

## Financial Review

### AFR Lunch with Gary Banks

- Jun 7 2014 at 2:43 AM
- Updated Jun 7 2014 at 4:33 AM



Gary Banks's time at the Productivity Commission coincided with a period of profound changes to the Australian economy. **Photo: Josh Robenstone**



by [Ben Potter](#)

After about 20 minutes chatting to Gary Banks in the dining room of Carlton's Lincoln Inn, I begin to feel a vague personal bond.

The former chairman of the Productivity Commission grew up in Noble Park, a lower-income, postwar boom suburb east of Melbourne. It was a mostly white suburb of tradesmen like Banks's father, a plasterer, and their families. He recalls the excitement when it was announced that a "White Russian" was coming to his primary school. He wondered what a White Russian was, and what other colours Russians came in.

My wife grew up in the same suburb, and tells a funny story about her parents, vodka and a party at the White Russian neighbours' place.

Banks was in the first intake at Noble Park High School in the early 1960s, where my wife spent a few years in the mid-1970s. From there he took himself to Monash University, and studied economics and politics, or Ecops, a degree taken by my eldest sister half a decade later. Albert Langer, the famous student radical, was collecting for the Viet Cong during Banks's time.

To cap it off, Banks met his wife at a ski weekend with Monash friends – and her brother and father attended the same school as I did.

We are at the Lincoln Inn, a traditional Carlton corner pub, with cream tiled walls outside, a cracked green terrazzo threshold, dark stained timber and a splendid restaurant with laminated tables tucked in behind. It is right in the Melbourne "university precinct", where Banks and his wife Helen moved last year after his 15-year tenure as Productivity Commission boss ended. He is now the Dean of the Australia and New Zealand School of Government (ANZSOG).

Banks chooses beer-battered snapper, chips and salad, and a Gapsted riesling from north-east Victoria. I opt for grilled salmon with leeks, zesty pureed peas and roast potatoes, specially prepared for my annoying allergies and eased down with a Bellvale pinot noir from South Gippsland.

## **Fish and chips Fridays**

The Banks family ate fish and chips religiously on Fridays, taking their cue from the Catholics even though they were Anglicans. It was the main form of "prepared food" bought in much of Melbourne in those days, he says. Banks didn't go to his first restaurant until he was 18 – and in the city for an anti-war march. It was Italian. When they brought out the meals he was shocked by a pungent smell he had never encountered – Parmigiano cheese.

Banks saw no incongruity in attending an anti-war rally as a budding econometrician in a department teaching US-style classical economics – then a fairly new taste in Australia. But he was sufficiently self-conscious about Monash's renowned radicalism to fudge his answer when asked by an aunt which university he attended.

When Banks went to Noble Park High, classes were streamed, and few students stayed for the last two years, making for a more academically purposeful atmosphere. The founding principal, C.T. Grills, was a typical old school head, upholding good values and the virtue of hard work. Banks recalls Grills encouraging one particularly difficult student to leave school and join the Navy, and the amazement of the rest of the student body when the proud naval recruit returned to the school in his uniform, went to the headmaster's office, and shook Grills's hand.

For those more academically inclined, Noble Park High offered the opportunity of a different life to that of many of their parents. When Banks was 15 his dad asked him

if he wanted to join the family plastering business, joking that he had a head for it (they used to carry plasterboard on their heads).

"I just had to tell him in the nicest way that all the study I was doing could be preparing me for something else," he says.

## **Lessons from his father**

The snapper and the salmon are going down a treat in the quiet – it's Monday – dining room. The business introduced Banks to one of the preoccupations of his professional life: the impact of technological change and innovation. His dad had a small factory in Springvale producing fibrous plaster. When CSR launched the recently invented Gyprock – paper-faced plasterboard sheets – to Australia, small factories like Banks' s dad's went out of business.

They were the "losers" in the process. But they were outnumbered by the "winners" – new home buyers, labourers who had an easier product to work with, and CSR shareholders and workers. Banks snr became a plasterboard fitter, and joked that young guys couldn't fit cornices – his speciality.

Distracted by the breakdown of his parents' marriage during his final year of high school, Banks got into law at Monash, but missed out on a Commonwealth scholarship, and could not afford the fees. A friend was doing Ecops, so he looked it up, decided he was interested in the economics but not the politics, and signed up – not realising he would end up in the most political of economic policy jobs.

There he came across such economists as the late Richard Snape – later his deputy at the commission – and Fred Gruen, a Chicago-trained giant of the Australian scene. Banks was a lifeguard at Waverley Pool in his holidays, where he was paid split shift penalties for work he would have done at ordinary rates. It gave him some sympathy for employers.

He was the first in his family to go to university, which would lead to meeting Helen, the daughter of a bank manager from middle-class East Malvern. He'd never been skiing, and was invited to a uni mate's family lodge at Mount Hotham, where he won a dinner for two from the Abominable Snowman restaurant for rescuing its stolen flag.

Needing someone to take, he asked Helen, a student – and later teacher – of English and French. The meal came with a free bottle of champagne, which he chivalrously dished up, making her "incredibly suspicious". She had every reason to be wary, Banks says. They were from different worlds. She was Catholic; he didn't have a car. Banks had to persist through multiple rejections.

"It does show that unis are a bit of a melting pot," he says. "Otherwise there would have been no social occasion for us to meet."

There is one other table of half a dozen diners in the well-lit restaurant, and the staff pop by from time to time to inquire how the meal is going. "Excellent," is the reply.

Graduation came with a doubtful bonus – a call-up to Vietnam – and a powerful motivation for further study. He got a job at the old Tariff Board and enrolled in a master's at ANU under Bob Gregory. His orders were to go to Victoria Barracks on St Kilda Road; he pointed his car up the Hume Highway to Canberra. The Tariff Board became the Industries Assistance Commission under Gough Whitlam, and econometricians were in the ascendancy, thanks to Alf Rattigan and his chief of staff (later chairman) Bill Carmichael. Banks learnt to take an "economy-wide view" and look at the impact on consumers, rather than just ask if an industry could survive with another 5 percentage points of protection. Tariffs were cut by 25 per cent across the board, sparking outrage in industry but giving consumers cheaper goods.

## **The theory of public choice**

From there, he landed a job at the General Agreement on Tariffs and Trade (GATT) in Geneva, where he read about James Buchanan and the theory of public choice, a side of economics he hadn't been exposed to in Australia. With perfect timing, Banks returned to Canberra and the commission in 1984. The Hawke government had floated the dollar, abolished capital controls and set about dismantling the walls of tariffs and quotas that protected local industries. That proved a spur to reform of the labour market and utilities, and a challenge to World Bank orthodoxy: that barriers should only be pulled down once domestic reform has been done. "The problem with that was that it never happened," Banks says. "Australia showed how that could be done to force reform."

Circumstances were favourable. The cabinet was exceptional, the public service gave good advice, Bob Hawke was a great leader and the Opposition supported reform – even egged the government on. When John Howard became prime minister, his government embraced its predecessor's reform agenda – an approach that looks "slightly novel" today, Banks notes. Other ingredients of the great "reform era" are missing too.

Banks was appointed a commissioner by then Labor treasurer Paul Keating, and chairman by Liberal treasurer Peter Costello in 1998. In the election campaign later that year, Labor wanted the Productivity Commission to be abolished. "I could have been out of a job," he says. The government survived and the PC went on to deliver landmark reports on the waterfront, gambling and car industries, winning unlikely converts who had always thought they were "just a bunch of economic rationalists".

Unions still hated the commission "with a passion", because it threatened their positions. Union jobs were lost, but more jobs were created and unemployment fell, Banks says proudly. In a famous exchange at a 2010 Senate hearing, former union boss Doug Cameron asked Banks how many of his staff had been to private schools. The senior staff to Banks's right and left had attended high schools and a low-fee Catholic school. "I was going to point that out but I thought there was no point."

After a career in Canberra, Banks enjoys walking to work in Carlton. He is greeted by an old friend leaving the dining room, just as we are ordering a cappuccino for him and English breakfast tea for me.

From his perch at ANZSOG, he can see the difficulties modern governments have getting reform done. But he doesn't buy excuses like "all the low hanging fruit has been plucked". He thinks they've abandoned good process – transparency and independence. "There were some pretty strong vested interests attached to each of those pieces of fruit," he says.

Banks and Helen have a daughter – a lawyer – and two sons, both musicians. He suspects childhood memories of his evenings toiling in the study inclined them away from economics. But he indulges his passion for jazz in bars such as Melbourne's Bennett's Lane – where the Julian Banks Trio were a headline act last month.

Banks tried the guitar, but gave it up when his son effortlessly surpassed him. Now it's down to playing the conga drums at family gatherings "after a couple of wines".

*The Australian Financial Review*