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## **Productivity Commissions: the New Public Policy Tool of Global Competitiveness? The Argentina-Australia Case**

The comparative analysis of long-term developments in Argentina and Australia is a historic issue in the academic fields. This may be due to the fact that both countries belong to the group of the so-called “fortunate countries,” for their availability of vast territorial areas (Australia with 7.7 million km<sup>2</sup> and Argentina with 2.8 million km<sup>2</sup> continental areas), low population rates (only about 24 million inhabitants in Australia and over 43 million in Argentina) and significant natural, agricultural and mineral resources. Brazil, China, the United States, Russia, India, Canada, the Democratic Republic of the Congo and even Indonesia are also large countries with immense natural resources.

However, when considering the present value and the future potential of natural resources per capita, Argentina and Australia, together with Canada, clearly emerge as global leaders in the global context. Both countries are, geopolitically speaking, located in the so-called “ends of the world,” but currently, Australia, close to Southeast Asia, is heavily influenced by China economic dynamism. Moreover, both countries are the result of European colonization but by different kingdoms. Argentina was colonized by Spain in the mid-16th century while Australia was populated since the end of the 18th century by convicts sent by the British government (to relieve further

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overcrowding of British prisons), along with English, Scottish and Irish settlers.

Researcher Angus Madison's historical economic estimates in 1820 would indicate that the GDP for the newly emancipated Argentina could have been more than 4 times higher than that for the continent that would later become Australia. But, as Argentina population – over 700,000 inhabitants – was twice that of Australia, the Argentine GDP per capita doubled the Australian GDP. Even though both countries were marginal regions of the Spanish and British empires, they had little economic significance but a relative strategic importance.

From this initial reference, successive comparative analyses of their development could be set in periods of about 50 years each. From then until 1870, our country was involved in constant internal battles and even external wars, while going through its becoming politically institutionalized in 1853, a period that could be called "our own Middle Ages." Such extended absence of inner peace was burdensome to our economic development. In 1870, our GDP was only half the Australian, since Australia, in addition to having no serious domestic armed conflicts, had taken advantage of much of the technology derived from the first English Industrial Revolution to progress. Consequently, as both countries had, by then, similar population – about 1.8 millions – our GDP per capita, which had doubled Australia half a century before, came to be the half.

As a result of several factors, such as the political integration of the province of Buenos Aires to the Republic in 1870, the major flows of hard-working Italian and Spanish immigrants, the incorporation of large areas of land of the fertile central region, called "The Humid Pampas," and the use of British capital flow in railway infrastructure and in the first factories and ports, Argentina entered an unprecedented phase of economic growth, fully exploiting its location regarding the Atlantic Ocean, and thus compensated, with a relevant "agricultural boom" and exports, the former relative slowdown with Australia, and in 1930 its GDP exceeded 50,000 million dollars annually. Its population reached 12 million inhabitants, doubling again the Australian population, and the GDP per capita of both countries were on the same level – about current 4,500 dollars per year.

As a result of the global crisis derived from the New York Stock Market Crash in 1929, the world changed abruptly. Nevertheless,

despite the global economy profound crisis, both countries were able to recover and continue to develop, but this time without the previous dynamics. High political instability in Argentina meant, as it had happened a hundred years before, a period in which the economic growth in Australia was higher, but in 1980 both GDP became equal again – over 200,000 million in today's dollars. The Argentine population reached 28 million and continued doubling that of Australia, but as a consequence of having a slower development, Argentine GDP came to be again half the Australian GDP in 1980.

But it is the recent history the one that shows the greatest divergence between our country and Australia. During the 1980s, both countries faced again a very negative external context, but Argentina was not well-prepared due to the serious political, social and economic problems of the previous decade, and that was reflected in its low level of development. Consequently, Argentina faced a tremendous “stop” in its economy. It is only from the early 1990s that both countries resumed their path towards development, but Australia accelerated its growth by fully exploiting its closeness and connection with the dynamic markets of Southeast Asia. From then on our country only doubled, in real economic terms, the annual GDP of our economy.

On the other hand, Australia has increased, at least five times, their GDP in real economic terms since 1990. The present income per person in Australia is four times higher than in Argentine. The causes are, undoubtedly, numerous. But there is one that deserves our special attention. In the mid-80s Australia had reached almost above 20 percent annual inflation and its situation was very complicated. However, the Productivity Commission was created in the 90s. Even though there were many antecedents of similar institutions, its unprecedented status of being actually independent from the Government by law, would have been crucial for the country to determine their course towards 25 years of continuous growth at an average annual rate above percent.

The central concept that guided its creation was that nothing counts more than the nation's productivity for their development in the long term. That is, the joint capacity of a society to create the greatest goods and service production possible and distribute it with equity, as a priority mandate to the Government that it should always

preserve the incentives to the productive efficiency, even more so when public funds are at stake. The complexity of the situation in Australia is reflected in a report in the 80s that pointed out that “the Australian economy is so inefficient that an average ordinary worker takes more and more complex decisions when driving to work than at work.”

The four key reforms were: 1. a renewed and greater relationship with the world, 2. an in-depth reform of the financial sector, 3. a modern labor reform, and 4. the commitment to the continuity of laws that promote, gradually and permanently, national productivity, as a continuous tool for greater efficiency and equity for the whole society. Perhaps the view that summarizes the extent to which the Australian Productivity Commission has produced such change of course in their economy is that although in both countries education is free and compulsory, Australia considers education must also be of high quality and challenging.

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