Australia Fritters Away Its Wealth

By JOHN HYDE

CHRISTCHURCH, New Zealand – Australia’s rank in terms of relative wealth is slipping – it was the wealthiest nation in the world in the 1960s, perhaps around 1980, about third to fifth in the 1950s, and 15th to 20th now. Until recently I could comfort myself with the sentiment expressed by a senior Treasury official in the late 1970s. After I inflicted on him my complaints about economic management, he replied, "If you think we are stuffing it up, John, look across the Tasman."

At the time, economics in New Zealand was suffering the crazies, and I looked upon proposals for closer economic relations between Australia and New Zealand with unmitigated horror. Although I would have liked to enjoy the produce of the efficient New Zealand dairy industry, I feared that the oh-so-gradual, oh-so-entente-stable steps that we were taking to reduce our trade barriers would be impeded if we entered a common market with the one Western nation which had even higher barriers than our own. In short I was afraid that the tall might wag the dog.

I was wrong. Today, following the establishment of Rogernomics, I am just as afraid that the tall might not be big enough to give the dog the bloody great shaking it needs.

Australians are reforming their economy. Our problem is that our economy is in need of deregulation and privatization than that of most nations and it is getting less of these good things than are many.

The Australian economy suffers many regulations. Two, however, distinguish it from most other Western nations. These are frontier protection, which is conventional in style but exceptionally high; and an industrial relations system which is like no other.

Predictably, the captains of our protected industries deny that Australian protection is unusual, but before we take them seriously they should explain why Australia has such a low ratio of traded product to total product and why Australia did not share in the postwar worldwide increase in trade.

Employment and trade unions are tightly regulated. In spite of Australia’s generally good civil liberties record, laws effectively deny “freedom of association” and “freedom of employment” in many industries. The right to join, form or abstain from the trade union of your choice is not upheld.

Conditions of Employment

Wages, hours of work and other conditions of employment may be determined by a tribunal (pretending to be a court of law) in Melbourne. Needing to avoid its dismissal, it awards with a status between that of government regulation and employment contract, are sometimes less than relevant. Similar tribunals in the state capitals regulate employment in those industries that are not subject to federal jurisdiction.

Australian unions can only serve their a borrowed shearing shed, my few remaining sheep were shorn. This was done on a Sunday, which is contrary to the shearers’ award. They worked for five hours, not the statutory four. And they used combs on their shearing handpieces that were wider than the statutory 63 millimeters. Naturally, the proceeds of these crimes were shared between the employer and the workers. Equally naturally, we took care not to tell the shearers."

Labor market and industry protection apart, Australian regulation has close parallels in most OECD countries. We suffer state-owned monopolies in posts and telecommunications, railways and ports. The number of taxi-drivers, radio stations, airlines and airliners are all controlled. Foreign-flag vessels are forbidden to ply the Australian coast.

Our agriculture has been as tightly controlled by legislation and by the monopolisation of the monopoly marketing boards. For instance, to be permitted to grow sugar in Queensland one must, among other things, be a person of good character – an attribute which on the evidence of the Queensland government has singular difficulty in understanding.

Our agriculture is, however, not nearly as heavily subsidized as in the U.S. or the EEC: It forms too large a part of our economy! Instead it tends to carry a protected manufacturing protection by between a quarter and a third by 1995 – hardly dramatic but something. The effective “tax” imposed by protection upon expenditure will by then have been reduced from about 7% to about 4.5% of aggregate consumption expenditure. The cuts have been greater among the more highly protected industries and the disparities in protection levels are expected to reduce by about a third. All sensible moves, but far too slow.

Next year, Labor will greatly ease the regulation of domestic airlines. It has ended the monopoly of domestic wheat sales, and substantially reduced the import protection afforded to sugar and dairy products. The government is abolishing the Egg Board in New South Wales. Neighboring states will probably feel the competition.

Intellectual Climate

Commonwealth outlays have been reduced from 28% to 24% of GDP. A worthy achievement but, nevertheless, one that is not quite as good as it sounds. It was achieved at a time when the Government of about 4% per year of gross domestic product was financed by borrowing from abroad. We are now a bigger international debtor than most Third World countries, with a credit rating on a par with Spain.

The intellectual climate, however, has changed for the better – very much so. Bravo!"
members if they are recognized by these quasicourts. This procedure of "registration" is operated in such a way as to give unions a monopoly right to represent certain categories of employees. These categories are almost always defined by activity rather than location, employer or any other relevant characteristic.

One example of the way the system operates: During the present strike of airline pilots, the pilots' own union was barred from representing them. The Transport Workers Union wanted to fill this vacuum. Instead of trying to sign up individual pilots, it applied to the Industrial Relations Commission for the right to represent them. So much for civil liberties!

The regulatory processes have of course been captured by the "experts." Fortunately for the Australian economy, people in small businesses have become adept at bending the rules. Take my own case. I am a farmer. We are now sufficiently far removed in time and geography from the events for me to admit my law breaking. During the 1969 drought, in order to protect their livestock, many farmers illegally diverted water from their neighbors. The government takes every opportunity to expand its jurisdiction.

The deregulators' most conspicuous success has been the financial markets. There are, perhaps, lessons here. Financial market deregulation was championed by successive Treasurers, and it was not really opposed by the major interested parties: the banks and the Bank Employees Union. Both proved smart enough to see that their services were a potential growth industry in which all but the most incompetent could prosper.

Former Liberal Party Treasurer John Howard set up an inquiry into the financial system, which analyzed the situation accurately and recommended, appropriately, in readable English. Mr. Howard then began to implement the recommendations. After his government's defeat in 1983, the new Labor Party Treasurer, Paul Keating, continued the job by floating the currency and removing most restrictions on the free movement of capital.

Their failures are as instructive as their successes.

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**Bookshelf**

"A Careless Widow and Other Stories" by V.S. Pritchett

"After You've Gone" by Alice Adams

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**Surprise-filled Stories, Pathos and Irony**

**BY JACK FLAM**

For his 90th birthday, the distinguished English writer V.S. Pritchett has given his readers a thoughtful gift in the form of "A Careless Widow and Other Stories" (Random House, 164 pages, $16.95). Mr. Pritchett, who might fairly be characterized as England's leading man of letters, has been publishing essays, criticism, novels and short stories since the 1920s.

The only thing more impressive than the quantity of his work is its quality. He writes with a remarkable subtlety of observation and tone. Though his manner is restrained and economical, his development of character and use of language are rich and complex. As we read these surprise-filled stories, the sly and lively intelligence behind the narrative is as delightful as the narrative itself.

In the title story, a middle-aged hairdresser named Lionel Frazier is taking his holiday at a remote seaside resort, needing to get "London off his skin." To his horror, he finds that his London life has followed him, with a vengeance, in the form of Mrs. Morris, the rather pushy widow who lives in the flat just below his.

Frazier, determined not to let the widow spoil his holiday, becomes obsessed with devising ways of evading her. He spends his days exploring the coast, his evenings dreading the appearance of the widow and her son in the hotel dining room. She was, he reflects, mulling over his past experiences with her, "ordinary life and ordinariness went too far."

As it turns out, although Mrs. Morris has indeed come to the seaside with "selling and marrying in her eyes," Frazier himself does not figure in her future plans. In fact, when he does see her, she apologizes for having ignored him and invites him to dine the next night with her prospective new husband. As if to emphasize her freedom from Frazier, the Careless Widow has even gone off and had her hair done by someone else, provoking the hairdresser to make a touching confession. "I am jealous of the man who did it," he tells her, in a mock version of a jealous lover's complaint. "Where did you get it done?" As he feels her slipping away, Frazier isn't quite sure whether to rejoice or lament.

A similar mixture of pathos and irony runs through most of the other stories in the collection. The surface of everyday life yields profound and moving insights. These are stories so engrossing that when you are done reading them you put the book down with real regret.

Like V.S. Pritchett, Alice Adams works with the surface of everyday life in order to suggest deeper meanings. And in her latest collection of stories, "After You've Gone" (Knopf, 229 pages, $18.95), she does so with such perceptive attention to the small details of existence that one feels a genuine, not ungrateful, for not liking the results more.

Although Ms. Adams writes engagingly, just what she is writing about often seems to get lost in a welter of banal and boring observations. The stories in this collection focus largely on people dealing with emotional loss, and the title story sets the tone for much of the rest of the book.

In fact, an odd sense of entropy runs throughout the collection. Most of the stories don't seem to go anywhere in particular and at the end appear to collapse in on themselves, in epiphanies that don't really illuminate very much. In "On the Road," we follow a woman author named Bren-