

The **Trevor Swan Prize** for the most important contribution to Australian economic policy published in *The Economic Record* in 2016-2017 was established in 2017. The prize was created to encourage the application of economics to public policy in Australia in ways that are innovative, important and provide robust conclusions to assist public policy.

The award acknowledges the work of Trevor Swan, whose article in 1956 on open economy macro made a seminal contribution to public policy. It is one of the most influential contributions on Australian economic policy in the past 60 years and remains the most consistently cited publication in the *Economic Record*. We would like to see more such contributions.

The inaugural prize is jointly awarded to:

1. Daniel M. Rees, Penelope Smith and Jamie Hall (2016) "A Multi-sector Model of the Australian Economy" *Economic Record*, vol. 92 no.298, pp. 374-408, and
2. Cain Polidano and Chris Ryan (2017) "What Happens to Students with Low Reading Proficiency at 15? Evidence from Australia" *Economic Record*, vol. 93 no.303, pp. 600-614.

Rees, Smith and Hall present a small open economy model that features non-traded goods and two types of exports – commodities and non-commodities. The multi-sector structure distinguishes it from other models around the world which do not differentiate between the two types of exports, and it is a crucial feature for Australia. It implements and extends what has often been called the Australian contribution to international economics – the dependent economy model – which had strong associations with Trevor Swan.

Polidano and Ryan assesses the impact of reading proficiency while at school on employment and income later in life. While it is well known that reading proficiency in adulthood impacts adult earnings capacity, there is little understanding of the importance of reading proficiency during teenage years on post-school career outcomes. Using novel panel data and frontier econometric methods the authors find no connection between reading proficiency at 15 and adult outcomes. The findings are explained by the role of vocational education and training (VET) after the age of 15. The public policy implications from this research include the pivotal role of VET in helping individuals overcome the impact of low reading proficiency while at school on their future labour market careers.

The work of Rees, Smith and Hall is an impressive piece of applied macroeconomic research providing a valuable input into contemporary policy formulation. Polidano and Ryan use micro-econometric methods to focus on important issues for labour market policy.

Together the two recipients of the inaugural **Trevor Swan Memorial Prize** nicely demonstrate the breath of applied research appearing in the *Economic Record*. Like Trevor Swan's original contributions the recipients of the prize demonstrate research excellence on policy relevant topics.