

## Rural Times 16

### Every galah in the country is parroting micro-economic reform

*John Hyde*

About six months ago, the Treasurer, Mr Keating, during one of his bouts of ill humour, observed that every galah in the country was parroting the words "micro-economic reform". Where, then, are the galahs in Telecom, the ACTU, the Wool Corporation, the Pharmacy Guild, the Australian Federation of Air Pilots and the Waterside Workers' Federation? All of these organisations have recently resisted the structural adjustment of their own patch. And, if the Manufacturing Council is not trying to stop structural adjustment completely, it is certainly trying to slow down the rate of tariff reduction.

Micro-economic reform has acquired a certain mystique, but reform is only the process of changing the rules that restrict economic activity, thus allowing people and their machines to produce more at prices that other people will pay. Because nobody is going to give aid to Australia yet, we can ultimately be no wealthier than our production. Micro-economic reform is, therefore, about raising living standards through productivity. Galahs parrot 'micro-economic reform' only because Australia's productivity record and wealth-improvement record are dismal. For instance, the OECD itself pointed out that our public sector was only half as productive as the OECD average. Even so, Mr Keating cannot yet reform Telecom, because its union and the unelected members of the Labor Party won't let him. This galah understands why he gets cross.

Australian living standards, once the highest in the world, have slipped back badly relative to most other non-African, non-Communist economies. Within East Asia, Japan passed us long ago; Hong Kong and Singapore will, on present trends, both pass us well before 2000, when Taiwan, which already produces half our Gross National Product per head, will be not far behind us. In the rest of the world, Western Europe is leaving us far behind and North America is maintaining the lead it established in the 'fifties.

There is another, related reason why every galah is crying, "micro-economic reform". Australians have, for some time, been living beyond their means by borrowing from overseas. Irrespective of who has incurred the debts, short of

default, the interest must be paid from Australian production. It is true that the private companies and statutory authorities who, in most cases, actually borrowed the money must service the debt from their own operating surpluses. Operating surpluses, however, reflect levels in wages and prices.

If the borrowings have not been invested in ways that will, in due course, generate sufficient foreign exchange to service themselves, then we will pay by paying higher prices or accepting lower earnings. Even now, when high interest rates have choked off much investment, the current account deficit remains frightening. It seems that much of the foreign debt is leaking into consumption. For the purposes of this discussion, those daytime palaces in Collins Street, Pitt Street and elsewhere may be regarded as consumption---glitzy boardrooms don't generate much foreign exchange.

The relevance of micro-economic reform to the foreign debt problem---as every galah now knows---is that, if the economy can be made more productive, we don't have to reduce our living standards by as much as we otherwise would. This is because we service the debt from newly achieved production. Faced with an absolute decline in living standards, as opposed to one that is merely relative, even galahs become interested in the micro-economy.

Micro-economic reform, like moral reform, however, tends to be resisted by the people most in need of it. Some people do quite well out of vice, others try not to face reality and yet others are misled by leaders who have jobs and reputations to protect. The pilots and the pharmacists are in the latter class: they overreached the bounds of community tolerance and dissipated their bargaining position. The woolgrowers, because of the competition from foreign wools and synthetics, never had a significant bargaining position in the first place. That is, they had always been off with the fairies, but in the end they too were wantonly misled by leaders trying to bury their own mistakes.

Others see short-term reality clearly enough, but don't seem to worry about the fact that, if the whole nation sinks, they must inevitably sink with it. People in this class include waterside workers, Telecom employees and tariff-protected industrialists. For the time being they are strong enough to prolong privileges that the rest of the community pay for.

It becomes a galah's responsibility to explain to WWF members that, if the cost of shipping grain is made too high, there will be less grain to ship; to explain to car makers that people would buy more cars if cars were cheaper; and to explain to Telecom employees that their brother workers are losing jobs because of Telecom's sloth; etc. Faced with such forces of darkness, even Mr Keating needs the help of every galah he can get!

*John Hyde is Executive Director of the Australian Institute  
for Public Policy*

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