

Hon Peter Costello AC

Address to Monash University Law School Graduation

9 May 2013

As far as I remember, the first time I came into this Hall was the Orientation Week of 1978. I was the Chairman (or Chairperson as it then was) of the undergraduate Student Association and it was my task to welcome new students and tell them what to expect.

Mercifully no record of my speech exists. These were the days before iPhones made it possible to record video of any public event. These were the days before the internet made it possible to broadcast video to the world at large.

I clearly remember coming back to this Hall for my own Graduation in 1980 but I do not remember the Speaker. He was, I think, an Academic. I cannot remember what he said. But that was more than 30 years ago. Memory fades. I do not expect any of you to remember what I am about to say in 30 years' time... except for those of you who expect to receive Honorary Doctorates. You should listen up. You may find something useful for your address to the Graduates of 2045!

I was not listening so hard back in 1980 because I was not expecting to be back here now. Mr Chancellor, I am delighted and I am humbled by this unexpected honour!

I can tell you how I felt at my Graduation. Unemployment was higher than it is now. In those days it was hard to get a position as an Articled Clerk and, later, a junior solicitor. We were nervous about our prospects. We were right to be. Australia ran into a severe recession in 1982-3 and an even worse one in 1990-1. On both occasions the unemployment rate broke into double figures.

1990 was the last recession that Australia has experienced. I like to think that I played a part in making that the case.

Many of you have never lived through a recession. Sure unemployment is higher than a year ago and the mining boom is slowing but it has been just that – a boom. In the last three years we lived through the highest trading conditions ever recorded in Australia. As the trading conditions revert back to more normal levels you will feel things are slowing up. But unless there is severe mismanagement we should avoid widespread joblessness.

After qualifying and practising as a solicitor for three years, I joined the Victorian Bar. As a young Barrister I wanted to make sure I had some income so I gladly accepted the offer to come back as a Part-time Tutor in the Law School. I tutored in Labour Law and Trusts (equity). I am glad I did. I think it was the first time I really learned something about those subjects. Some of the students I taught have gone on to great things. I have more reason to thank them than they have to thank me. They forced me to get up to scratch.

It was that second recession – the one in 1990 that the then Government told us “we had to have” – that propelled me into politics. I couldn't figure out how a Government could get it so wrong. Homebuyers were then paying mortgage interest rates of 17%. I doubt you will ever have to go through that experience. I hope not.

As a barrister, I appeared in some pretty well known cases including some in the High Court. So when I was elected to Canberra, I was slotted down to be a future Attorney General. But

things don't always work out as expected. After a time I was appointed Shadow Finance Minister, then Shadow Treasurer, and when the Coalition was elected to Government I became the Treasurer – a position I held longer than any other person in the history of the Commonwealth. So far. I would not wish it on anyone to break that record!

Apart from studying Labour law and wage fixing which was useful when I took briefs to appear in the National Wage Case, I studied no economics. I certainly had no formal training in macroeconomics. I did have one considerable advantage however. I studied tax law – in fact won a prize in it here at Monash. The Commonwealth Treasurer administers the tax system. I could understand the tax laws I was introducing into the Parliament. Not many Treasurers have been able to say that! I knew when the Australian Taxation Office and the Treasury were serving me up rubbish. If we had people in office with a rudimentary understanding of tax law now, we would not have had the debacles of the RSPT and the MRRT.

The hardest work, intellectually, of my time as Treasurer was tax reform. I introduced the GST on 1 July 2000. The policy was announced in August 1998. For two years, including right through a bitterly contested Federal Election, I had to take questions at public meetings, questions in Parliament, questions from television interviewers, questions from callers to talk back radio on how GST would affect goods and services and the effect it was likely to have on the three billion prices it affected!

I often compared this campaign to sitting for a tax exam – several times a day. There were no prizes for getting 9 out of 10 answers right. The Press was looking for – was desperate for – a wrong answer, a gaffe, the “gotcha” moment where I got it wrong. In 1993 – the previous attempt to introduce GST – the then Leader of the Opposition had been unable to explain how GST applied to a birthday cake. It was fatal, to his campaign. It finished off the GST and it finished off him.

So the training I received in the Law School had a lot to do with the introduction of GST. That is another reason to study Law at Monash – one day you might have to introduce a new tax system!

The reforms of 2000 proved very successful – so successful that many people think the rate of GST should now be increased. I am not one of them.

We, the Law Graduates of 1980, were worried that we would not all get jobs in as lawyers – and not all did. Yet our degrees were not just a professional qualification. Our legal education would prove a pathway to all sorts of other careers. Many ended up in business and finance. Some ventured far wider than that. Provided that standards are kept high, the award of a law degree will be evidence that a person has the discipline to study and the academic intelligence that can be applied to all sorts of other fields and vocations. In my case it led to politics. It is not unusual for lawyers to find their way into politics. They are the third most common occupation for aspiring MPs, behind political staffers and union officials.

Because you are students of Monash University you therefore know its motto – *Ancora imparo*. You know that your learning will not stop just because you have now graduated. Because knowledge is widely distributed via Information and Communication Technology you will have avenues of learning open to you in ways not available to previous generations.

What is more you will be expected to continue learning to hold down your job. You will need to keep learning to take advantage of, and participate, in all the changes which are coming for our society in the next half Century.

This is an information rich age. It is the most information rich age in the history of mankind.

Today information is not limited by oral storytelling, or by characters written on papyrus reeds, or by the movable type of the Gutenberg Press. Information is transmitted by optical fibre to homes, workplaces, and places of leisure via mobile devices. Technology is re-arranging the economic order. One of the biggest changes is “disintermediation”.

If I wanted to buy a book ten years ago I would go to my favourite bookshop. If it was not there, the staff would order it in for me. When it arrived, I would go back and collect it. But I don't have to rely on that book retailer today. I can order it direct for myself – from the publisher or a distributor like Amazon. I have not met these people and I do not know, physically, where they are. But my experience, and the experience of others has led me to conclude they can be trusted to deliver what I have ordered for the price we have agreed. The retailer I used to physically deal with was only ever an intermediary. That role is being cut out. The process is known as “disintermediation”.

You can see the same in the travel industry. Travel Agents used to control a large part of the sale and distribution of airline tickets. Airlines now open up their schedules and prices to the public and travellers can print their own Boarding passes or carry a bar-code on their iPhone. The standard domestic air travel can be done very easily without the Agent – this also is disintermediation. But Agents have not entirely disappeared. You might still use a Travel Agent for complex tickets or “package deals”. An intermediary who can add value will still have a business. But it is not going to be in standard products with standard prices – what an economist would call “commoditized” products.

Producers are reaching down the supply chain to the consumer direct. They want to “own” the consumer, and not pay a margin to someone else to get access to that person.

To establish that relationship the producer must be trusted. Brand and reputation are extremely important, even more important in the world of e-commerce. I have had all sorts of offers to establish a relationship with a certain Nigerian Bank. But for this reason, so far, I have not taken them up.

Have you thought about how this is affecting education? Great Institutions like the Massachusetts Institute of Technology now offer open courseware which makes their courses available not only to enrolled students but to any students, or would-be students, anywhere around the world. Could this process disintermediate local education suppliers?

The answer is that if education can be commoditized – if it merely consists of acquiring knowledge of certain facts – and if the intermediaries – the Lecturers and the Tutors – are not adding real value then they will be at risk. We know that good teachers make education come alive. They enthuse students and drive them to greater heights. Those teachers will not be at risk. But those that do not add value and enthusiasm and tailor their teaching will be at risk. And they should be.

One of the crucial roles of a teacher is to explain which things are important, which are not, and how facts and information cohere with each other. Prioritising information is a key to understanding a subject.

Let me illustrate by reference to the media – an industry I know a little about. When I was first elected to Parliament I got my information on current affairs from the newspapers. But they are published only once a day. Nowadays I have long learned what has happened from television, or radio, or from websites before I pick up the morning newspaper. Sales are falling because papers are a slow means of communication.

But I still look at the Papers. I look at a newspaper to see how it prioritises the news – what it puts on its front page as opposed to what is buried on page 23. A lot of other people like radio broadcasters and Television Bureau chiefs do the same. If it is a front page story then I, and others assume, it has some importance. Broadcasters will republish it, reporters will look for a follow up the next day. Even if it was not important to begin with all the follow up can make it so. Something becomes news if enough people are hearing and talking about it.

But if we see a persistent pattern in a newspaper where it gives prominence to stories that are not discussed in the office or on the Talkback Radio or amongst our peer group then we begin to doubt the judgement of the paper. We start to suspect it is losing touch. Or maybe it is biased. Its value as a news intermediary declines, and so too do its sales.

Out there in cyberspace there are unlimited sources and unlimited facts coming at us down the fibre pipeline. A valuable teacher will be the one that can tell us the facts that should be on the front page, which we have to know, and the ones that should be up on page 23 which it would be nice to know if there is enough time. Learning how to discriminate between important facts and irrelevant ones is important to gaining knowledge.

Education comes from a trusted source. It is brought alive by valuable intermediaries. It teaches us how to discriminate information but if we are to fully utilise it we require something else. That is judgement. Knowing facts is one thing. Having the judgement on how to use them is quite another.

You are Law Graduates so I think you will understand this well. In a contested case the Court must first establish the facts and then apply the law. It is no accident that the decision is called a “Judgement”. The Judge has to decide which are the important facts, what weight to give them and then how the law applies to bring the dispute to a conclusion. It requires judgement.

So where does judgement come from? This is not a pure academic skill that can be taught in the classroom or the lecture theatre.

I know some very clever people who I would not trust to make decisions that are important to me – about my family, my finances, my future. William F Buckley Jr, a famous American Editor was fond of saying: “I would rather be governed by the first 2000 people in the Boston telephone directory than by the 2000 people on the faculty of Harvard University”. There is a difference between being clever and having judgement.

The best way of developing judgement is by observing and absorbing it from others – respected role models and peers. Many of these people can be found in a University. Many of them are outside it. In due course many of you will, I hope, become such role models.

The people I admired most in public life were people with judgement, people who could make decisions on principle and carry others with them on that basis.

Something I learned at Monash is that majorities are not always right. It takes a great deal of strength to stand out against popular positions. But standing for a principle – well thought out and with honourable intentions – does win respect from others. Even more importantly, it will bring you self-respect. That is the quality which you will need to live with yourself.

I wish you well in your careers and congratulate you on your achievements today.