

# James Cook University

## Graduation Ceremony Address

Faculty of Law, Business and Creative Arts

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Mr Chancellor, Mr Vice-Chancellor, Members of Council, members of staff, distinguished guests, ladies and gentlemen, graduates -

It's a great honour to be with you on this special occasion. The only cloud over today's event is the havoc wreaked by Cyclone Larry just to our North. I'm sure the sympathies of everyone here go to those whose homes and livelihoods have taken a battering.

My role today is to congratulate the graduates and to try to say something of consequence to them as they move into the next exciting stage of their lives and careers.

First, to the congratulations. The degrees conferred today are a tribute to our graduates' intellectual talents. And to the power of hard work.

Some of today's graduates will never work as hard again. Others are just warming up. A sub-set of the cleverest and most determined in this graduating class will do extraordinary things in coming decades.

For now, well done. Congratulations to you all on securing your degrees. You should be very proud.

Behind each impressive crop of graduates can be found loving families and friends. In particular, many parents are here today, swelling with pride about their young star's achievements.

Many of you have stood behind *your* graduate - through thick and thin - all their life. Congratulations to you on all *your* efforts behind the scenes, keeping your graduate's eyes on the main game. Today's degree rightly will forever be a source of very great pride.

Everyone please take lots of photos later this afternoon, as in coming decades they will spark priceless memories: a reminder of youthful exuberance and good looks back in 2006; a reminder of all sorts of

growing experiences during your JCU days, some of which your parents still don't need to know about!

### **Thrilled to be here**

I'm thrilled to be here with today's graduating class. I'm thrilled to be up here because it reminds me of my time in your shoes two decades ago.

I had just completed an honours degree in economics. As a kid, I didn't know there was such a thing as an economist. Now I am one!

On my graduation day, JCU's misguided fashion sense required that we all wore "Tropical Beige" graduation gowns. Later on, I had to spend whole year at ANU in Canberra just to get a photo of me in a black graduation gown!

I still remember arriving at John Flynn College in March 1983. During that O-Week, I turned 17, drank alcohol and discovered girls. Quite a trifecta.

Like many of you two decades later, I had the time of my life at JCU as I grew from a gangly kid into a young adult.

But also I remember working very hard, year after year. I was desperate to do well in my studies, because that seemed the only obvious way forward.

I was an accidental uni student. Neither of my parents had been to uni, and I had no plans to go. My parents always had said get a good education and you'll be able to do whatever you want, but I doubt university was ever on anyone's mind. It just happened.

During Grade 12 I failed an eyesight exam that would have made me a constable in the Queensland Police Force. Unable to find a permanent job at the end of Grade 12, I went back home from boarding school to Baralaba - a couple of hours west of Rockhampton - and things actually were looking a little bleak.

I didn't know it then but in 1982 the Australian economy was deep in recession. Unemployment was 9% heading to double-digits.

Out of the blue, a place at James Cook University arrived in the mail. Thank heavens we were all forced to fill in a QTAC form at school, even if at the time the idea of going to uni to me seemed a joke.

So I got here by accident. I was a country kid with no idea. Like many of you, JCU put me on the path to a better life.

In particular, Dr Peter Crossman in the then-Economics Department played a major role steering me in the right direction. I have thanked him in the past for his kind efforts but they again are fresh in my mind today.

Peter's efforts and the efforts of many other wonderful staff I met at JCU put me on the path to a happy life. I hope things are working out as well for all of you.

## **Fretting about what to say**

In preparing the substance of today's remarks, I fretted about the tradition of these sorts of speeches. I fretted that I wouldn't have anything sufficiently high-brow and philosophical to say.

But then I figured, hey, I'm a 40-year-old economist who works at a bank. No-one is expecting much in the way wisdom and philosophy. Many of you are aware that there are only two types of economists: those who don't know, and those who don't know they don't know!

So for today, I decided to stick to my knitting, to talk only on topics I do know something about.

I'm going to talk about the economic trends our graduating class is set to encounter; and I'm going to try to pin-point some of the things that have helped me in the two decades since I too was JCU graduate making my way in the world.

In launching into the substance of my remarks this late in the session, I find myself in the dangerous position of being almost the only thing standing between hundreds of graduates and a semi-trailer full of alcohol. Of course I'm moving as fast as I can!

In the spirit of the great economist Paul Keating, I say to the graduates: sit still, shut up and you might learn something.

**On the economic front**, graduates for a century have had a strong interest in jobs, cars, and houses, typically in that order.

Many of you already have found good jobs, so are aware that the jobs market is in excellent shape. Indeed, unemployment near 5% is as close to "full employment" Australia has been in a generation. Those of you still looking for the right opportunity are better placed than most job seekers over recent decades.

On the car front, more good news. Buying a decent first (second-hand) car probably is cheaper today - relative to wages - than it has been at any time in history. Those of you already enjoying your first car understand the increased independence and flexibility it has brought to your lives.

The unprecedented cheapness of cars today in part explains why our roads increasingly are clogged with cars. More than ever before, young people are sharing our roads with their parents - in separate vehicles!

On the *negative* side of the ledger, there's the ongoing rise in university fees. Today's graduates pay much more for a degree than did my generation, and many of you have chunky HECS debts to prove it.

Now the biggie: **housing affordability**, or more precisely the lack of it. The average price of homes in most Australian cities has more than doubled over the past decade. This steep uptrend in home prices is perhaps the most-discussed feature of our economy. It's been a real "barbeque stopper".

Of course, when we talk about the jump in home prices we actually are talking about the jump in land prices. That is, it is the price of *land* - rather than the price of the *house* sitting on the land - that has jumped sharply. It is the land - particularly coastal land and land close to a business centre - that commands a scarcity premium, not the house itself.

The big picture is that the doubling of home prices over the past decade reflects a *fixed* amount of land being swamped by increased demand, the latter driven primarily by lower and more stable interest rates, the halving of the Capital Gains Tax for "investors" in 1999 and the ongoing rise in Australia's population.

In terms of affordability, average home prices have jumped from about five times average full-time earnings a decade ago to about eight times average earnings today, from five years worth of pre-tax income to eight years worth of pre-tax income. Buying "The Great Australian Dream" has never been more expensive.

Of course, if you have chosen your parents wisely, none of this will be a problem. For many of you, however, buying a nice home near town or the beach is going to be a real stretch.

It still is cheaper to buy a first home in Townsville/Thuringowa than in Brisbane or Sydney or Melbourne, but there simply is no getting round the fact that the doubling of home prices has *significantly devalued the lifetime earnings of non-homeowners*, and that increased burden falls most heavily on young people.

So cars are really cheap. Nice houses are extremely expensive. If you are trained as an economist, the obvious answer is for young people to start living in nice cars!

Actually, the best chance many young Australians have of owning a nice home near the CBD or waterfront these days is to be left the family home after aging parents eventually pass away.

For today's graduates waiting for that scenario to play out: don't hold your breath. Your parents are likely to be around for several decades yet!

**One consolation: this generation set to live longer**

That brings me to perhaps the most important trend in human history: the ongoing increase in life expectancy. Increased longevity is having a profound effect on all our lives.

Economist John Maynard Keynes in 1923 wrote famously that "in the long run, we are all dead". Well, it turns out that "the long run" keeps getting longer.

I can't promise today's crop of graduates that buying a nice home is going to get easier. But I can offer the consolation that your generation probably is going to live longer than any earlier generation in history.

After all, increased longevity is a consistent trend across all the luckier parts of the world. The marvels of science and medicine mean fewer people now die young, while increasing numbers are living into their nineties and beyond.

Over the past century, Australian life expectancy has increased by more than 20 years. A century ago, Australians at birth had a life expectancy of 57 years. Now it's about 80. Women still outlast men, in part because blokes tend to drive recklessly.

The main drag on further increases in longevity probably is the growing trend towards obesity. So go easy on those snacks of chips and soft drinks.

Another threat to longevity is "bird flu". So far - touch wood - bird flu is really scary only if you are a bird. If the bird flu bug learns to jump from one human to another, however, it will really put the cat among the pigeons (!)

And then there's "global warming", perhaps the biggest long-run threat to the future of the planet. It probably will not kill many of us if we keep wearing hats and sunscreen, but those of us who care will find it miserable to observe shrinking biodiversity, with many species of animals seemingly set to disappear during our lifetimes.

Anyway, increased *human* longevity - from 57 to 80 years over the past century - obviously is a good thing for those living longer.

But note that the extra quarter century has been added to the *latter half* of our lives. Everyone still spends the same 10 years in their twenties and 10 years in their thirties. The main effect of increased longevity has been to add a couple of decades to our retirements.

A century ago, the aged pension was introduced for those aged 65 and over. Life expectancy was 57 years. That is, a century ago on your 65<sup>th</sup> Birthday you were greeted the pension office not with "Happy 65<sup>th</sup> Birthday" but with "why aren't you dead?" You had outlived the average life expectancy by the best part of a decade.

That is, a century ago the government's promise of a pension and health care after age 65 wasn't a big promise. Most people died before age 65 or very soon after.

Now, turning 65 is nothing special. The vast majority of us here today will reach 65, if we haven't already. And the typical senior turning 65 today will spend about two decades on the pension. Even someone turning 100 can expect to be on the pension for three more years!

(Source: [http://www.aga.gov.au/publications/downloads/LE\\_Table.pdf](http://www.aga.gov.au/publications/downloads/LE_Table.pdf) )

Those of you who have felt the stresses of funding three or four years at university will appreciate the challenge of funding three or four decades of retirement.

**In any case, it is clear that funding the pensions and health-care of our seniors increasingly is a big deal for government budgets** (even with the Superannuation Guarantee levy in place).

The obvious solution - at least the one that doesn't involve increased taxes on young people - is to link the age of retirement to rising longevity: that is, to force healthy older workers to stay longer in the workforce. Already, the Federal Government has lifted the pensionable age for women from 60 to 65.

Clearly, there's more of that on the way. By the time today's graduates reach retirement, the pensionable age will have been lifted from 65 to 70 or more. Governments will find such a move irresistible because a stroke of that pen likely will reduce old-age funding costs by 20% or so.

So just as this graduating class is set to **live** longer than all earlier generations, it is also set to **work** longer. Increased longevity will see many of you working for most of the next half a century. That sounds daunting, yet it sure beats being dead.

I'll finish today with **four suggestions** about the path ahead, advice from someone who was in your shoes two decades ago.

**First - and most obviously - try to choose a job that you enjoy.** Your work life is going to be a long one, so you'd better make sure it's interesting.

**Second, put some energy into improving your typing skills and try hard over time to become a better public speaker.** Typing quickly will boost your productivity, even if it's just by saving time managing your E-mail. Believe it or not, minimising time spent on E-mail these days is a valuable work skill.

And the ability to speak publicly doesn't just happen, you have to throw yourself into it. It's very scary at first, but it gets easier and more enjoyable the more you do of it. In any case, you need to get better at it because the ability to stand up and speak confidently to a large group is something that is valued very highly by employers and by society in general. Without it, you'll struggle to get to the places you want to go.

**Third, keep learning. Take the time to be well-informed.** Read a newspaper every day, and not just the sports section. National newspapers like *The Australian*, *The Australian Financial Review* and *The New York Times* are all available on the Internet.

Now that exams are over, read non-fiction books for fun, and chase up topics of interest on the Web. If you are sick of reading, ABC radio news and the AM and PM programmes are excellent sources of information on current events.

Being well-informed will ensure you have a better chance of spotting and responding to the issues that are set to affect your lives. Knowing facts will allow you to be bold in challenging longstanding views that need changing.

Moreover, having the facts at your fingertips will make you a more credible and confident public speaker, always avoiding the classic trap of being "often wrong but never unsure". At the very least, being well informed will make you a more interesting drinking companion.

**Last - and this is the biggie - try to be resilient in the face of setbacks. Be persistent. If you have a plan for life - and assuming it is a good one - stick at it.**

Persistence is vastly underrated. Think of John Howard. A quarter of a century ago when I was in high school, then-Treasurer Howard struggled as inflation, home-loan rates and unemployment all rose from single towards double-digit rates.

The miserable economic environment John Howard oversaw back then wasn't actually his fault, but it certainly wasn't a good look for a Treasurer. He was at the wheel as the economy went into the early-1980s recession, as the Federal Budget went deep into deficit.

During my first month at JCU back in 1983, voters decided to replace Treasurer Howard and the rest of the Fraser Government with Bob Hawke and his team. After that, Mr Howard lost an election as Opposition Leader in 1987, and then lost that job in 1989. In 1994, the Liberal Party chose Alexander Downer as leader over John Howard. That must have seemed like the end!

We all know what happened next. John Howard bounced back to become Australia's second-longest-serving Prime-Minister.

On his way to becoming Prime-Minister for a decade (and counting), John Howard kept showing up through good times and bad, eventually outlasting Malcolm Fraser, Andrew Peacock and John Hewson from his side, then Bob Hawke and Paul Keating and Mark Latham from the other. On the economy, he's gone from dunce to genius simply because the key variables have run his way this second time around.

Growing longevity means life for all of us is likely to be a very long time. Each of your lives will involve a series of twists and turns, triumphs and failures, perhaps even several careers. Plain dumb luck - good and bad - will determine some of the key things that happen along the way; persistence through the bad times can pay huge dividends. I think it was Woody Allen who said that 70% of success in life is just showing up.

You may not want to be Prime Minister, and you may not be a big fan of John Howard, but he's walking, talking proof that if you stick at it year after year, decade after decade, the combination of talent and persistence can take you places you want to go.

Congratulations to you all on your achievements during your time at JCU, and good luck as you journey through the rest of your lives.

Thank you.