

Keynote Speech

The Complexities of Post-Pandemic Economic Recovery

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Thank you very much for the opportunity to contribute to this conference. And it is my pleasure to talk to you on this very important topic of post-pandemic economic recovery. Here we are at the end of 2022, continuing to feel the effects of COVID 2019, which of course had its worldwide impact mainly during 2020 and 2021. And now in 2022 we continue with the challenge of working out how to recover from this significant disruption to the global economy, to the global society and to people's everyday lives. I am concentrating here, as expected, on economic impacts and economic recovery. And so I will, in this presentation, touch on a range of ways of thinking about what's happened and how that has affected responses to this point and how it is likely to affect things into the future. Sometimes I will touch on what is happening in Sri Lanka. Most of the time I will talk about the issues more broadly than that.

But first, some personal background. I have a long connection to Sri Lanka because many years ago I joined an organization in Australia that supported Sri Lankan tea producers, the Tamil Tea workers, and we have been regularly buying beautiful Ceylon tea for many years. I have visited Sri Lanka a few times, including visiting the tea plantations. I have a great affection for the people of Sri Lanka and for the beautiful tea country in particular, but other parts of the country as well.

Over the years as a university academic, I have had a few PhD students from Sri Lanka. One of my students most recently studied tea plantation workers, particularly looking at the impacts of the mid-day meal programs in the childcare centres that are provided on the plantations. In my long time at Monash, I have tried to learn about how the economy affects people's daily lives, including in Sri Lanka and in other places.

Pandemic Impacts

Now let's talk about the pandemic. First, let's remind ourselves of the impacts

of the pandemic, the economic impacts in particular. Here are a few brief points.

1. A significant impact of the pandemic was on government budgets. Governments had to spend a lot more money than they normally do, for example, on health and in social protection measures as economies were effectively shut down. This had a major impact on government budgets, and many countries found themselves with significant debts as a result of the direct impacts of the pandemic response.
2. Secondly, the pandemic had a significant impact on the costs of doing business. Businesses had to adapt and do things differently. Shops had to introduce online sales or restrictions on entry into their shops. Restaurants and cafes had to change the way they operated. Transportation costs increased dramatically as various barriers were put up to people movement, everything became more expensive. Most businesses tried to avoid passing those costs on to the consumers. This becomes relevant to us when we look at 2022, because what happened in 2022, as things resumed, demand increased. A lot of businesses found themselves short of revenue, even though they were busy, they were actually losing money. So costs had increased and tended to stay up for different reasons in 2022, and businesses were unwilling or unable to respond quickly enough on the revenue side. And so you have got a lot of businesses going bankrupt this year.
3. The other very obvious impact was a dramatic drop in people movement. It was not a good time to be running an airline. It was not a good time to be a country that was heavily reliant on tourism because there was an 80-90% decline in air traffic and hotels were 90% empty, if not more.

In Sri Lanka, that is one of the areas where there's been the greatest impact, with such a strong reliance on Tourism. Having said that, I just would remind us that whilst tourism is a very important sector in many countries, including Sri Lanka, it is good to keep the scale of the problem in perspective. Tourism represents 10-15% of the Sri Lankan economy. If you have up to 15% of GDP that all of a sudden disappears, that is a loss, a significant loss to an economy. There's a little bit of substitution into other sectors, but most of that will be a decline. There will be a significant decline in GDP just because of that one sector virtually closing down, but the other 90% of the economy continues on, mostly unaffected. Costs

have gone up, sure, but whole industries were not closed down. In the scheme of things, if that is all that took place during the pandemic, the impact of significant reduction in people movement should not have had a massive and lasting influence on an economy.

4. There was a move towards online business activity, which actually benefited a number of businesses and members of society and penalized others depending upon which side of the digital divide we are.

If you are in the kind of business or occupation which can operate equally well sitting in your office at home compared to sitting in the office at work, then you actually benefited in the form of saving commuting time and potentially an improvement in your lifestyle. Employers noticed improvements in productivity of employees in those situations. My academic colleagues were pleasantly surprised at the number of papers they were able to produce in the 2020 and 2021 period. They were actually more productive than they were in normal years, with fewer day-to-day distractions of being in the office. So, yes, those on that side of the digital divide actually benefited from this change. But many, of course, on the other side where their jobs could not easily switch to online or partially online. It could work, but in a very unhelpful and fragmented way, and many found it very difficult. Education can be thought in that category, particularly school education, where in theory we can teach our children online, but in practice trying to get an eight year old to sit in front of a computer screen and concentrate on a school lesson where the teacher is at the other end of the screen is very difficult, while a parent who's supposed to be supervising them to do their learning is also supposedly working at home. It was a very difficult time for those people in those situations, let alone many others.

In summary, the pandemic had significant economic impacts at the time, and it is useful to remind ourselves of those impacts before we think solutions.

How did governments in particular cope with those kinds of substantial detrimental impacts? In broad terms, some governments absorbed it fairly well. They spent a lot of money. They incurred big deficits, but they had the buffer in their budgets to cope with those deficits. In Australia, our governments went into massive deficits, which will take a few years to

recover from. However, there is no great concern about their sustainability and it is just a matter of waiting a few years for the economy to bounce back, the tax revenues to come in and the debt will be cleared. Other countries, and I probably put Sri Lanka in this category, started the pandemic experience already fragile, either because of weaknesses in their economy or because of high levels of debt even prior to the pandemic. When the pandemic comes, requiring them to incur significant additional debt, plus cope with a slowing economy generally due to the drop in tourism and other increased costs of business, meant that those countries tipped over the edge of sustainability of their debts. And that's what we ended up with, in the case of Sri Lanka in particular. Countries in this situation did not have enough buffer built in to cope with potential disaster. Nobody really believed that a disaster of this magnitude could actually happen.

RISK

And it is that point that we take as our first key message from the pandemic: Risk. We must learn to take risks seriously. Countries cannot go to an insurance company and insure against risk, the same as you or I can take out insurance on our car so that if we have an accident, the insurance company will pay to replace our car. Countries can't do that. They have to work out how to manage risks themselves by effectively self-insuring against risk. You cannot live too close to the edge as a country. You must have ways of coping when there is a harmful event or natural disaster or anything like that. Countries need access to reserve funds that help them to cope with a downturn, not massive debts that tip them over the edge when they are forced to increase due to circumstances outside their control. And as you know, Sri Lanka has found itself in a situation where in the last 6 to 12 months they have been starved of foreign currency and heavily indebted. And as a result, the country is really struggling to pull themselves out of that situation.

At a personal and community level, it is interesting to observe in different countries how different people in the society cope with risk. I do some of my work in Timor-Leste. When the pandemic came, the government imposed significant restrictions and a lot of the activity in the capital city was closed down because it involved a lot of people movement. What did the people do? A significant portion of the population left the capital city, went back to visit their relatives in the rural areas on the small family farm, and reverted to the lifestyle that they and their parents had grown up with. They coped with the adversity by essentially using the broader family networks and going back to

the subsistence lifestyle that they were comfortable with and able to manage. So in a strange way, sometimes the poorest of the poor are actually more able to cope with downturns because they don't really rely much on the system to work well. They have learnt how to survive on not much, but it is more difficult for those of us who have forgotten how to work the family farm or no longer have those connections. We find ourselves living in urban areas, now no longer employed potentially, or with a significant loss in income, because, for example we cannot get fuel to run our taxi business. There is a significant cost without any real way of protecting ourselves from it.

So there are equity considerations in any of these impacts, there are some who will suffer more than others. But I just highlight that it's not always the poorest of the poor that suffer more than others because they often demonstrate remarkable resilience. Often not, but many times they can.

GLOBALISATION

Let me just reflect on one other aspect of the pandemic, which is relevant to the recovery and to moving forward: the response to globalization. Effectively, you could argue that the pandemic was an example of a failure of globalization. Globalization allows us to operate as one very highly integrated economic system. Globalization allows people to move almost anywhere at any time. For example, the volume of people movement in Australia in one year in and out of the country exceeds the population of the country. Before 2020, we were living in a highly globalized society, people and goods and services, and we have experienced the benefits of that in terms of significant growth in wealth globally, but also the risks of it. That is the great challenge of globalization which has been exposed during the pandemic, we become very vulnerable to shocks. All it takes is one ship in the Suez Canal to become stuck because of poor navigation, and the whole of the global trade supply chain is affected. Sitting in Australia as a building business, waiting for the additional building materials to come, I lose two weeks work or more because of that one event that took place on the other side of the world. That's the reality of globalization. We are a highly efficient but also very sensitive system.

It was observed frequently in 2020 that not only does globalization creates these risks for the movement of goods, but also, of course, with all this movement of people comes the risk of a spread of a disease or a pandemic. Commentators predicted that in response, there will be a retreat towards autarky - away from globalisation, towards self sufficiency. Countries have learnt now that we can't trust the global system to provide us with our basic

needs. To an extent, this took place. For example, countries like Australia realised it was a bad idea to effectively offshore all of our pharmaceutical industry and therefore be reliant on other countries such as China, India and the US to supply us with our vaccines in response to the pandemic. So we have rapidly rebuilt our local pharmaceutical industry capacity, ready for the next pandemic. Other countries, like Timor-Leste, discovered that to be reliant on the global supply of daily essentials such as rice left you vulnerable when the shipping industry was heavily affected and people were short of rice.

And there are many other examples of that throughout the world. So a retreat to Autarky was talked about and there were a few steps taken in that direction over the last couple of years. But interestingly, those generally have not been maintained. Mostly as the world has opened up again in 2022, we have quickly reverted to the globalized model. The global supply chains are actually really efficient and it is difficult to replace them with locally produced and locally supplied goods. Costs will be higher and there will be competition from the imported goods that will eventually drive out local production. There is a natural market mechanism at work here that keeps the world globalized.

Of course, governments can intervene on that and set up barriers and other mechanisms to slow the spread of globalization. But post-COVID, that generally has not happened. The natural market forces have been left to drive us back in the direction of globalization. We still live in a globalized world.

In this context, it is probably the case that we have not taken to heart the lessons of the risks of that particular world system. There is some more appreciation of the risks in terms of the health risks and the spread of disease, but not much recognition of the risks in terms of our reliance on global trade for our day to day needs and therefore our vulnerability to one or two aspects of that global system shutting down and all of a sudden cutting off the supply of essential goods or services.

There indeed lies one of the challenges of our recovery from the pandemic. How do we take the risks associated with globalisation seriously? This is an area that is going to require public intervention because in the private sector, the globalised company will always aim for the most cost effective solution and they will be looking for relatively short term gains. They don't want long term reputational damage, but that is the only reason they care about the long term. What they care about in the short term is profit maximization. This mindset is not going to be sufficient for countries to protect themselves

against the risks of globalisation. We need governments to take those kinds of issues seriously and address them. Some of the same kind of attitudes that we have in relation to health risks need to be applied to economic and security risks.

There are a few areas where the risk dimension is handled relatively well. Take oil reserves as an example. In Australia, oil importers and refineries are required by law to retain a stock of about two months worth of oil in case there's all of a sudden shutdown in oil supply around the world. This buffer stock gives us a couple of months to sort out a response to a sudden global shortage. There are at least some reserves. Here is an example where Government acknowledges it is an absolute essential which we cannot afford to run out of. So we build into the regulation of that particular sector some degree of buffer, because if we left it to the oil companies, they wouldn't keep two months worth of reserves. That is an unnecessary cost of doing business - additional capital costs associated with those reserves. Left to their own devices, companies will cut reserves to one month or to two weeks and then, of course, run the risk that a delay in a ship will lead the country to run out of oil.

This example with oil reserves provides an example of how Governments can intervene to regulate the behaviour of sectors, to protect against downside risk. We need to spread that thinking more and more amongst our political decision makers.

A Confusing 2022

In general terms, for most countries of the world, 2022 has been a very confusing year economically.

In 2020 and 2021, Government interventions created what you might describe as pent up demand. A large number of people like myself sitting at home earning just as much as I was before, but not allowed to travel anywhere, not allowed to spend the money that I'm earning. There's only so much I can spend on going to my local cafe and buying coffee or getting home delivery food. So I end up at the end of 2021, bored from sitting at home all that time with a whole lot of money in the bank and wanting to get out there and spend. Private savings were very high in 2020-2021, and consumption has been the name of the game in 2022 in many countries of the world, especially amongst the middle class, who drive most consumer spending. As a result, there have been inflationary pressures because businesses have not been able to recover quite as quickly as demand. For example, in the airline industry they were still busy half way through 2022

recommissioning their planes that have been mothballed during the COVID period, re-employing staff who had moved on to other things, catching up with re-equipping themselves for the kind of volume of demand that they had pre 2020. As a result, demand far exceed exceeded supply, resulting in this inflationary pressure. Alongside this we had the global supply chain disruptions of a Ukraine conflict and ongoing COVID restrictions in China. In other words, we have significant growth in demand, sluggish improvement in supply and blockages to improvement in supply, All leading to inflation. In this artificially created bubble, we have businesses going broke just at a time when they should be booming because they could not gear up sufficiently to cope with this increased demand and they had not adjusted to the higher costs.

There are a very strange combination of things happening in different countries of the world in 2022, and this is a very messy, confused picture of the global economic situation. Reflecting a lack of confidence to sort out the confusion, there is continued pessimism about global recession in 2023, which actually seems rather strange in a time when demand is actually so high.

These are factors which, from a Sri Lankan point of view, are mostly external to Sri Lanka because Sri Lanka had some additional unique experiences, which I'm sure you are far more familiar with and understand far better than I do. So I will not go into in any depth at all about the unique situation facing Sri Lanka. All of those circumstances I just described would be relevant to Sri Lanka. But in addition to that, you had these major debt problems that preceded COVID, but where COVID came along and made an already unsustainable debt level into a crisis. They have a political dimension to them, as well as a global and international political dimension associated with who the money was borrowed from, and what the attitudes of other neighbouring nations might be to that. So there are significant additional factors that have really hurt Sri Lanka just at a time when the global economy was also very confusing, and of course a very strong political sett of issues overlay all of that.

Business Cycles

So this is not a great time for us to be coming out of a pandemic in 2022. It's a messy recovery in every country of the world, particularly in Sri Lanka. Now, that's a very pessimistic view, but let me just give a little few reflections on how things might be seen in a more favourable light. The good news is what we're experiencing this year is what's typically described as like a

business cycle. It's a little bit of an unusual business cycle because it was prompted by the 2020 pandemic. But effectively, we have an overcooked economy that's inflationary, which is likely to lead next year to recession. This is a classic business cycle type phenomenon. And the business cycle is called a business cycle for a reason. A cycle implies that things will get better and things then will get worse. And then after a while of being in the trough, we turn around and we move back up again and recover until we hit a peak. And on the cycle goes. The reason cycles happen is that in an economy there are built in built mechanisms that tend to lead to us recovering from the downturns and prevent us from overheating the economy and cause it to slow down again. Now, usually a business cycle takes a few months, maybe a year or two for recovery to happen. But it does happen.

As I mentioned that this is not a classic business cycle because it was prompted by the pandemic. So exactly how the recovery in the world economy will happen is a bit unclear. But it's true that even in more substantial crises that countries face, there are still reasons why we can be optimistic in the midst of the crisis. Recovery takes place. I was explaining to some of my students recently the history of economic development in Rwanda. Rwanda was a middle ranking African country through the 1970s and 1980s, which means it wasn't performing particularly well, but it was surviving amongst other African countries. And then, of course, we had the genocide and the internal fighting between different ethnic groups and significant amount of loss of life, as well as loss of economic activity associated with that. That is a very depressing story looking just purely at the economic and social situation for Rwanda during that period. However, if we wind the clock forward 10 years, you see a Rwanda that that steadily recovered and is now one of the leaders in its part of Africa in both economic and to some extent democratic, political and social landscapes. So countries can recover from the worst of crises.

Let's dig a little bit deeper and think a little bit more about what is this inbuilt mechanism that tends to lead to recovery in economies. A better understanding of these mechanisms will give us clues about where interventions might take place to help accelerate recovery.

Production Functions

We need to digress a little into some economic thinking. Economists think about economic activity as being built around a series of factors of production. The things that we produce in an economy are the outputs. The inputs are a series of things that are used to make that production. They

include:

- Land - for primary production or to locate a business
- Labour - you need people to work that land or to work in the factories or offices.
- Capital - buildings, tools, equipment, many other capital expenditures.
- Technology - the appropriate ways of making use of the equipment, and the best choices of equipment in order to maximize the productivity of this business.

So land, labour, capital and technology all combine together to produce output. That's your standard, what's called **Production Function** understanding of the economy. The more you invest in capital or in technology or in labour and to some extent land, the more you will increase your national Gross Domestic Product (GDP) or your company's output. That is a simple production function story.

But there is another factor in our standard production functions, which is called a scale factor, which effectively is capturing the effectiveness of how those investments are actually used and how those inputs translate into actual economic outputs - to economic activity, to livelihoods and economic growth.

The X Factor

It is very important for us to understand the Scale Factor - let's call it the X Factor. Two countries sitting side by side can have the same amount of land, the same amount of quality labour, equally well educated labour, the same amount of money spent on capital, the same amount of technology available to them. And yet one of them can be far more successful than the other, have much higher incomes. Why? It's because their X Factor is better engineered. They've got a better way of scaling up all of those inputs and translating them to output. So we need to think about that X Factor a little bit more. What does it depend on?

Global economic conditions - a pandemic, a conflict, etc. Those things are global and they'll affect those two countries the same. So that can't explain why one country does better than another, but it still affects the effectiveness of translating our inputs into our output.

The Quality of Governance - I use governance broadly, to define the direction a government is taking the country and the services the government delivers both to businesses and to its residents, and also the functioning of

civil society in holding the government accountable and providing much of the social fabric that helps a society work well.

The reality is that some countries are better governed than others. While governance is a broader concept than just the workings of government, mostly we need to focus on government. Government is the institution that organizes our inputs in a sensible and hopefully optimal way to produce the outputs. Government, for example, can regulate the use of land and to provide security of tenure, so land can be used for productive purposes. Land regulation can also be used with good purpose to protect the environment, or sometimes with less noble purposes to protect private interests of particular influential landowners who want to profit exceedingly from the land that they own. The government can invest in innovations in technology or can promote the adoption of technology that is sourced internationally, or it can make the promotion of new technologies difficult. The government can invest in a strong education system that results in a productive labour force. The government can make strategic decisions about how their budget is managed, about how their foreign currency is managed, all of which have substantial impacts on the ability of a company or a business to use its inputs to produce its outputs. Governance is absolutely critical.

The experience of shocks. This is where some countries can regularly cop it worse than others. An environmental shock, natural disaster or a health shock may be global but often it is localized to a particular country. It may be a conflict or a geopolitical scenario which a country is faced with. All of those things make it more difficult for some countries to leverage their inputs and produce outputs.

When considering the economic health and resilience of a country, we cannot neglect these X Factors, especially in the recovery phase of the economic cycle. Why is it that some countries were able to recover better than others? Part of it would be because of the quality of their governance and also their effectiveness in coping with shocks. Those are the areas where we want to focus our research in how to see improvements in effectiveness. The X Factor really matters, and yet it is the most poorly understood aspect of how an economy works, and the most difficult to achieve change.

Do we have cause for optimism? To some extent we can be optimistic because land, labour, capital and technology are what we call stocks. Before COVID, we had this much land, this much labour, this much technology and this much capital sitting inside the country. Covid put a pause to many of the

activities we do, but it didn't take away our land, it didn't take away our labour except a very small fraction, it didn't take away our capital or our technology. So when the economy reopens, we have just as much of those resources because they are stocks. And therefore, assuming the X Factor is working for us, we can reactivate them and the economy can rapidly recover. This is the basic reason why business cycles tend to work - there is a stickiness in the economy due to the presence of these slowly built up stocks of capital, human capital, labour and other resources, other inputs to production, which do not disappear quickly even in the worst of crises. That is the reason why we can be optimistic that we can recover to the levels of GDP and of income that we had before a crisis.

I would like to reflect briefly on the 2004 Indian Ocean Tsunami, which, as you all well know, had a significant impact on Sri Lanka. The first time I came to Sri Lanka was in early 2005 with an aid organisation to help them to do an assessment as to what they might do to support recovery. And my reflection as an outsider, with just a few visits through the course of 2005, was two-fold. First, the damage was devastating, terrible destruction and death in coastal communities, physical damage, loss of life and psychological damage to many, which was very long lasting.

But alongside that terrible damage was amazingly rapid recovery. I remember seeing the bridge that was built in Galle on the main highway, literally only days after the original bridge was washed away, because it was such a vital bridge to transport. And then, of course, a more permanent structure was built later. Responses to disasters like that can be rapid, both from government, from the international community and from communities themselves. Aid poured in, government got moving. Things were restored relatively quickly, given the scale of destruction. Of course, it was far from perfect. There were many harmful impacts on particular communities, which took a lot longer to recover, including for example the internally displaced persons camps. The temporary housing became a lot more than just temporary, as it took a long, long time for communities to be rebuilt and relocated. People with disabilities found it even more and more difficult to be mobile when you've got so much infrastructure destroyed. Some children were unable to attend school for long periods of time because their schools were used for other purposes. Women had to spend more time at home cooking because they were working in many cases with temporary facilities or damaged houses. There was significant impact on daily life, and particularly on the marginalised.

Despite these many obstacles, recovery from even that traumatic event took

place with time. And the reason that that happens is partly because those land, labour and capital and technology stocks are still there. But also people display remarkable resilience. We are inherently built to survive and survival is what we revert to when we are faced with a crisis. I have the greatest admiration for the way in which the people of Sri Lanka survived that crisis.

Of course, 2004-5 was very different crisis to the situation we have in 2022. In 2022 the X factor for Sri Lanka is the very high levels of international debt and the lack of foreign reserves. The servicing requirements of that debt are unsustainable - that is not going to be easy to recover from. You can't just wipe it out, and do the equivalent of rebuilding the bridge, as it were. It's going to take time to bring those debts down.

The good news is, again, though, that this is not the first time this has happened to countries. In the 1980s and 1990s, there was a recognition of a large percentage of the national wealth of many countries of the world, particularly poor countries of the world, who became known as the HIPC countries, heavily indebted poor countries. And they had typically inherited odious debts - called that because they were typically inherited from corrupt political leaders who had borrowed money, made themselves wealthy, and then disappeared off the scene.

That was the situation that dozens of countries found themselves in during the eighties and nineties. In response, the global community rallied together. The NGO movement campaigned. The World Bank and the IMF worked hard to come up with solutions. Partner governments came up with cash and together the international community started to help those HIPC countries to recover, to bring down their debts. There was debt cancellation that took place and countries began to get on their feet and to look forward to a more hopeful future.

For the future of Sri Lanka, these X-Factor issues are going to have to be tackled. They are not just about dealing with debt: they centre around political leadership and stability and appropriately engaging with the external support that's available. The problems that Sri Lanka faces right now are too big to be solved internally. You do need the international community, but the international community will only come to the party if it is demonstrated that Sri Lanka is able and willing to tackle the problems internally in the best interests of the country. Once that is there, then the international community is likely to jump in to help.

The message of all of these anecdotal situations is that sometimes the best response to a crisis is to be patient. To focus on strong use of our land, our

labour, our capital, and our technology, and to address our attention to the X Factor, the things that are causing those inputs to not translate well into a productive society that helps everybody's well-being.

Policy Responses

What does that mean in practice for a policy response and also for research activities that we need to do in a country that's facing a post-pandemic crisis?

Land: We need to continue to think about how we utilize our land in the best possible ways. Let's protect the land. Let's utilize it in a way that gives us the best social and economic benefits. Bearing in mind we are facing another crisis, a long term crisis of climate change in the decades ahead. Without land, we can do very little. So we must think at a policy level about protecting and making best use of our land. That is a long term one, but it is vital to never drop off the agenda.

Labour: Let us continue to invest in a strong quality education system. Do not get distracted with the crisis matters and neglect continuing to educate our children. Reflecting back on the Tsunami in 2004, local schools were often used as a place of refuge for households who no longer had a home to live in, at least in the first few weeks. This made it difficult for schooling to be restarted. But miraculously, getting kids back in school was seen as a very high priority. Communities, government and international agencies really worked hard at that. They recognized the importance of education for the long term, even though in the short term it might not feel the most urgent thing to do. It is the best thing to invest in. Let's also invest in inclusive labour, in women's economic empowerment and providing employment opportunities for people with disabilities. These are long term things that don't go away in the midst of a crisis.

Capital: In a time of crisis, companies often cut corners when it comes to investing in capital expenditure, and countries sometimes neglect the investment in strategic resources that help economies to thrive. And here is a time when we can use a crisis like this as an opportunity to think differently about how we use capital. For example, it is time to emphasise the importance of digital resources. Let's use this as a time to strengthen our digital network, our access to international information, our access to the means of communicating and doing business, which is online as much as possible, learning what we have from the pandemic about the efficiency that delivers to us.

It is vital to keep working on those land, labour, capital and technology

dimensions so that they remain strong and continue to become stronger.

On the X Factor side:

Governance: Whatever position we have in society, we need to contribute to challenge the government and broader the society to improve governance, which will equip us with the X Factor to make the best use of our inputs. We can work on quality of governance and on a civil society that holds our government accountable. This has to be the biggest factor. Government is how a group of people living in a country organise themselves: without good government we will not have a good society. Sometimes an amazing amount of good happens in a society despite the government, and that is inspirational when it takes place. But without improvements in governance, then those things will not be able to have the nationwide impact that they need to.

Global Economic Conditions: we cannot control global economic conditions. We can be ready in times of strength to protect ourselves better against their impacts. And that is the lesson we must learn about resilience and risk at a national level.

Shocks: Countries need to be better prepared to absorb shocks - environmental shocks, health shocks, geopolitical shocks. Individuals have been taught that we take insurance, we protect our properties in different ways, but countries have often neglected that in the hope that it would all solve itself and it doesn't.

Concluding Remarks

I'd like to conclude with a quotation from a former Monash PhD student whom I helped supervise. She is well known in Sri Lanka for her work on in the labour market, and particularly on women's economic empowerment: Ramani Gunatilaka.

“Even though the world has moved forward considerably in terms of ensuring gender equality in the workforce through laws and policies, Sri Lanka is yet to improve and update its labour laws, most of which are archaic. Due to the unavailability or the lack of laws that match today’s society, females are greatly inconvenienced, and it is hindering them from achieving their full potential and contributing to the country’s economy and strengthening their own and their households’ economies.”

Advocata 8/3/2022

I wonder whether her comments here, again relate to governance. Sri Lanka

ranks 178 out of 186 countries when it comes to representation of women in parliament. 5.7% of the parliamentarians in Sri Lanka are women. And Sri Lanka lives with what Ramani describes as archaic labour laws when it comes to women. As a result, we are drastically underutilizing this amazing potential input into productive labour, particularly women's labour. You can see how these all tie together: improvement in representation of women in society and in the political system will strengthen their influence and will cause better governance, which translates to better economic participation, and a more prosperous society for all.

I use this comment and issue as a local example of giving voice to those who challenge us to break down the barriers and open up opportunities for people who are so often excluded economically, socially and politically. Herein lies the heart of the challenge we face at every level, from the personal to the national to the global.

Thank you.