference

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Yet again Australia is experiencing a resources boom; this one is likely to be the biggest and most sustained in our history. Standard analyses suggest that such a boom will bring a mixture of costs and benefits. Rising terms of trade will lead to strong growth in national income. But the strong demand for resources from mining will lead to higher inflation. Higher interest rates and a rising exchange rate will hit other trade-exposed industries and non-resource states. As a result a pronounced two-speed economy will emerge, with much slower growth in south-eastern Australia than in the mining states. These processes will also leave the economy seriously exposed when the boom ends, and the terms of trade and the level of mining investment returns to trend levels.

It is not at all clear that this conventional view is playing out in 2010-11. While the terms of trade have been high for three years now, there are still limited signs of a two-speed economy or of emerging inflation. Employment growth has been high and unemployment is low in all mainland states, and inflation remains within the Reserve Bank's band. Mining is very different from what it used to be thirty years ago: it is now a global and highly capital intensive industry, with many of the resources needed sourced through migration and trade, and the profits widely distributed. The Australian economy has also changed fundamentally over the period: trade exposed manufacturing has declined sharply as a share of GDP, and the economy is now heavily service oriented.

This conference examined the impact of the current resources boom, and the policy challenges it raises, in the new economic context. Will this boom in fact generate a two-speed economy, and how will it impact on the non-resource states? How will Australia as a whole benefit from the boom, given the open nature of the industry and the economy? Will resources become scarce and inflation rise, so that monetary policy needs to be tightened further to offset this problem in advance? Will the resources boom undermine other industries, leaving the economy exposed and uncompetitive beyond the boom?

One apparent paradox of the resources boom is that it is driving a service-based economy rather than a resource-based one. This fact will shape how the boom impacts on the different states, and on key cities and regions within Australia. The current and likely future pattern of Melbourne's development is now the subject of intense debate. The final session explored how the resources boom is likely to impact on Melbourne's development and change the context for planning and policy formulation.

For more information go to Centre for Strategic Economic Studies at
<http://www.vu.edu.au/news/conference-the-resources-boom-understanding-national-and-regional-implications>

KEYNOTE SPEAKERS

Mr Glenn Stevens has been Governor of the Reserve Bank of Australia since 18 September 2006. He is also Chairman of the Reserve Bank Board and Chairman of the Payments System Board, Council of Financial Regulators and Financial Markets Foundation for Children.

Professor Bob Gregory is Professorial Fellow at Victoria University and Professor Emeritus at The Australian National University (ANU). He is a pre-eminent Australian economist. He was Head of the Economics Program at the ANU for more than two decades and a member of the board of the Reserve Bank of Australia.

Dr David Gruen is Executive Director, Macroeconomic Group, Australian Treasury. He joined the Treasury in 2003. Previously, he was Head of the Economic Research Department at the Reserve Bank of Australia from 1998 to 2002.

CHAIRS

Mr George Pappas is Chancellor of Victoria University. He was Senior Advisor of The Boston Consulting Group (BCG) having retired as a Senior Vice President in June 2002. Since May 2005, George has also been Chairman of the Committee for Melbourne. From 2003 until the end of April 2005, he was engaged on a part-time assignment as Under Secretary in the Department of Premier and Cabinet (Victoria).

Professor Peter Dawkins is Vice-Chancellor and President of Victoria University. He has 28 years experience in academia in the UK and Australia, in teaching, research and a range of leadership and management roles. He was previously Secretary of the Department of Education and Early Childhood Development in Victoria from 2006-10, following a period as Deputy Secretary of the Department of Treasury and Finance in 2005-06.

The Honourable Mr Lindsay Tanner is a Vice Chancellor's Fellow at Victoria University and Special Advisor to Lazard. He was previously a member of the Australian Government from 2007 to 2010, serving as the Minister for Finance and Deregulation.

SPEAKERS

Professor Peter Sheehan is Director of the Centre for Strategic Economic Studies (CSES) at Victoria University, and was an advisor to the Australian and Victorian Governments. He was previously Director General, Department of Management and Budget (Victoria) from 1982 to 1990).

Dr David Johnson is Director Macroeconomics, Forecasting and Fiscal Strategy in the Economic and Financial Policy Division of the Department of Treasury and Finance (Victoria).

Dr John Phillimore joined Curtin University in July 2007 as the Executive Director of The John Curtin Institute of Public Policy. He has held senior positions in the Institute for Sustainability and Technology Policy at Murdoch University and been Chief of Staff to the Western Australian Minister for Local Government and Regional Development (2001-2005), Senior Policy Advisor to the Minister for Education (WA) and in 2006, became the Director of the Intergovernmental Relations Unit preparing State Government advice on COAG.

Dr Bruce Rasmussen is Deputy Director of CSES at Victoria University having joined the Centre in 1998. He has held a number of senior positions in government, most significantly as Assistant Director General, Finance in the Department of Management and Budget (Victoria). In the private sector, at the ANZ Bank he held various senior business strategy roles.

Ms Kathleen Hurley is Research Fellow at the CSES, Victoria University. She was previously Policy Advisor in the Policy and Research Branch of the Strategy and Coordination Division at the Victorian Department of Innovation, Industry and Regional Development (DIIRD).

DISCUSSANTS

Professor John Freebairn was appointed Richie Chair at The University of Melbourne in 2008. He previously was Head of the Department of Economics, from 1997 to 2002 and Director of the Melbourne Institute from 2005 to 2007.

Mr Michael Stutchbury is Economics Editor at *The Australian* and has been covering Australian and world economic and business issues for 25 years. In 2008 he returned to writing full time on the economy, reprising the role he covered for the Australian Financial Review in the Keating '80s. He was editor of *The Australian* from 2001 to 2006.

Associate Professor Robin Goodman is Director of the Australian Housing and Urban Research Institute (AHURI) based in the School of Global Studies, Social Science and Planning in the College of Design and Social Context, RMIT University, Melbourne. Prior to this position she was a Senior Lecturer in the Environment and Planning Program at RMIT University.

The Honourable Mr Ralph Willis is Chair of LeadWest and Western Health and is the former Federal Treasurer of Australia. Also Chair of Cbus an Industry Superannuation Fund.

Mr Tim Harcourt is Chief Economist for Austrade. Before joining Austrade, he was an economist and industrial advocate with the Australian Council of Trade Unions (ACTU). Tim has also worked for the Reserve Bank of Australia and the Australian Industrial Relations Commission and has overseas experience in the corporate sector in the UK, USA and Israel.