

## A Significant Blessing

*John Hyde*

Federal Cabinet has agreed that, Parliament willing, it will allow me to dispose of my next wheat crop as though I really owned it. Since it is unlikely that even the National Party can now prevent wheat industry deregulation, this is a significant win for free enterprise, made all the more significant because the governing party is, by tradition, socialist.

Australians have become a lot drier since 1980, when the parliamentary dries first raised their heads above the parapets of party solidarity---emerged still dripping from the primeval soup of Fraserism. Their first issue was airline deregulation. Now, more than seven years and a change of government later, the Two Airline Policy is at last on the way out. It is not the only 'win' a Labor government has given the so-called economic rationalists or dries.

The most important, of course, has been deregulation of the financial markets, but there are others. Australian trade barriers are coming down, even though the motor car and textile plans will do the economy immense damage for a long time yet. Dairy industry protection has been reduced and sugar, eggs and dried fruit are being deregulated somewhat. Labor has privatised a few assets---part of the AIDC and the Belconnen Mall for instance.

The labour market is still a disaster area and the corporatist arrangement by which the ACTU is brought into government decision-making is a high price to pay for union cooperation. Nevertheless, even here some progress has been made: senior echelons of the union movement now accept the relationship between employment, productivity and wages and second tier bargaining is instructing others. The class struggle has largely gone from union rhetoric and the logic of productivity-bargaining should lead to enterprise-bargaining and an end to the rigid, inefficient and unjust centralised award system.

Fiscal management is drier than in the wildest hopes of Fraser's backbench. The Commonwealth budget deficit has been turned to a surplus of sufficient size to offset State and Local Government borrowings. The public sector's share of GDP

was brought down from 41.7% in 1982/83 to 39.0% in 1987/88---- and by a Labor government!

There has also been a modest shift toward needs-based welfare with the introduction of means tests and reduced benefits for young people. Tax is flatter: the income tax base has been broadened and top tax rates reduced. Labor is promising further tax cuts. Fees, of a sort, have been introduced for tertiary education.

The central dry canon is that laws must not advantage some Australians at the expense of others. Opposition to tariffs, subsidies and licences is but an extension of the argument against all privilege. The case may be made in terms of efficiency, fairness or propriety. The most offensive privileges are those given by the government to a single person or company, such as when the Fraser Government subsidised the Woodsreef asbestos and Mount Lyal copper mines.

Although Labor supported both of those privileges from the Opposition benches, I do not think a Federal Government would do anything similar today. I think it would now be bound by notions of propriety which would prevent it using public monies for such blatantly private ends. If I am right, then there has been a quite fundamental change in the way that politicians regard their powers. The ramifications of this for other policies are wide indeed. Of course, one should not yet make too much of changed dispositions: the governments of Western Australian and Queensland have only recently been caught out being more partial to their mates than any Australian government since the Rum Corps ran NSW. But, such is the new climate, that, like it or not, even they will have to mend their ways.

In the economic rationalists' own terms these gains are considerable, but what is there to show for them in terms of tangible public benefits? In the early 1980s, egged on by Treasury and Reserve Bank officers, Jeremiahs on the government back benches forecast that if steps were not taken to allow Australian industry to become more efficient, Australia would suffer balance of payment problems and declining living standards. Since these plagues are now upon us, it might be asked whether the dry victories are too late and too little. Alternatively, it might be asked (as it has recently been asked in New Zealand) whether the gains are Pyrrhic or even if they are pointless.

It is no surprise that the reforms are discounted by people with privileges still to lose. The New Zealand Prime Minister, on the other hand, when he sacked his reforming Minister of Finance, had to assure the financial markets that Roger Douglas's reforms would continue. Australia has seen several similar attempts to assure our money markets that a dry agenda is in hand.

People with money to invest apparently do not regard the dries' modest victories as either Pyrrhic or pointless. Members of the general public, however, are not so sure,

although this is more the case in New Zealand, where the economy is much sicker, the pace of reform much faster and the casualties of reform much more numerous.

Policy changes do not produce immediate results and economists' lags tend to become politicians' disasters. Not only do policy changes usually disadvantage someone, but economies have a momentum to them that is not quickly reversed---certainly not by the modest reforms that Australia has undertaken so far. For instance, the biggest benefits of wheat market deregulation will flow from as yet unthought-of innovations.

There is little doubt among economists that partial victories, such as partial deregulation of the wheat industry, will produce net benefits. But the lag between the decision to get out of an industry's hair and most of the economic rewards is likely to be several years. It is thus too late now to avoid a taste of the economic consequences of which our senior bureaucrats warned in 1980.

Nevertheless, recovery becomes much more likely once the disease is recognised and the treatment accepted. Many more people now, than a few years ago, accept the principles which will eventually set the economy right. Surely that is reason enough for some small rejoicing. Have a Merry Christmas.

ENDS