East Melbourne Historical Society

Clarendon Terrace
East Melbourne Victoria
21 June, 2017

Yesterday, Today and Tomorrow

A trip down memory lane, then back to the future

1853, 1953, today and 2053

Phil Ruthven AM
Founder

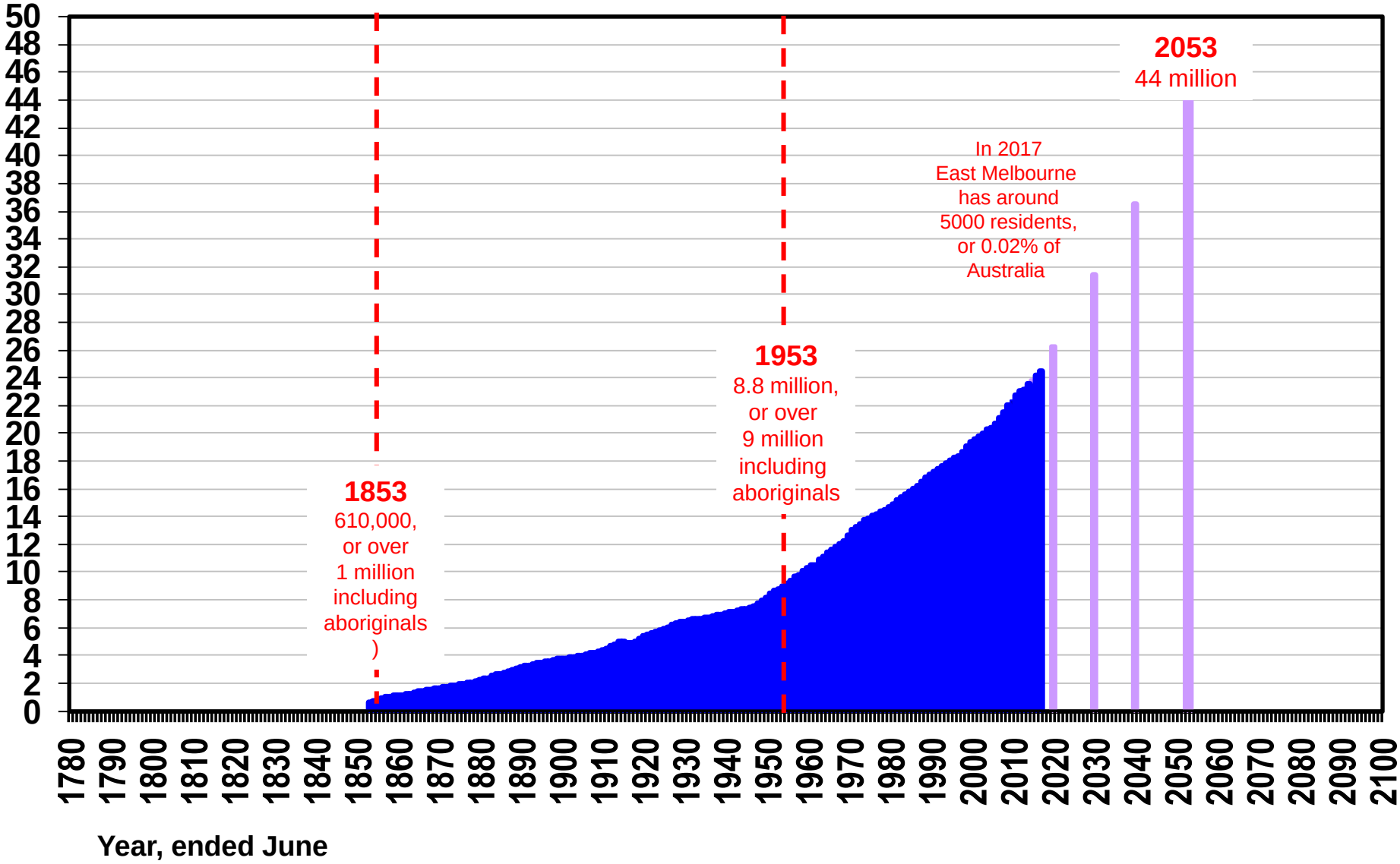
RUTHVEN INSTITUTE

IBISWorld
WHERE KNOWLEDGE IS POWER

East Melbourne in historical context

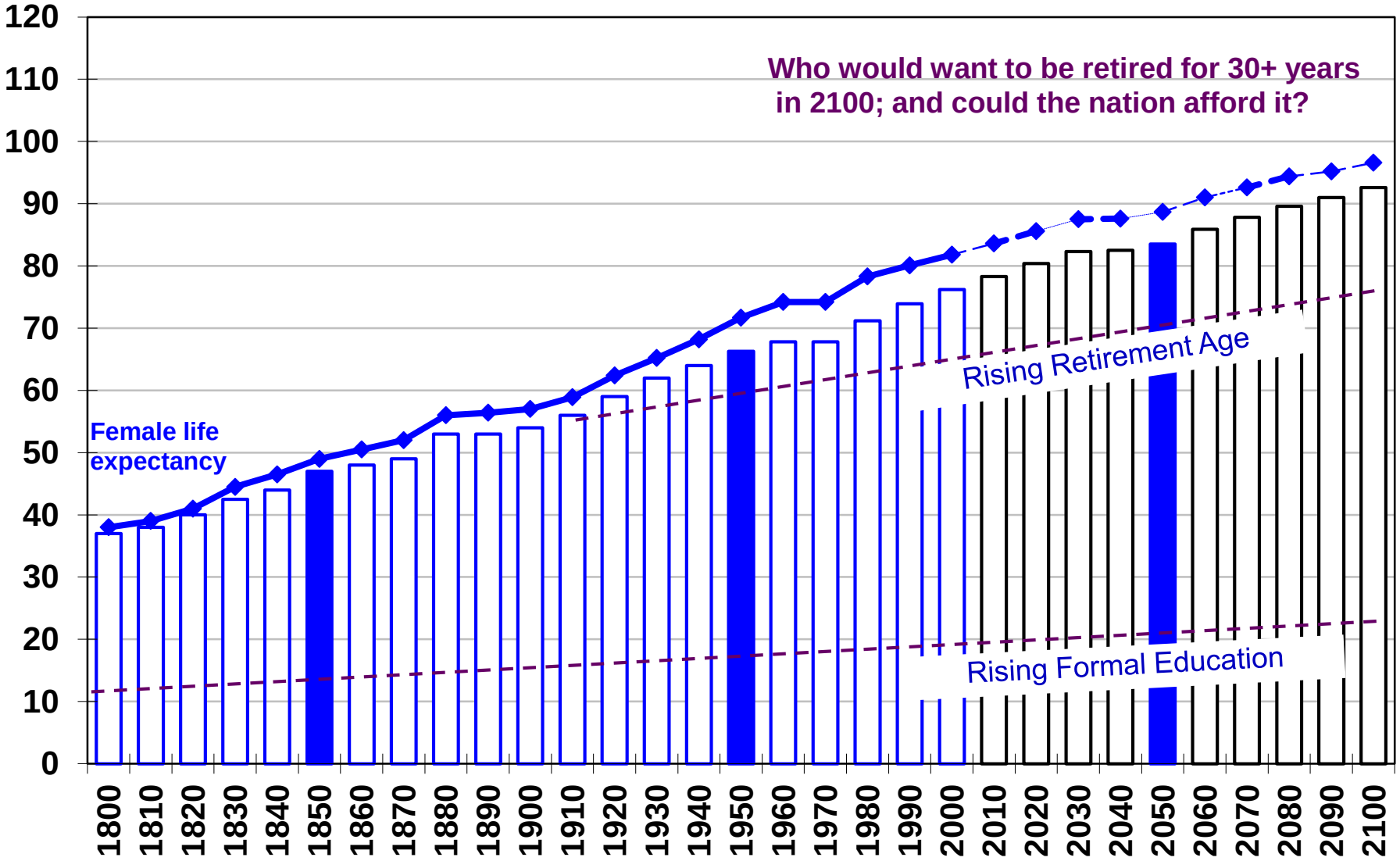
Australia's Population Growth

Millions **1788-2017 & beyond**



Living Longer And Working Longer

Life Expectancy And The Retirement Age of Male Australians



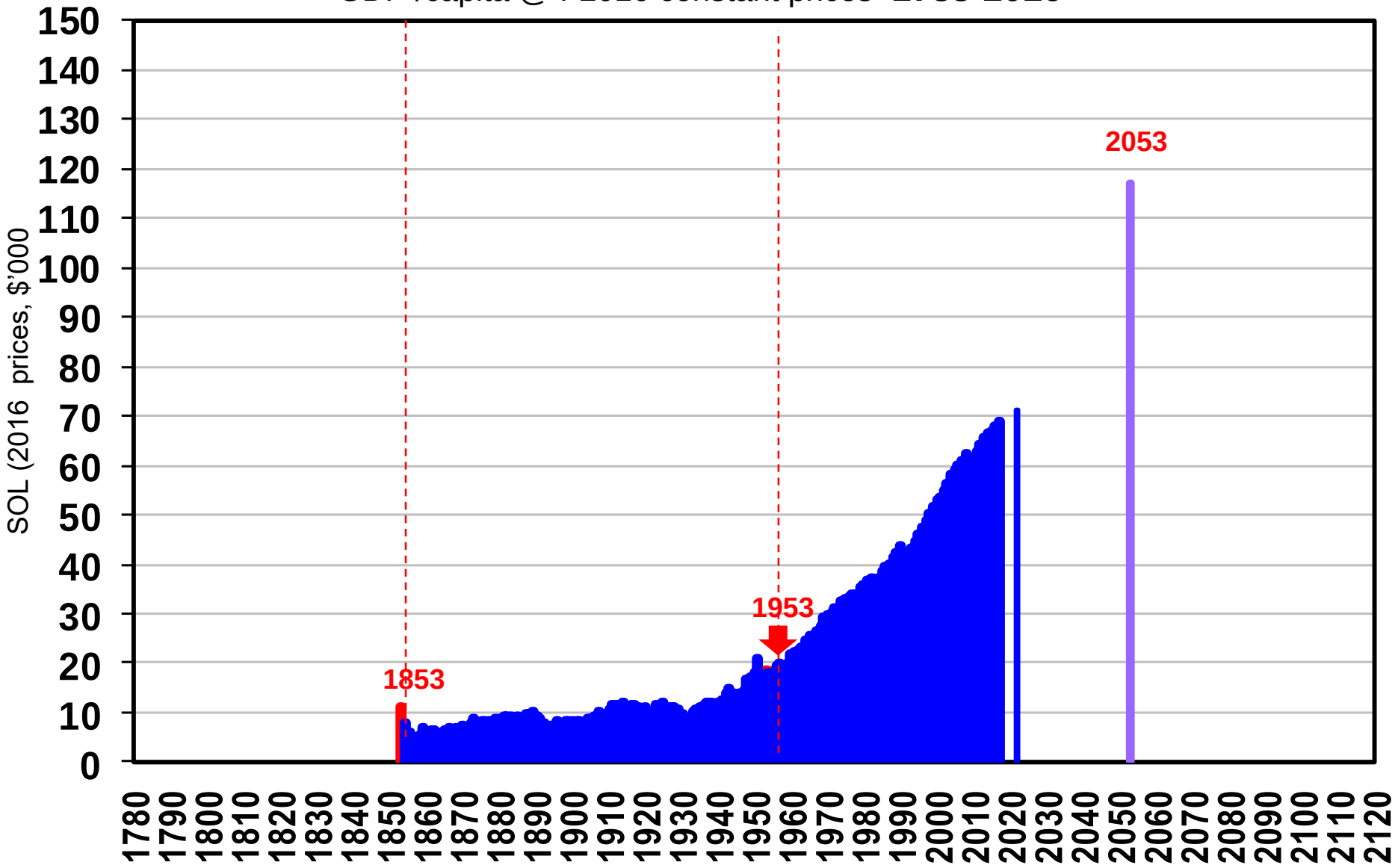
Source: ABS, Australian Historical Statistics, IBISWorld

A Flying Start to Riches

- East Melbourne was being settled when Australia was undergoing its first and most spectacular gold mining boom in its history in 1853.
- The nation's standard of living had already nearly doubled from $6,100 in 1850 per person to $11,300 in today's money terms by 1853 with a gold boom that took it to 18% of our economy in 1855
- By 1953, when the East Melbourne suburb had its first house (Cooke's), our standard of living had risen to $18,500 or 64% higher than in 1853.
- Today, in 2017, our standard of living is $69,000 or nearly 4 times that of our first centenary.
- In 2053? At least $117,000 or 70% higher than today.

Australia's Standard Of Living Growth

GDP /capita @ F2016 constant prices **1788-2016**



IBISWorld 11/06/17

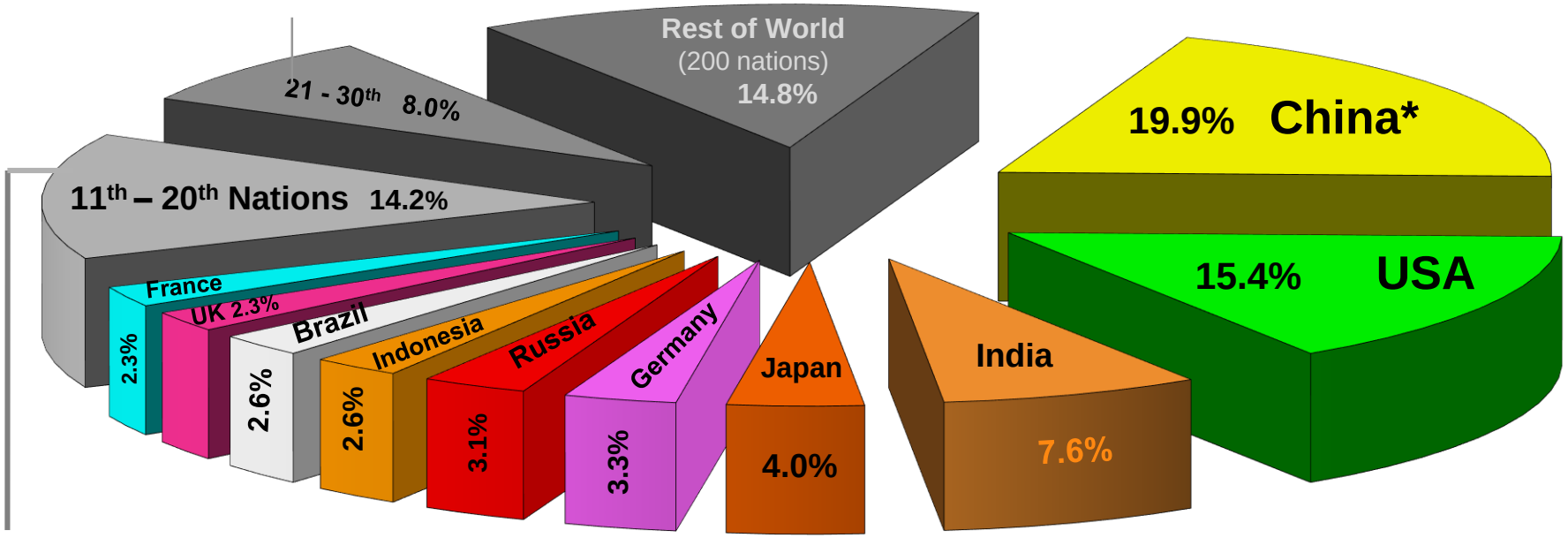
A changing world

World's 30 Largest Economies

2017 (F)

Purchasing Parity Price (PPP) Terms

Nigeria	0.9%
Thailand	0.9%
Poland	0.9%
Egypt	0.9%
Pakistan	0.8%
Argentina	0.7%
Malaysia	0.7%
Netherlands	0.7%
Philippines	0.7%
South Africa	0.6%



Mexico	1.9%
Italy	1.8%
South Korea	1.6%
Saudi Arabia	1.4%
Spain	1.4%
Canada	1.4%
Turkey	1.4%
Iran	1.2%
Australia	1.0%
Taiwan	1.0%

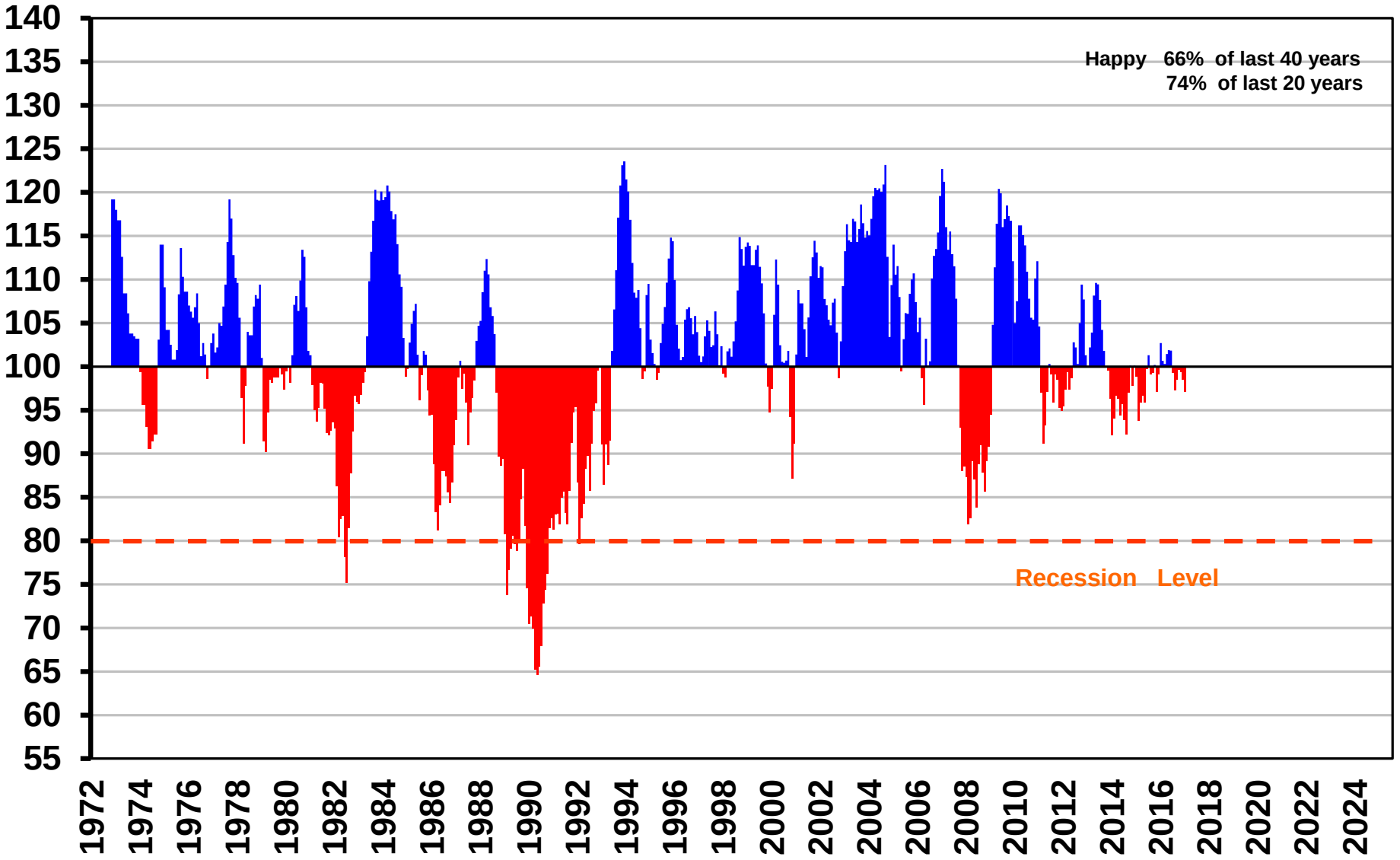
World's 230 nations
US$ 126 trillion

* Includes Hong Kong, excludes Taiwan

Just how happy or miserable are some countries?

Australian Index of Consumer Sentiment

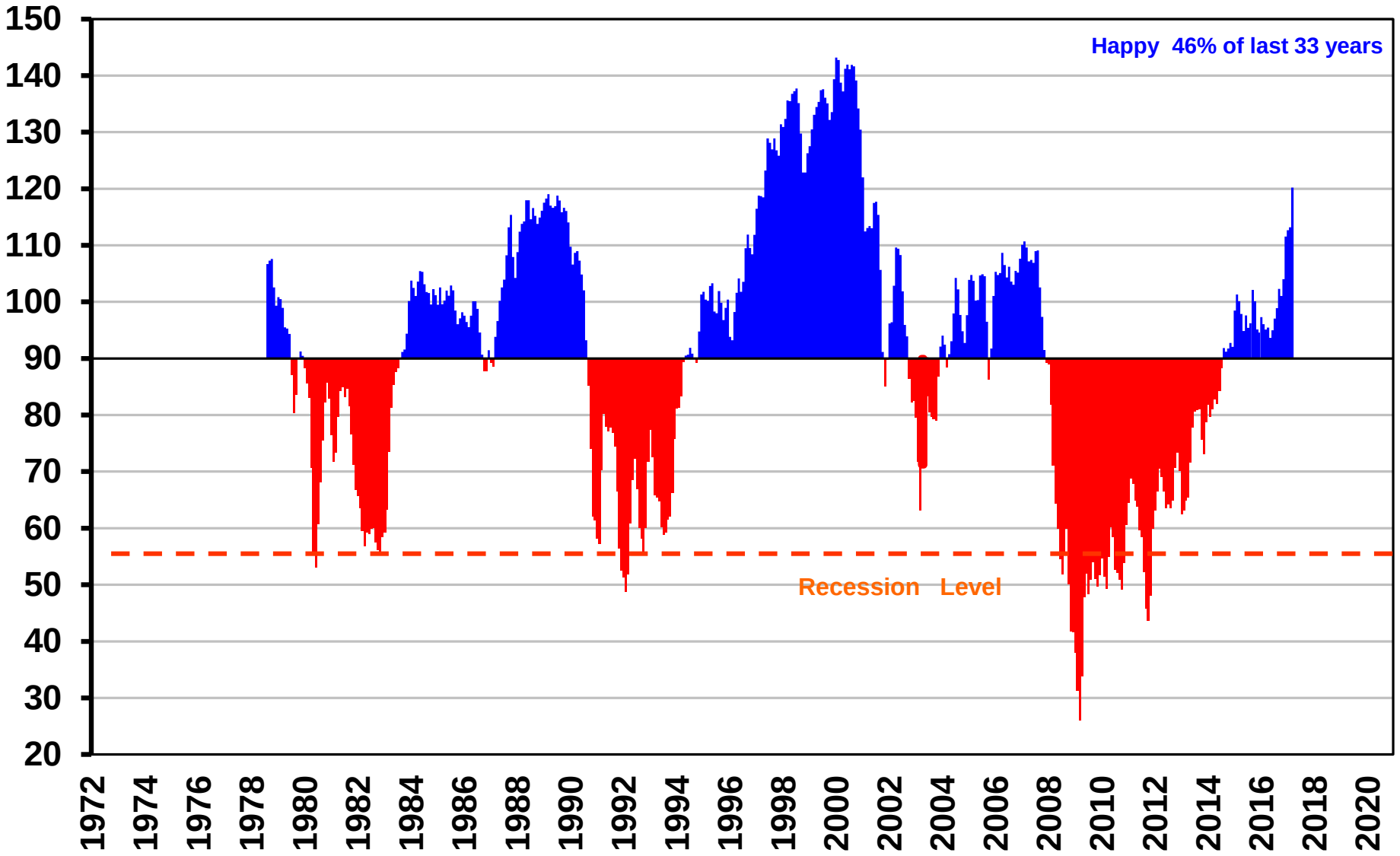
2 months progressive to June 2017



Source: Westpac-Melbourne Institute (IAESR, IBIS estimates 19/06/17

USA Index of Consumer Sentiment

2 months progressive to March 2017

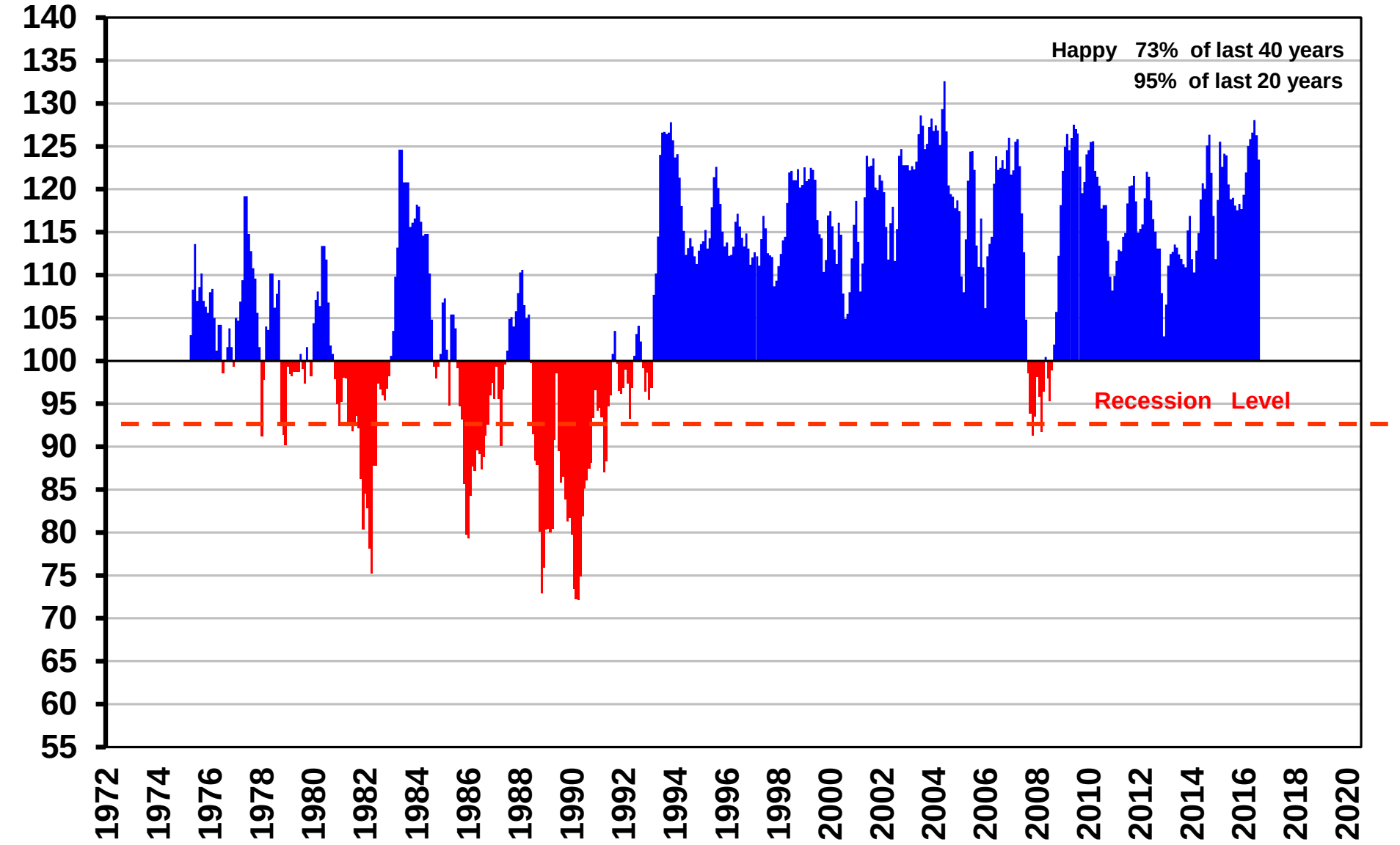


Year commencing June

Source: Conference Board Consumer Confidence Index, 24/4/17 2017

NZ Index of Consumer Sentiment

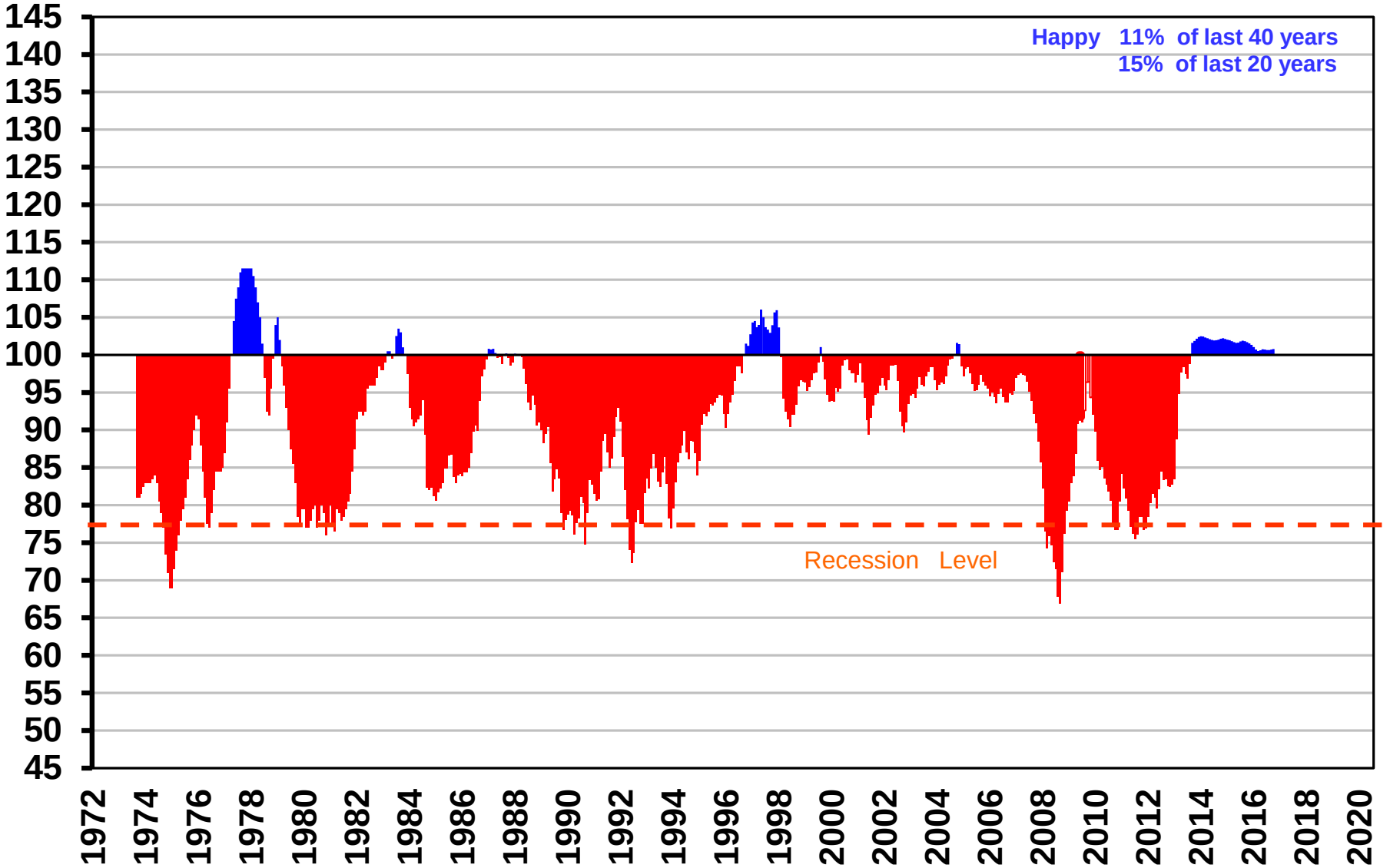
2 months progressive to April 2017



Source: Roy Morgan Research / *IBIS estimates 24/4/2017*

UK Index of Consumer Sentiment

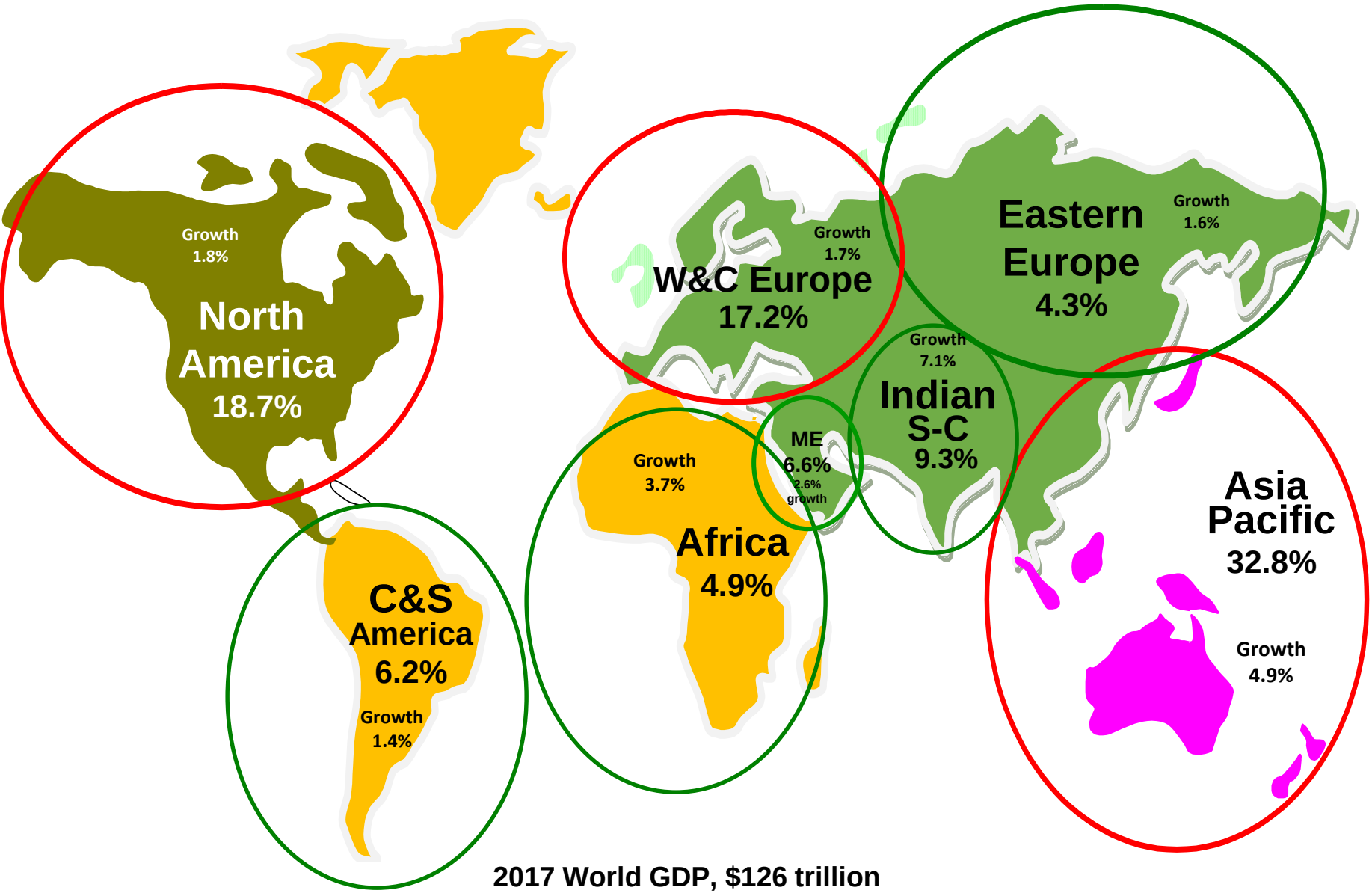
2 months progressive to April 2017



OECD EC Indicator 24/4/17

The World's Economic Regions In 2017

Share of World GDP (ppp basis)

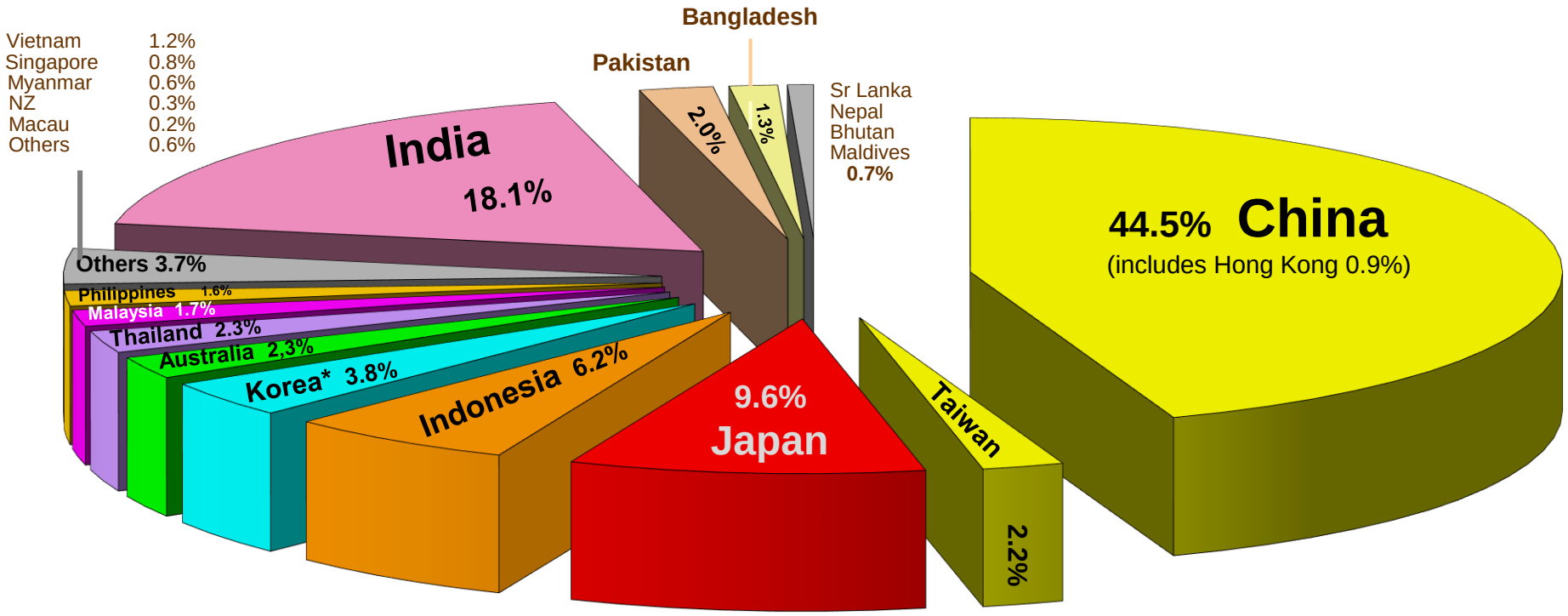


2017 World GDP, $126 trillion

IBISWorld 10/01/17

Asia Mega-Region

GDP ppp terms 2017 (F)



* North Korea < 0.1%
South Korea 3.8%

38 nations

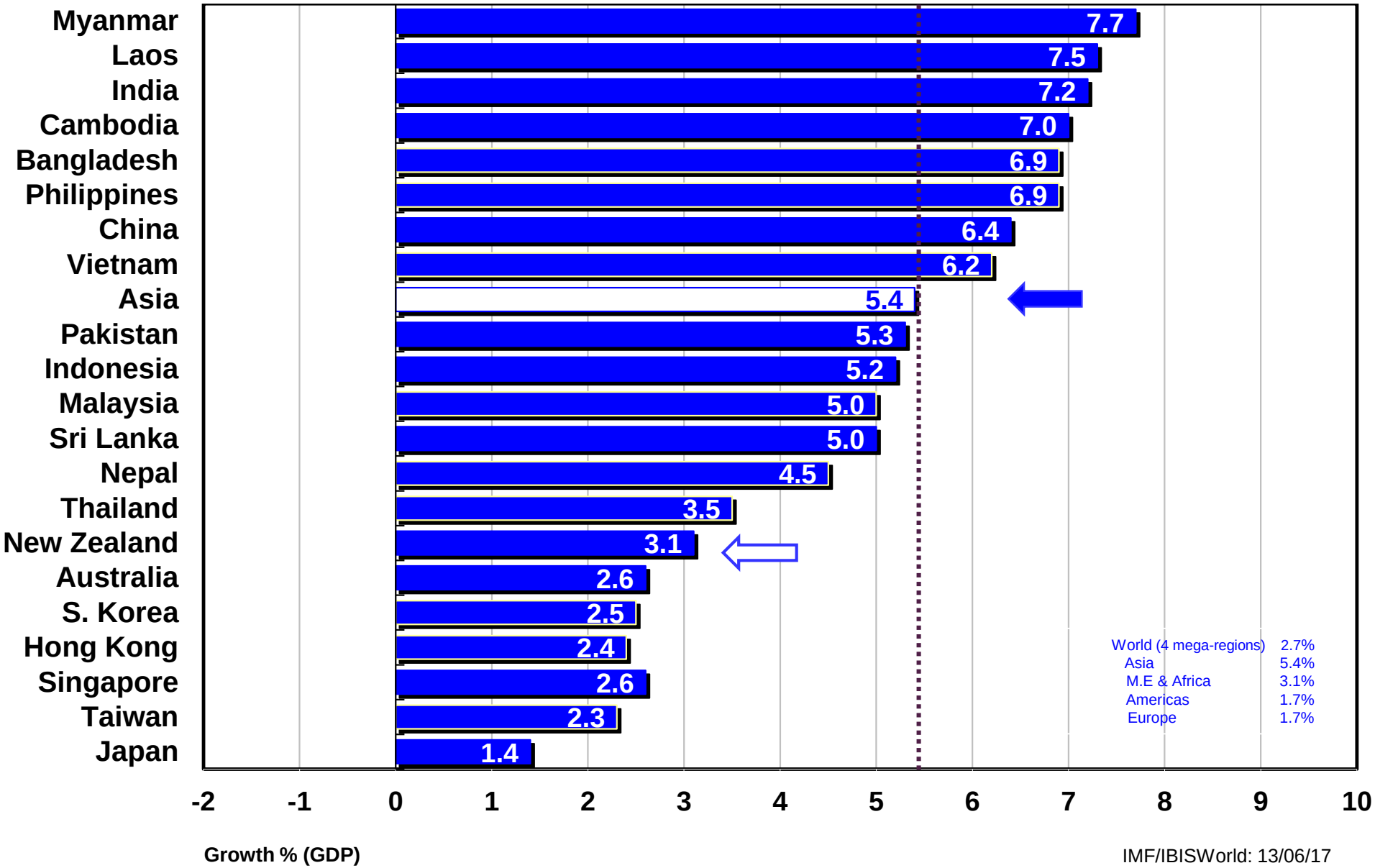
$US 53 trillion GDP (ppp terms)

42.1% of World GDP

IMF/IBISWorld 22/02/17

Asia Growth 2017 (F)

Major Asia Pacific and Indian S-C nations (ppp ranking)



IMF/IBISWorld: 13/06/17

Asia, the place to be

- **Australia has integrated its economy and society into Asia at large and China in particular.**
- **Asia is a mega-region consisting of the Asia Pacific and Indian sub-continent. It is the most powerful region** (41% of world GDP) **and the fastest growing** (5.4%% pa, over twice the rest of the world average).
- **Over 75% of our export of goods & services now go to Asia, and two-thirds of our inbound tourists and immigrants come from Asia.**
- **Our population has moved from aboriginal (60,000 years), to British & European (200 years), to Eurasian (by 2100), and to Asian in the 22nd Century.**

Our Changing Society

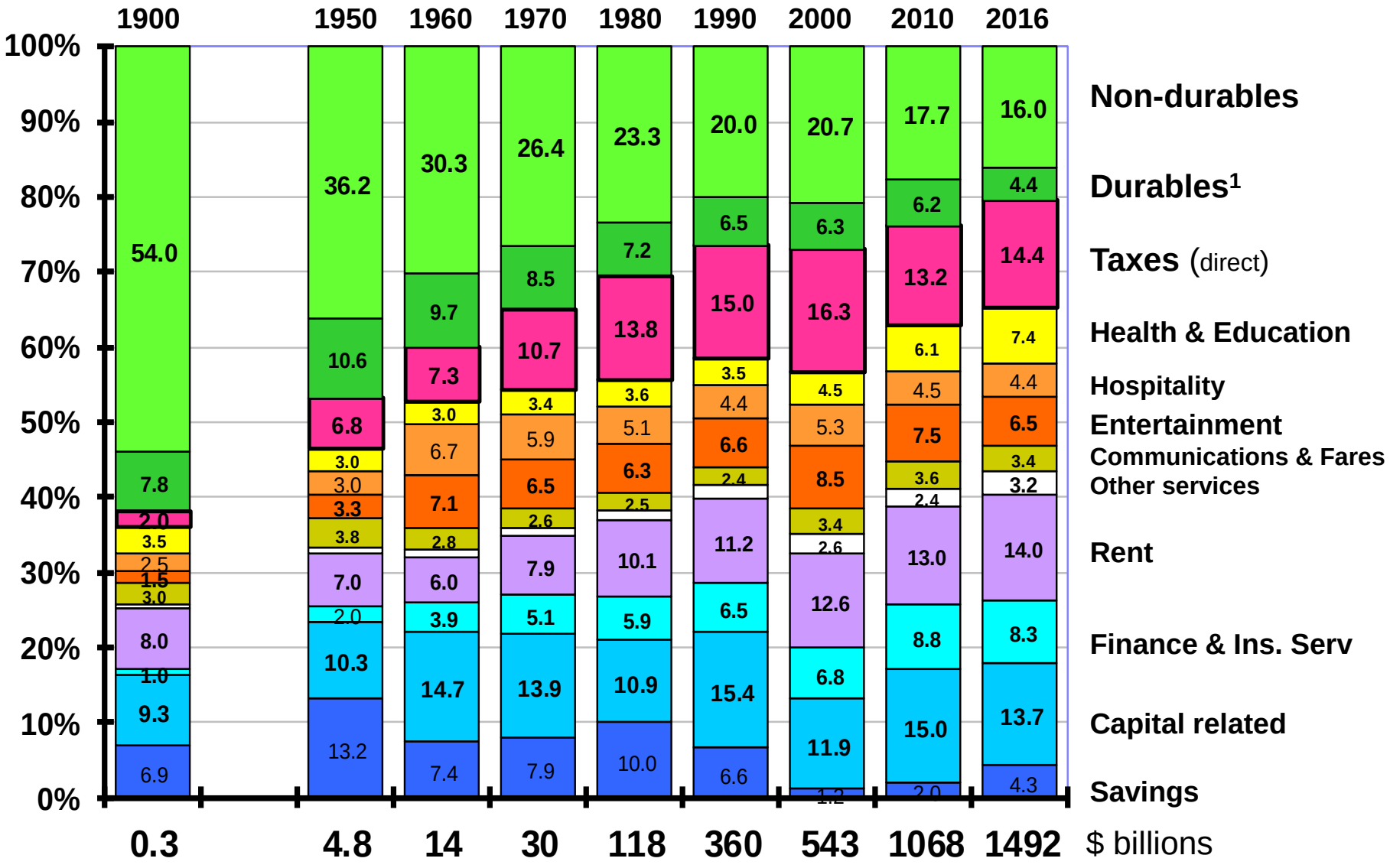
Our Changing Society

In the Post-Industrial Age, post 1965

- **Living longer**
- **More generations co-existing**
- **Living with more leisure**
- **Smaller/different households**
- **Moving to coast and equator**
- **Changing ethnic mix** (Eurasian)
- **New tribalism** (less local)
- **A stabilising divorce rate**
- **Rising incomes & wealth**
- **Apartment living rising**
- **Home leasing on the rise**
- **More spending on services**
- **Outsourcing tasks and chores**
- **Rise of virtual shopping**
- **Living with digital disruption**
- **The Internet/Information age**
- **Increasing knowledge**
- **Increasing financial literacy**
- **New entertainment & sports**
- **Electronic "guardian angels"**
- **Working differently**
- **New industries/ occupations**
- **Changing spirituality**
- **Outlawing discrimination**
- **Changing politics** (ideologies)
- **Ecological sensitivity**

Changing Household Spending

% of total basis

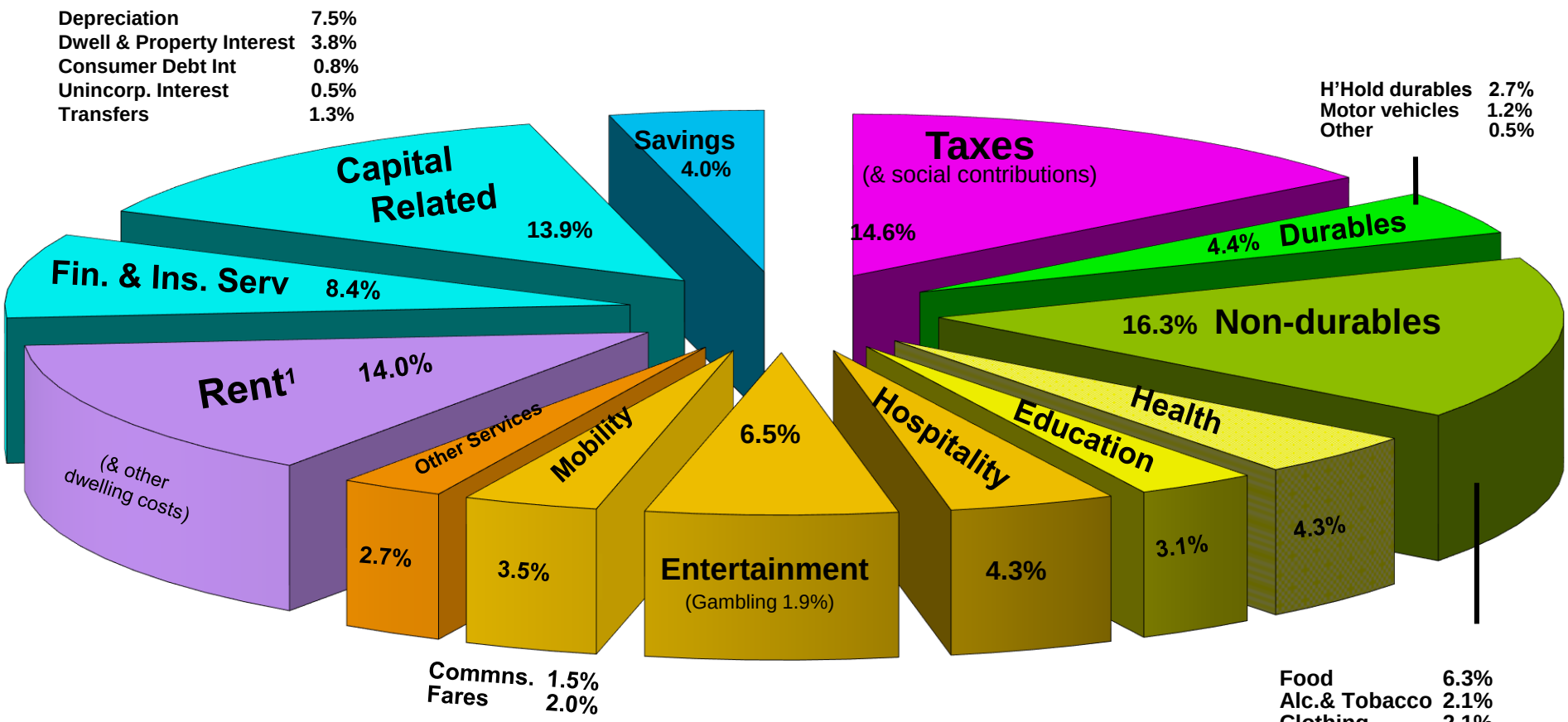


Note: [1] Durables includes cars, furniture, electrical, electronics etc.

Source: ABS 5206/IBISWorld 23/05/17

Australian Household Expenditure

Year to March 2017



$ 1501 billion

($156,000 per household [2])

Notes:

[1] **includes imputed rent** ((home ownership), 9.7 of the 13.9)

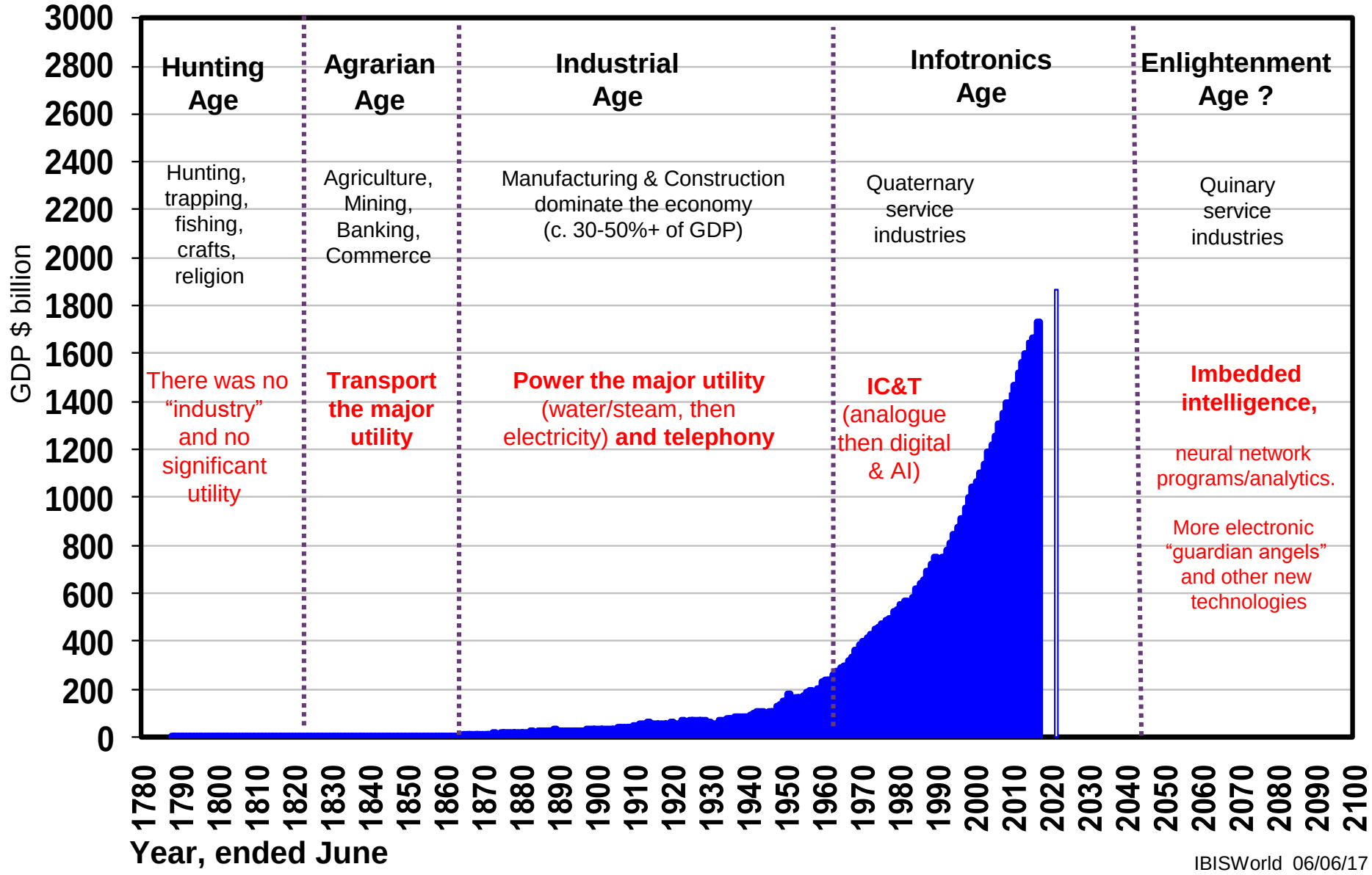
[2] **9.6 million** in 2017 (ABS). Reduces to $140.400 without imputed rent of $150 billion

Source: ABS5206/IBISWorld 09/06/17

Industries into the future

Australia's Ages Of Economic Progress

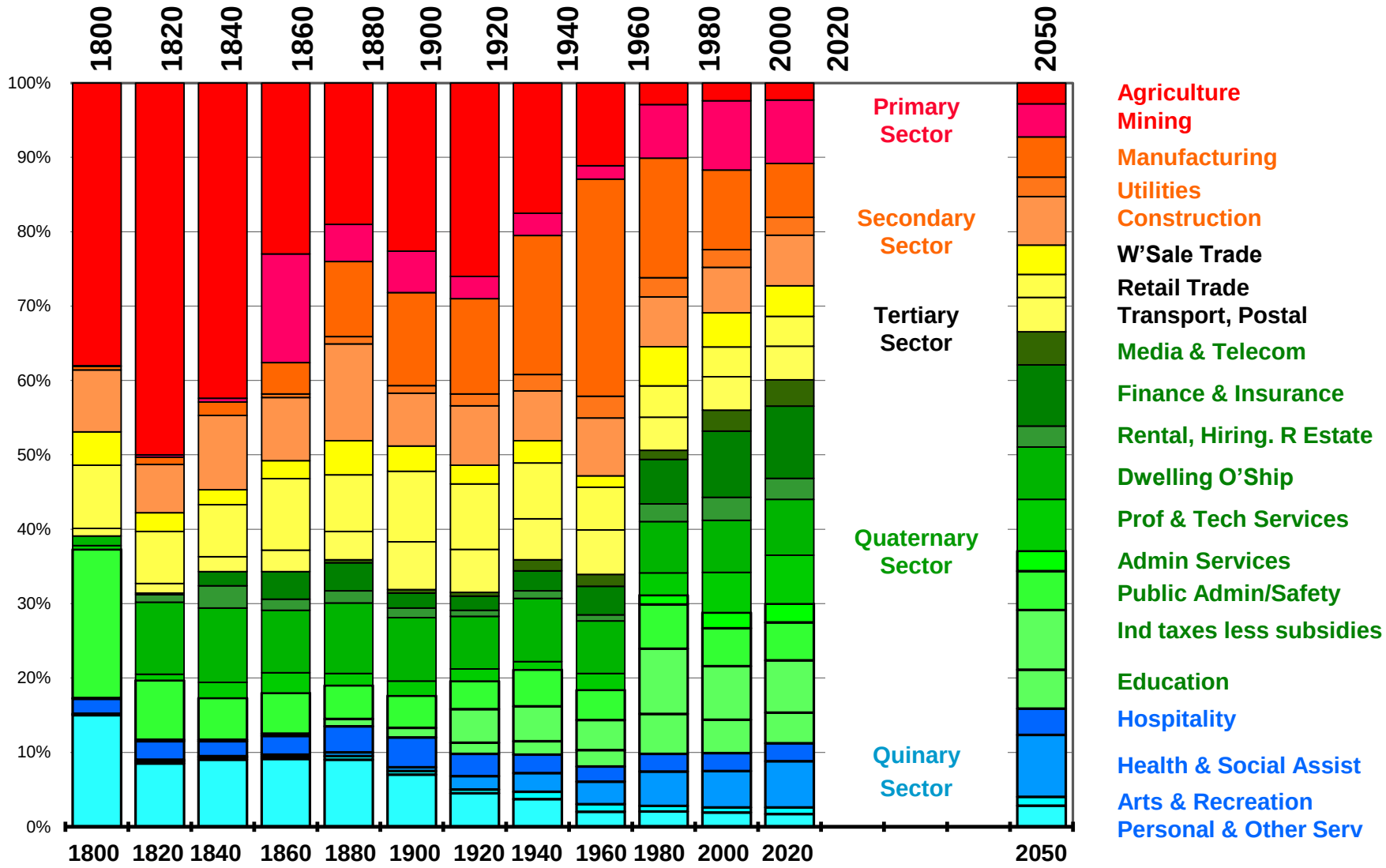
GDP @ Constant F2017 Prices **1788-2017 and onwards**



IBISWorld 06/06/17

Changing Importance of Industry Divisions

Shares of GDP by Industry Division, **1800-2050**



Note: At market prices to 1940, at factor cost thereafter

Source: N.G Butlin, ABS & IBISWorld 8.01.15

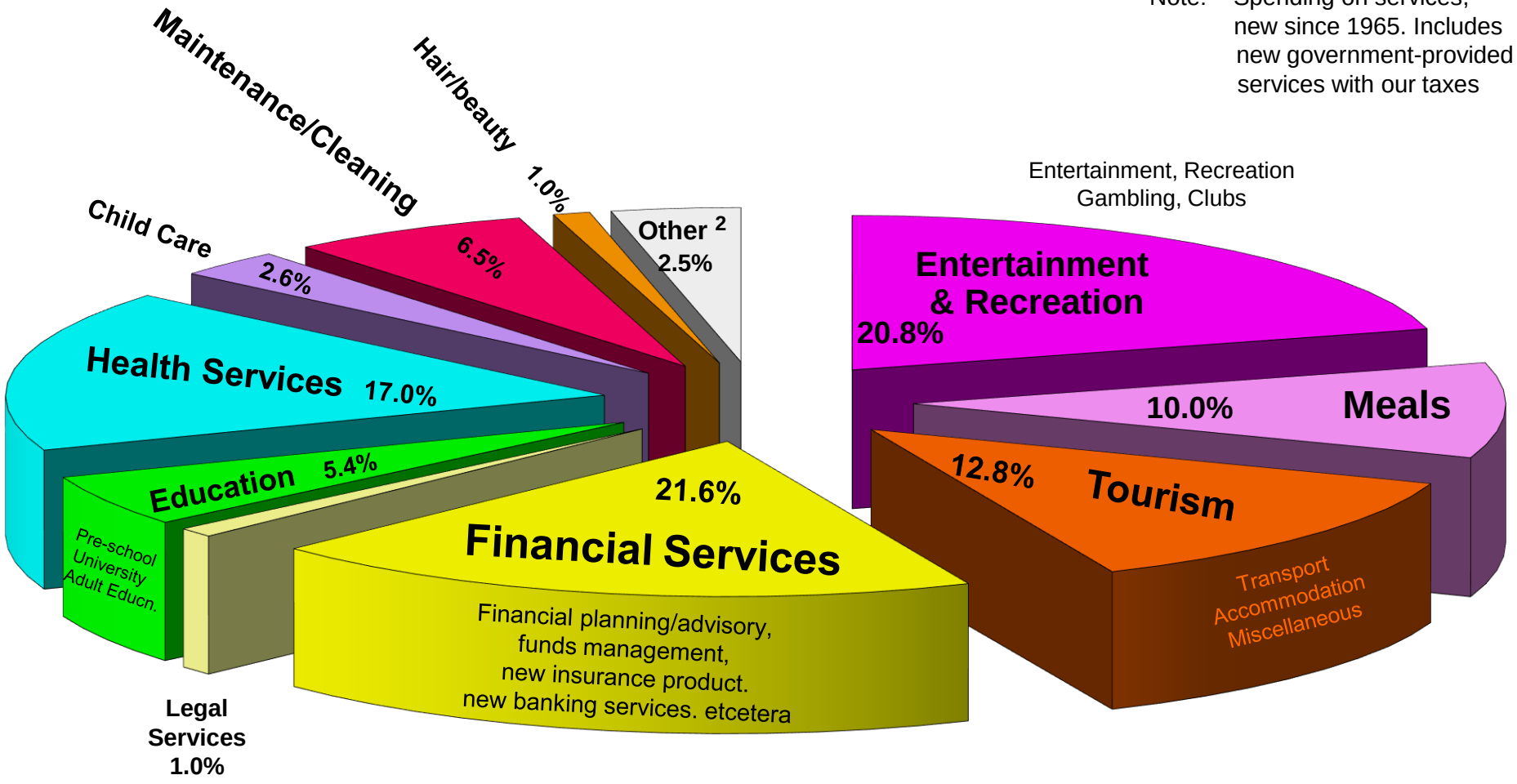
Outsourcing Creates Most Industries & Jobs

- **We outsourced the growing and mining of things to create the agriculture and mining industries, aided by a new utility** (transport)
- **We outsourced the making and building of things to create the Industrial Age industries of manufacturing and construction, with new utilities** (power/electricity & communications)
- **We are outsourcing services** (household services and business functions) **to create the current Infotronics Age from 1965-2040s, aided by yet another new utility** (ICT, now the digital era)
- **Outsourcing by households, businesses, government and overseas nations** (to us) **have created new services of over $ 1.4 billion in extra revenue pa by 2016.**

Household Outsourcing In The New Age[1]

F2016 (E)

Note: [1] Spending on services, new since 1965. Includes new government-provided services with our taxes



$410 billion

$42,700 per Household

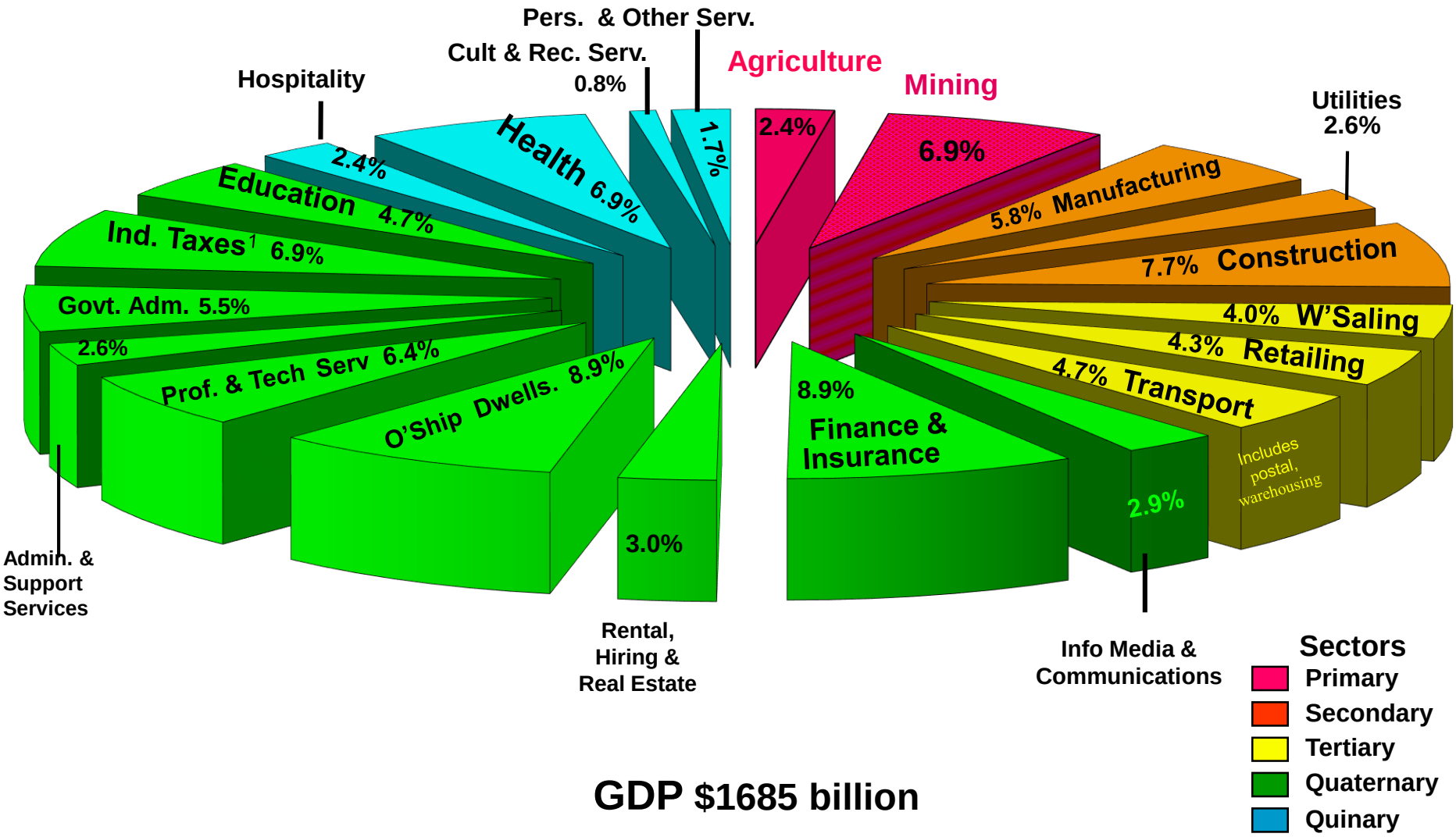
($818 per week)

Note: [2] **Baby sitting, Foxtel, Netflix, M/V hire, gardening and many others**

Source: IBISWorld 12/12/16

Australia's Industry Mix

Shares of GDP, in F201 price terms **Year to March 2017**



GDP $1685 billion

Note [1]: Less subsidies, but includes stat. discrepancy (0.3%)

East Melbourne icons and activities

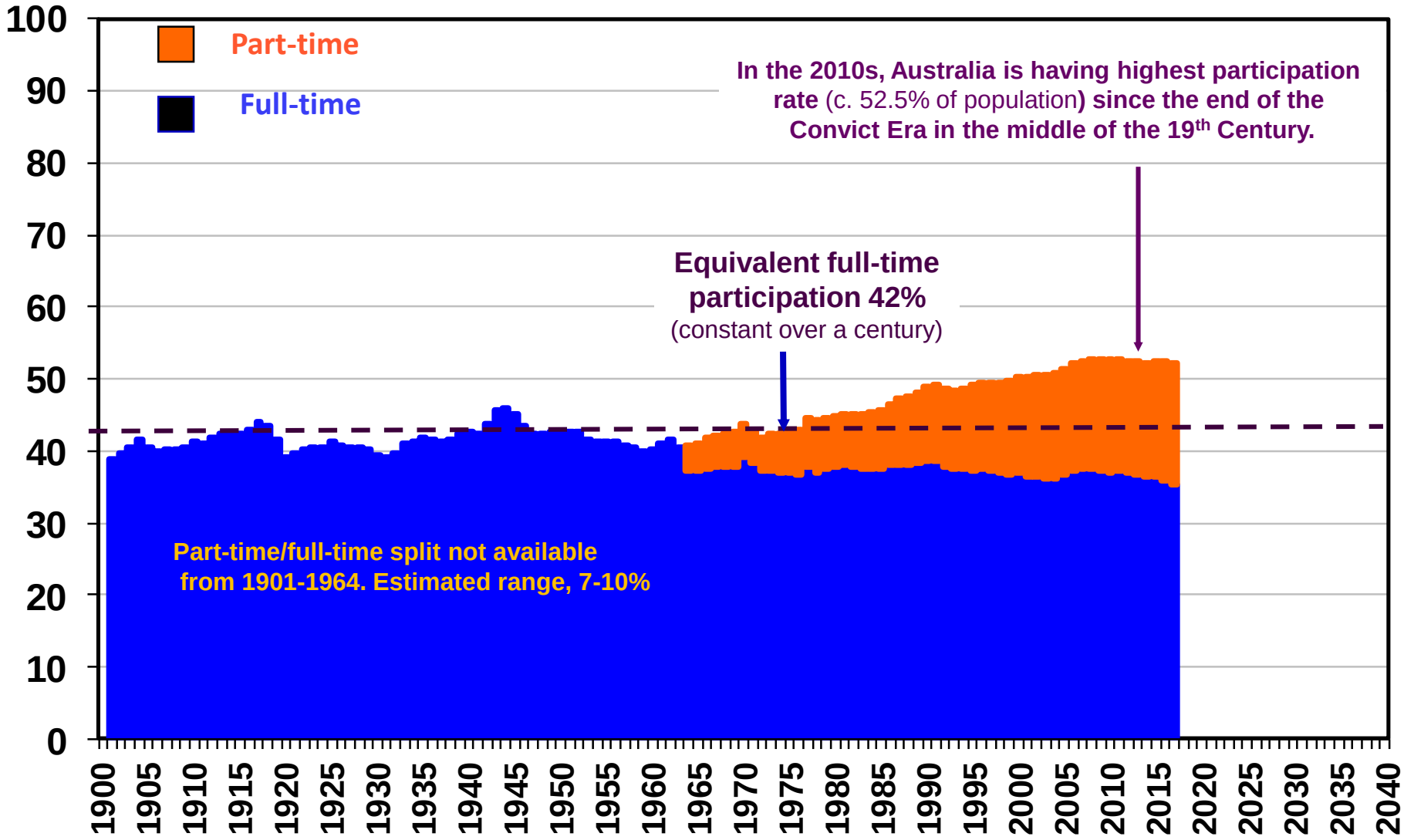
We are essentially a unique dormitory suburb, but . . . .

Agriculture	Fitzroy Gardens Conservatory and Nursery
Mining	Can't find any
Manufacturing	Brewery, not operating these days
Utilities	Electricity substation
Construction	Always something (eg. Dallas Brooks Hall redevelopment)
W'Sale Trade	No
Retail Trade	Eastbourne, Pyman pharmacy, Laurent, liquor store
Transport, Postal	Trams, rail, bus, cabs, uber
Media & Telecom	No
Finance & Insurance	Bank, ATMs
Rental, Hiring. Real Estate	Realtors
Prof & Tech Services	Architects,
Admin & Support Services	Probably none
Public Admin/Safety	Parliament House, public service operations
Education	Schools (kindergarten)
Hospitality	Restaurants, hotel, motels
Health & Social Assistance	Epworth, St. Vincents, Mercy
Arts & Recreation	MCG, Fitzroy Gardens, Tennis
Personal & Other Services	St Patricks Cathedral, Bishopscourt, Fire Station

Work and jobs in the future

Australian Labourforce

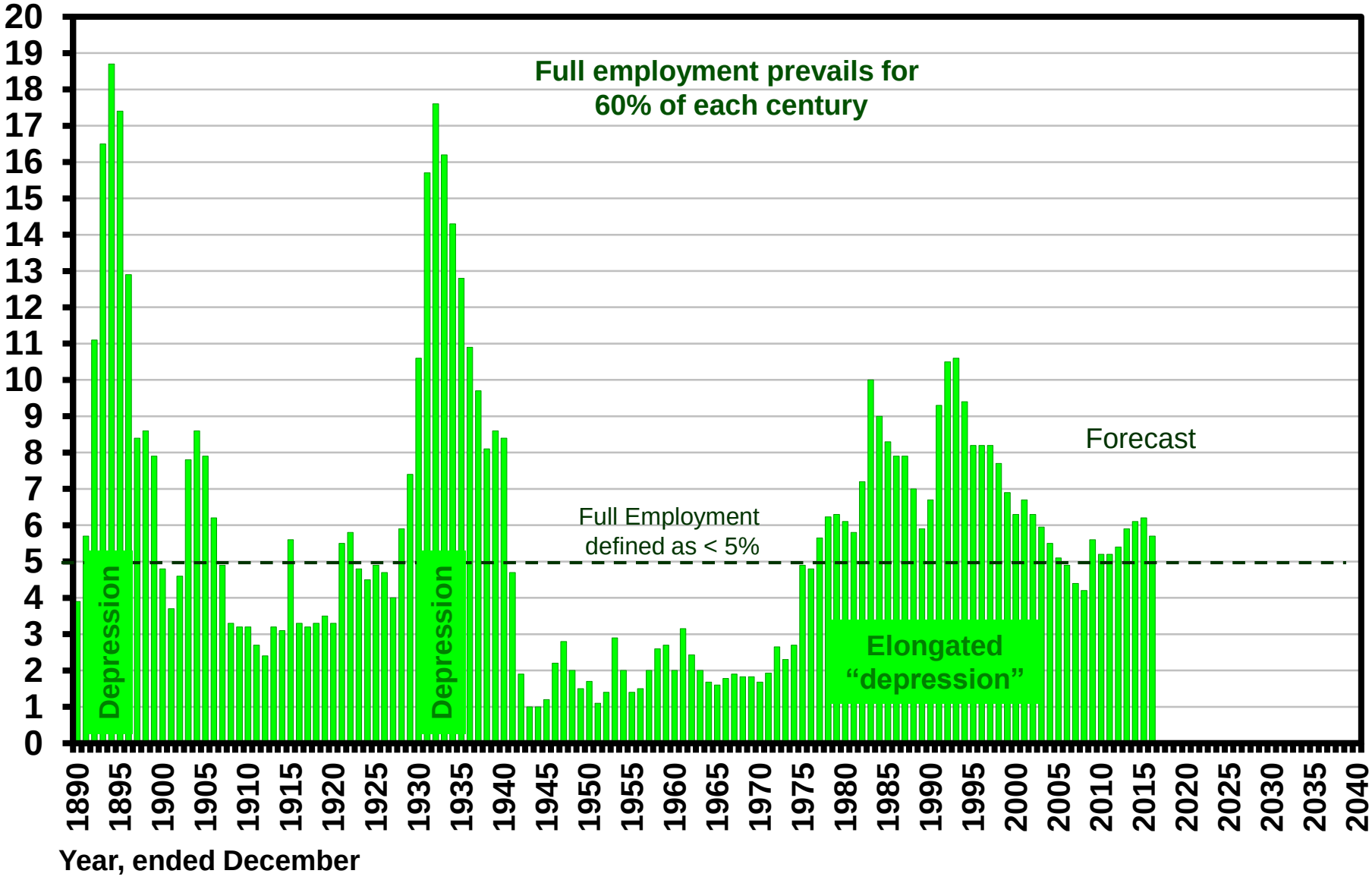
Part time vs full time labourforce as % of total population, 1901-2017



Source: IBISWorld *24/02/17*

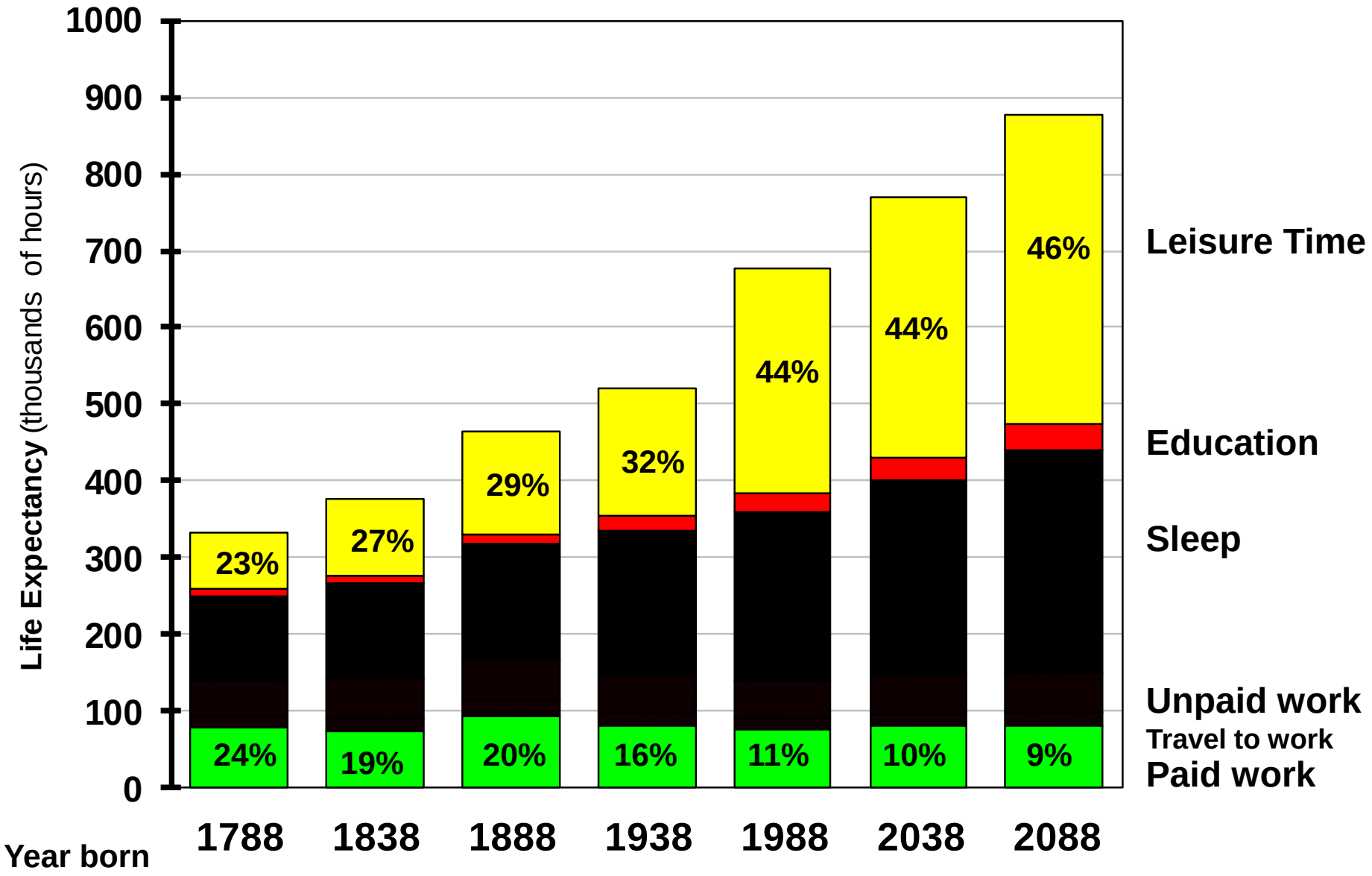
Unemployment in Australia

Annual, 1890-2016



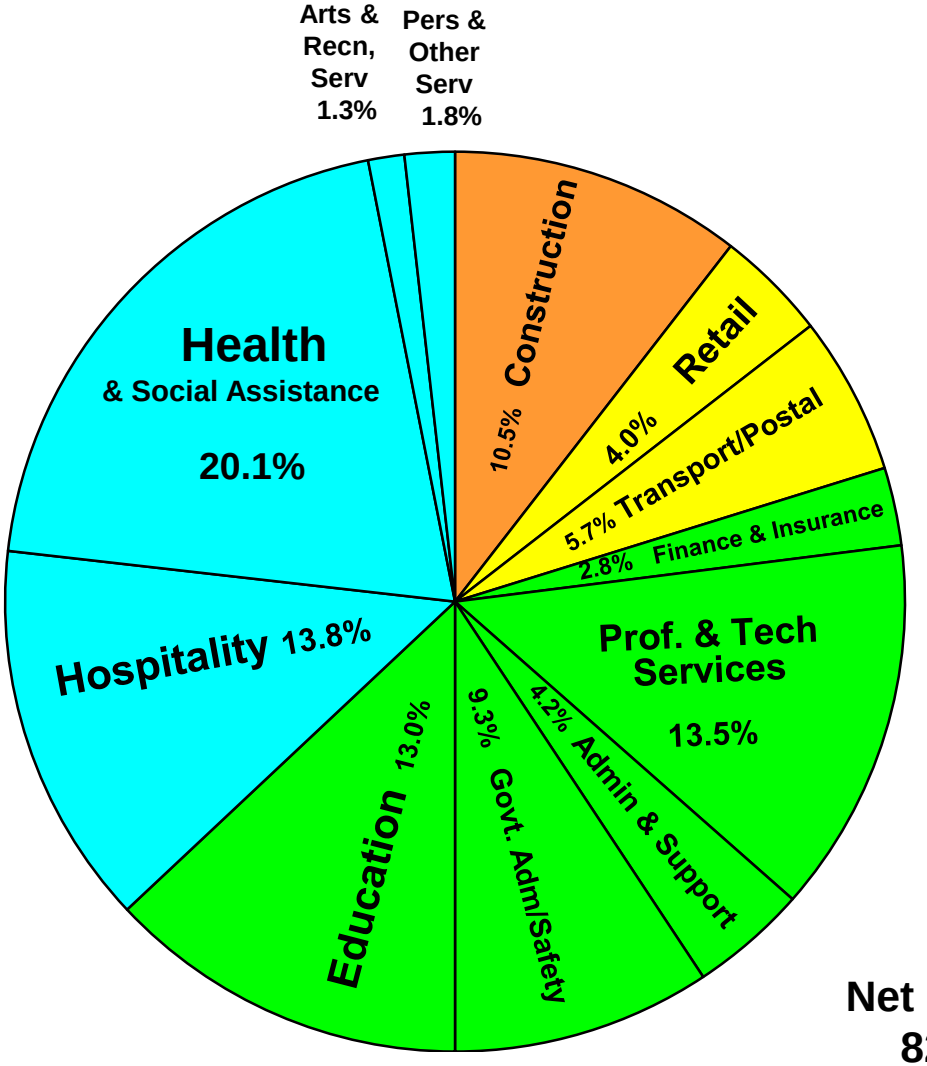
Source: ABS 13/02/17

Work And Leisure Over Time



Australia's New & Lost Jobs

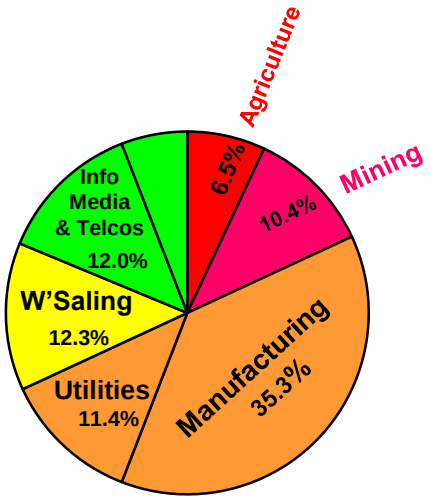
By Industry 5 years to March 2017 Share of total basis



New jobs 957,500

The nation created over 7 times more new jobs than it lost

Net new jobs 825,500

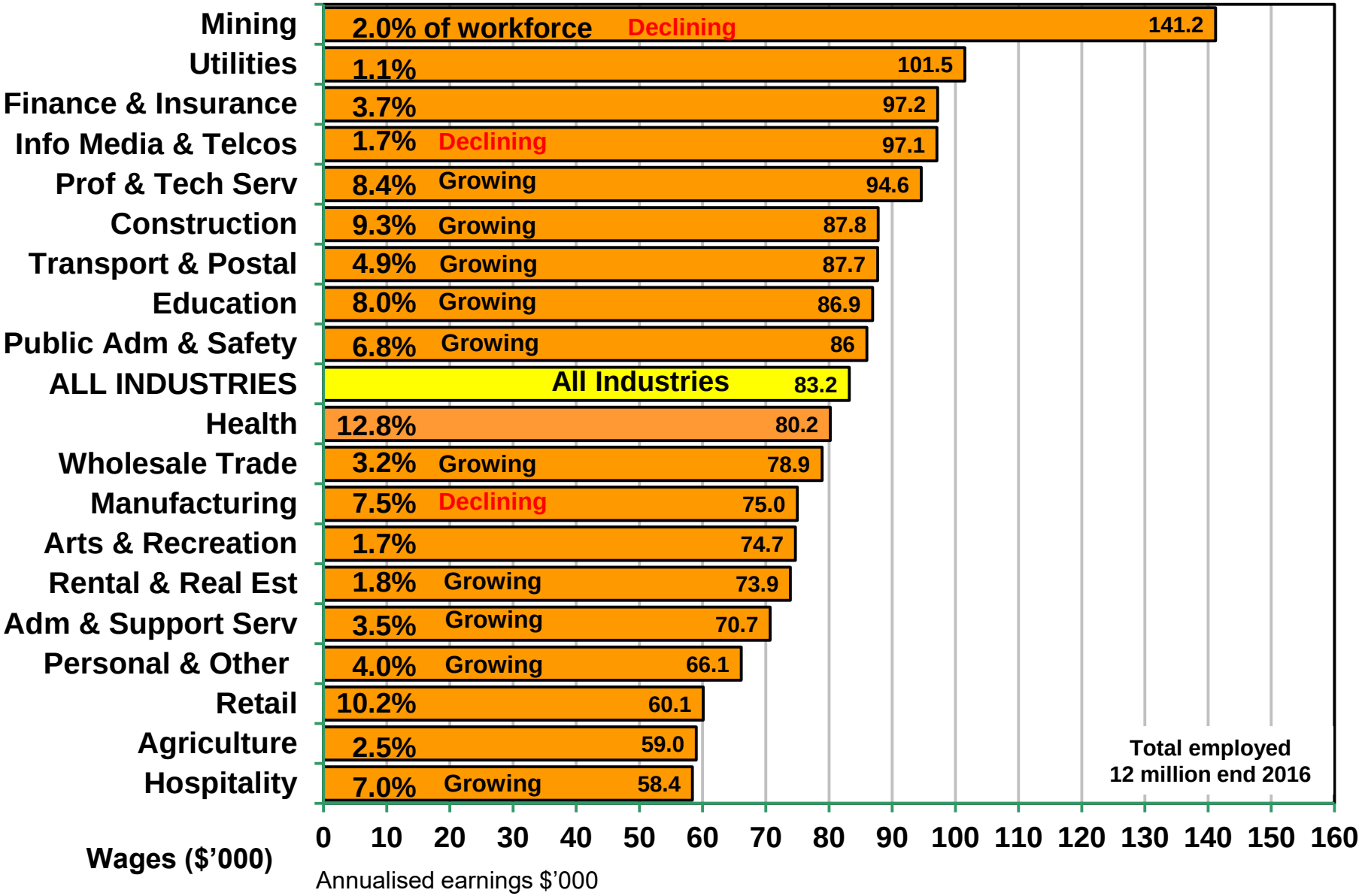


Lost jobs 132,000

Sources: ABS. IBISWorld, 09/06/17

Where The Money Is By Industry

Full-Time Total Adult Earnings December 2016 ($'000)



ABS 6302-10: 13/06/17

More worker freedom in the 21st Century

- **No "bondage" by businesses, bosses or unions . . .**
- **. . .replaced by opportunity and empowerment**
- **The gradual demise of the concept of an "employee"**
- **Rise of contractual relationships** (a worker being a business)
- **Rise of business ownership** (workers owning a business)
- **Payment for outputs, not inputs** (hours of work)
- **Emergence of advisers and mentors for worker contracts**
- **No discrimination on any** basis (gender/race/age/religion etc)
- **More part-time and casual work**
- **Partial or total working from home, where practicable**
- **More working seasons in a life**
- **New industries & occupations**
- **Working in a borderless world**
- **Knowledge worker concept**
- **Lifetime education & training**
- **Rising wages & salaries**

Our changing politics

Australia's Best Leaders

Those who made Australia very prosperous.

Those who were change agents & reformers

1.	**Cptn. Arthur Phillip**	(Govnr.)		Edmund Barton	(P/M)
2.	**Cptn. Philip King**	(Govnr.)	12.	**Alfred Deakin**	(P/M)
3.	**Maj. Gen. Macquarie**	(Govnr.)	13.	**Andrew Fisher**	(P/M)
4.	**Maj. Gen. R. Darling**	(Govnr.)	14.	**William Hughes**	(P/M)
5.	**Maj. Gen. Bourke**	(Govnr.)		Joseph Lyons	(P/M)
6.	**Sir Charles Fitz Roy**	(Govnr.)	15.	**Robert Menzies**	(P/M)
7.	**Sir William Denison**	(Govnr.)	16.	**John Curtin**	(P/M)
8.	**Sir J McCulloch**	(**Prem.** Vic.)	17.	**J. Ben Chifley**	(P/M)
	Sir Henry Parkes	(**Prem**. NSW)	18.	**John Gorton**	(P/M)
9.	**James Service**	(**Prem.** Vic.)		Gough Whitlam	(P/M)*
10.	**George Reid**	(**Prem.** NSW)		Robert Hawke	(P/M)*
11.	**Sir George Turner**	(**Prem.** Vic.)	19.	**John Howard**	**(P/M)**

IBIS' Economic Health Index

BASE INDEX (=100)

GDP Growth (Real)	2.5%	p.a.
Inflation	2.5%	
Productivity	2.0%	p.a.
Unemployment	5.0%	
Current Account	zero	(balanced)
Interest Rates (Real)	5.0%	
Exchange Rates (TWI)	100.0	

The index is weighted (threefold) to the GDP component.

At an EHI of 100 points, an economy is termed "healthy".

Why didn't Keating (or Hawke) make the list?

In assessing the 76 leaders from Captain Arthur Phillip to the present day, we used an "Economic Health Index" as in previous slide.

In short, did the leader ensure: full employment (being under 5% unemployed)**; fair interest rates** (between retirees and first-home buyers)**; good economic growth; a rising standard of living** (via productivity)**; etc.**

In the case of both Hawke and Keating, they didn't make the list of best leaders due to high unemployment levels (worst since the Great Depression, earlier slide)**, scary interest rates**
(see overleaf)**; a trashed exchange rate at one stage; and they only balanced the books for two years out of 13; and built up the worst national debt the nation had for decades.**

All that said, Hawke and Keating did a huge amount of reform, a lot of which had been rejected by the their own party, the ALP, for decades, not just the Coalition.

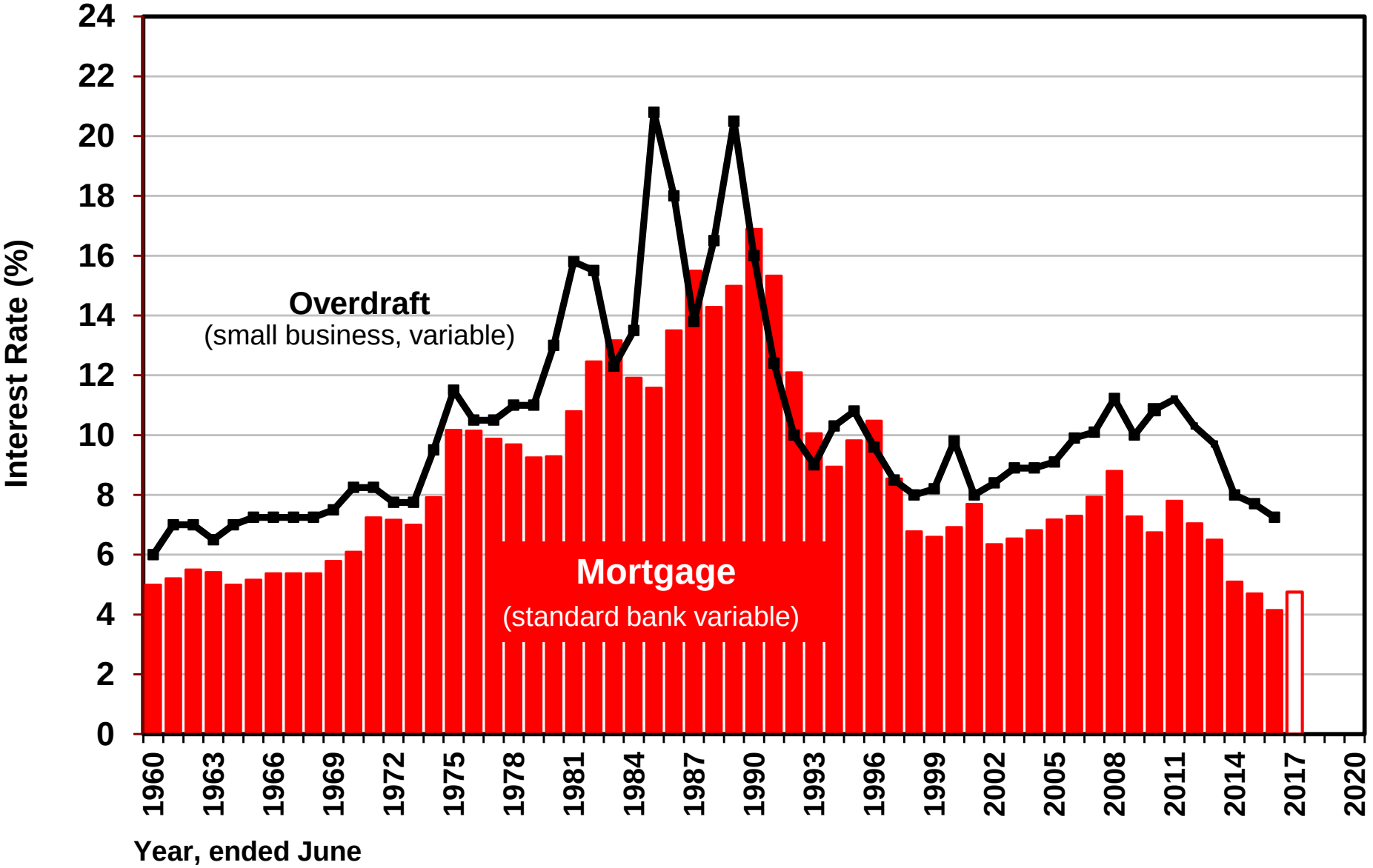
The best of these reforms included: freeing the exchange rate; dismantling the protection of industries; introduction of foreign banks; the superannuation levy in 1993; and more.

Great reformers, not so good economic managers; in fact terrible economic managers.
I had hoped that Keating would come back after losing in 1996, as had Menzies in 1941.

He could have become the best leader in our history. Not to be.

Indicator Lending Rates

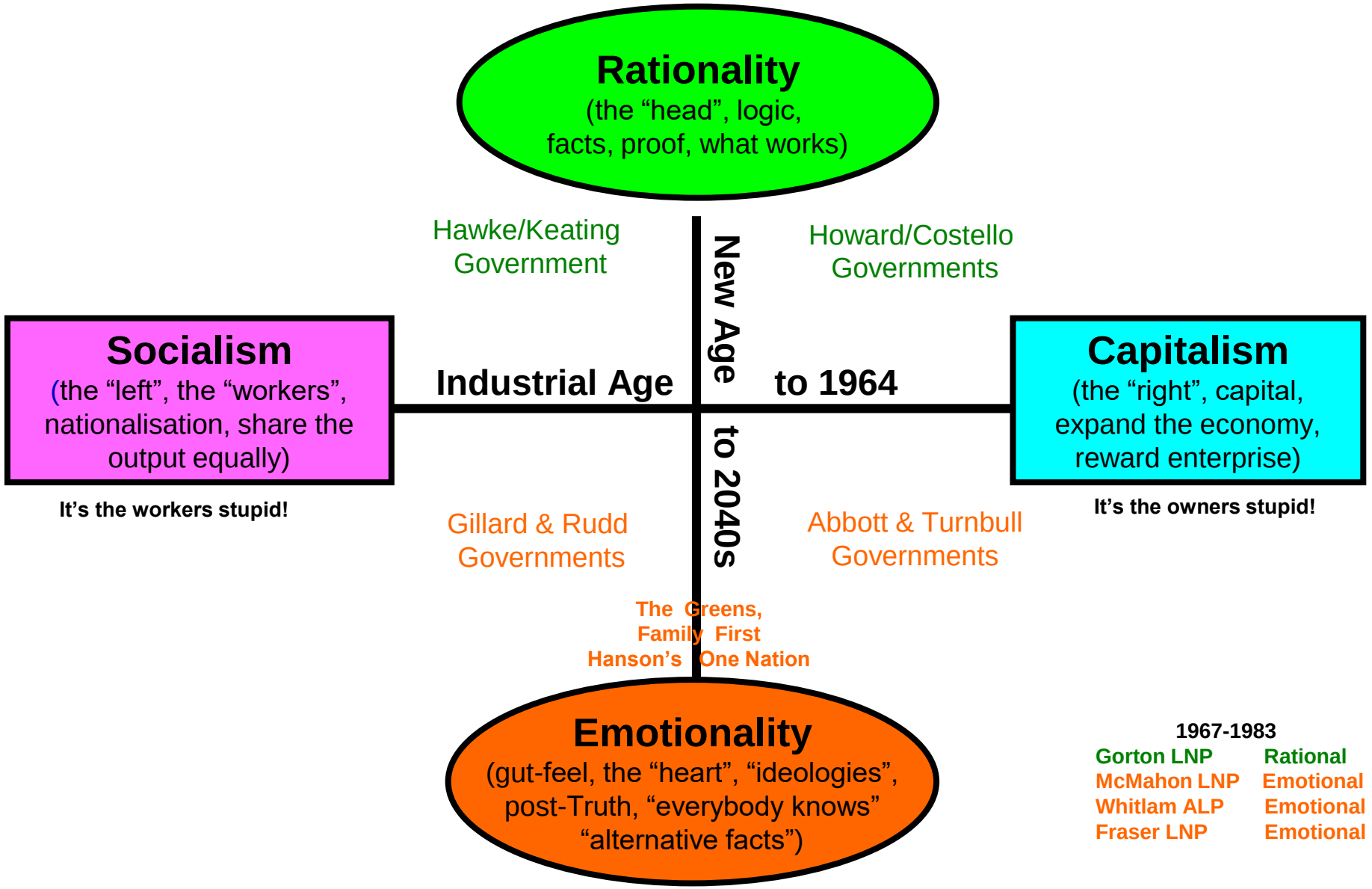
Australia F1975 -2016



Characteristics of Successful Heads Of State

1. **They were mostly elected in the last one-sixth of their then life expectancy at birth** (a legacy to be left rather than self-aggrandizement)
2. **They were mostly civics, few were idealists and no ideologues**
3. **They were mostly conservatives using platforms to win office, then running the country pragmatically**
4. **They came from the middle or working class** (silver-tails unable to relate)
5. **They were mostly professionals or tradesmen rather than businessmen**
6. **They were mostly born in second-string states** (something to prove?)
7. **Most had been blooded beforehand** (militarily or psychologically).
8. **They were tough, resolute and even ruthless when necessary, but often lonely, aloof, moody and unsure.**
9. **They had a loyal aide who supported the leader.**
10. **They fashioned the economy rather than managed it**
11. **They ran balanced budgets, avoiding debt build-up**
12. **The were all males** (but there will be some great female leaders in this Century).

Changing Political Ideologies



1967-1983

Gorton LNP	Rational
McMahon LNP	Emotional
Whitlam ALP	Emotional
Fraser LNP	Emotional

Rational Vs Emotional Government

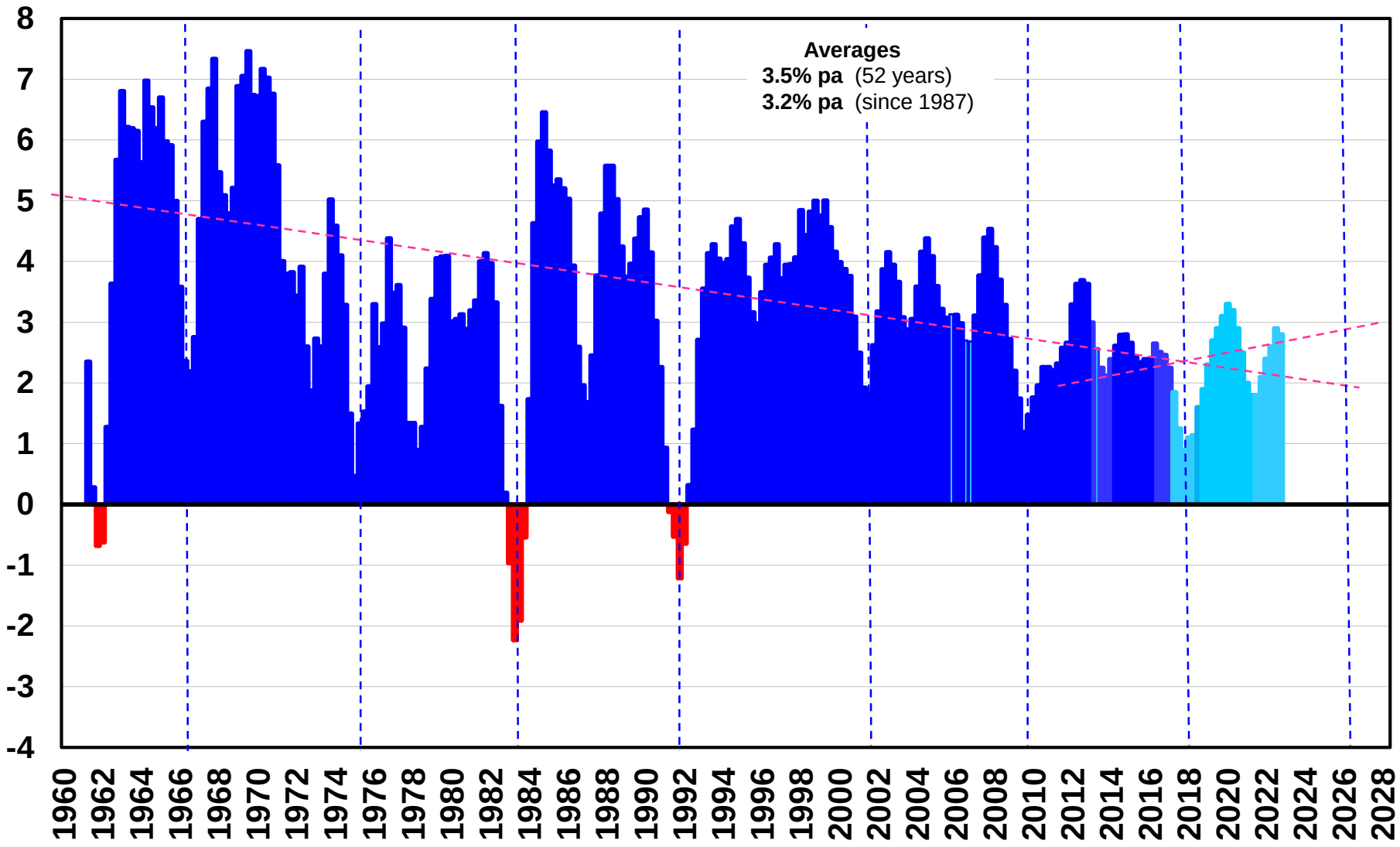
Government	Party	Term (years)	Type	GDP Growth (average pa)	
Gorton	Coalition	3.3	Rational	4.8%	
					4.8%
McMahon	Coalition	2.0	Emotional	2.8%	
Whitlam	Labor	3.0	Emotional	3.3%	
Fraser	Coalition	7.0	Emotional	2.4%	
					2.7%
Hawke	Labor	8.8	Rational	3.1%	
Keating	Labor	4.3	Rational	3.6%	
Howard	Coalition	11.0	Rational	3.7%	
					3.5%
Rudd	Labor	2.8	Emotional	2.1%	
Gillard	Labor	3.0	Emotional	2.8%	
Abbott	Coalition	2.0	Emotional	2.5%	
Turnbull	Coalition	1.0	Emotional	2.9%	
					2.5%

GDP growth over the past 50 years: Rationalists 3.7% pa Emotionalists 2.6% pa

Our economic outlook?

Australia's Economic Growth

Annual real GDP growth (%) progressed in quarters to **March 2017** (and forecast to June 2021)



Source: IBIS*World*: 07/06/17

Why Australia can smile in 2017

. . . but not be complacent

- **We have one of the highest standards of living in the world**
- **We have the world's most livable city (Melbourne)**
- **And four others in the Top 10; how good is that.**
- **We are mostly a confident nation (Consumer Sentiment)**
- **We are part of the world's fastest growing region: the Asia Pacific**
- **Our population growth (1.5% pa) is faster than the world's 1.3% pa**
- **We have virtually no serious racial tensions or terrorism**
- **Our unemployment, while not "full" is among the OECD's lowest**
- **We are creating over 7 times more jobs than we are losing each 5 years**
- **Our national debt is the lowest in the OECD as % of GDP**
- **We are one of the lowest taxed nation among the OECD rich countries.**
- **Our deficits are chronic but low within the OECD, and fixable.**
- **Our interest rates are low**
- **Sadly, four inadequate governments in Canberra over past 10 years.**

Finishing with fun:

things that seem true, but are they?

Some urban myths

- Marriages don’t last as long as they used to
- Eating too many eggs raises your cholesterol level
- We will run out of jobs due to robots, AI and technology
- We will run out of workers due to ageing
- We are working longer hours and harder than ever
- Immigrants take our jobs, causing high unemployment
- Australia cannot take a much greater population
- We need a big population to compete in the world
- We need to make things to pay our way and prosper
- The rich are getting richer and the poor poorer
- The rich don’t pay a big enough share of taxes
- We could become the food bowl of Asia