ON THE DRY SIDE

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THE CAMPAIGN ISSUES

John Hyde

Thatcher was returned three times because she gave the British, whose economy was in disarray, whose living standards were falling and whose nation was losing influence, hope of a better future. (British Labour have no Falklands War to blame this time.) The Australian disease is not unlike the British disease. Howard’s message is not unlike Thatcher’s.

The most obvious difference is in its presentation. Try as he might John Howard could not imitate Mrs Thatcher’s imperious hectoring style, once said to be an electoral handicap, which is boring but helps people to understand her Prime Ministership.

For the rest John Howard is ‘on about’ the same prospect of a market driven recovery Thatcher advocated ten years ago. In spite of fudging, backsliding and inevitable political compromises she has been broadly true to her advocacy and it worked. Britain is slowly recovering.

Two important differences which make politics more difficult for Howard are that he is facing a more respectable Labor Party than the Callaghan/Foot/Kinnock Labour Party and Thatcher was not cursed with the Laird of Kingaroy. Mrs Thatcher largely overcame her equivalents of Mr Peacock and Mr McPhee and a timid short-sighted Conservative Party in and out of parliament.

The British industrial lobbies were even more short sighted than their Australian equivalents demanding protection from competition for themselves and the union bosses. Mrs T. outfaced them or won their however grudging support for her policies. Similarly, until driven in search of the (non existent) tax nirvana, John Howard had a succeeded in winning enough support for a broad ‘dry’ agenda to see it through. I believe he was better placed than Thatcher just before her first election win. Even now Industrial relation remains the important difference between the parties and should be the key campaign issue.

The best reason to vote for the Howard Liberals is that in office they will almost certainly revert to their original priorities.

Of course tax is important and Mr Elliot is right to point out that capital flies toward the best post-tax returns which are not to be found in Australia. However, although OECD studies show that low tax and economic growth correlate strongly, every post war economic miracle---Japan, Korea, Hong Kong, Taiwan, Singapore, Malaysia, West Germany, Spain, Italy---has been achieved by respect for private property and the deregulation of internal and external trade. Tax’s share of gross domestic product fell when GDP grew rapidly. Great Britain and New Zealand are clawing their way back to prosperity in the same market driven way. Boring it may be but it works.

The Liberal’s tax package may be compared with the British Conservative’s Medium Term Strategy (MTS). Unlike the
Labor's May statement and the MTS, it brings sale of public assets to account separately from calculation of the budget deficit. As 'privatisation' makes the same call on savings as a budget deficit does that is the only honest way to do it. Company accountants who confuse capital and revenue get prosecuted but we do not expect the same standards of politicians.

Political parties which spell out expenditure cuts during election campaigns are rare but here too Howard is unusually frank. The political cost of MTSs and detailed budget packages is not just the vested interests they offend. There is the cost to credibility of recalculation and different answers---as Howard is discovering.

The MTS proved unrealistic and was abandoned by the Conservatives who are never accused of being too flexible! The MTS did not work out in practice because there were too many uncontrollable variables which left it in disarray. It remained a guide to Conservative priorities.

The detail of Howard's tax statement is really not important; like the MTS the unforeseen will overtake it. For instance, if major expenditure cuts were to be delayed by, say, an obstructive Senate, Howard has already promised that the tax cuts will be similarly delayed. The package does not in my opinion give enough emphasis to deficit reduction but, because of the way it accounts capital it gives much more emphasis to this than Labor, and is broadly on the right track. As events will almost certainly pull it to pieces there is not much more to be said about it.

I challenged Senator Durack on his political ability to deliver. With the air of one who had been communing with the fates he said, "We're history if we don't." He has a point.

It is more important that the Liberals are committing themselves to reform of the real economy. I will try to illustrate this by reference to health care. Labor says that families will not be better off with tax cuts and an equivalent obligation to pay for the first $250 each year of health care costs. Initially they are right: the same inefficient hospitals and the same doctors will provide the same misdirected services, charging the same arbitrary fees. But in the longer run they are wrong because people will seek out health funds which offer the best (not necessarily the cheapest) insurance and funds will have to seek out the best hospitals and medicos.

Howard's policy stance is more like Thatcher's than he is credited with. It would be even more so if events had not forced him to an over-emphasise tax. The important issue is now, and always was productive efficiency, without improvement in which Australia is sunk. Tax matters but less so than industrial relations and deregulation which should dominate the campaign.

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