

WHAT'S POLITICALLY IMPORTANT IN
1989

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1989 is a Federal election year---a time when politicians' fancies lightly turn to thoughts of being loved. To that end they will seek out populist causes and promise us the sun, moon and sky. There are, however, only three issues on which the election should turn---issues where the differences between the likely policies might really shape Australian society. They are political corruption, the current account deficit, and further micro-economic reform.

If the sort of political corruption that has been revealed in Queensland, Western Australia and now, it seems, in Victoria is not stamped out, our political system will fail because ordinary people will have lost respect for it. If the current account deficit continues to add to our foreign indebtedness we will reach the point where we no longer can live beyond our means---that is, we will have finally squandered our bountiful inheritance. If our economy continues to be regulated so as to reward well-heeled beggars and punish battlers, our standard of living will continue to decline relative to that of other nations, and our best and brightest youngsters will emigrate in search of well-paid jobs---that is, the great immigration that founded Australia will have been reversed.

Political corruption has been mostly a State Government problem---the Fitzgerald disclosures, and the WA Inc. and VEDC scandals. However, the electorate might well hold Federal politicians responsible for the propriety of their parties. If so, to protect themselves, senior Federal parliamentarians will have no option but to use whatever influence they can muster to clean up their own political parties in State politics. Besides, the Federal Government is not quite lily white---remember the Coombe-Ivanov affair, the job found for Mick Young with Qantas, and Bill Hayden's spending spree?

Mr Hawke cannot afford to say so publicly, but his chances of winning a Federal election in December would be improved if Labor were to lose WA in February or March. Similarly the Coalition---the National Party in particular---

would have its chances improved if only it could divorce itself from the record of the Bjelke-Petersen Government.

Neither Government nor Opposition will wish to disown State colleagues but, if they are given a choice, Australians have too much to lose not to elect the party which dedicates itself best to cleaning up politics.

Similarly, we have too much to lose not to elect the party which offers the most credible solution to the balance-of-payments problem. This problem is, however, much more difficult to solve than political corruption. It requires both technical judgements about matters where opinion is far from unanimous and remedies that will in themselves not be popular. It is likely, therefore, that neither party will announce a credible policy, each hoping to attend to the problem after the election---such an omission would be a species of dishonesty.

There is no real disagreement that the current account deficit must be substantially reduced. The disagreement, such as it is, concerns how, and how quickly, we can increase exports and reduce imports. Obviously the unit costs of Australian industries must be reduced somehow. Only then can we compete in foreign markets to export more, and in domestic markets to import less. But how?

The best way to compete better is to increase our productivity relative to productivity in other countries. The alternative is to reduce Australian earnings relative to earnings in other countries. Since substantial productivity gains brought about by restructuring industry take some years to achieve, it is arguable that some further reductions in living standards or changes in work practices are prudent in the short run.

Either course runs into the intransigence of organised labour. With a few notable exceptions, the union bosses are prepared to accept neither the consequences of living within existing means nor the consequences of the actions which would increase our means. The first would mean lower living standards for their members; the second requires much more deregulation of the system from which they derive their power than they are presently willing to concede. Again opinion divides about what should be done.

One school of thought is that the unions should be appeased in the hope that they will co-operate in wage restraint and work-practice review. This school lines up behind the Accord. The other school says that union power is already excessive and that policies which enhance it will eventually be disastrous. They say union power must be reduced until they can no longer enforce wages and work practices upon unwilling people, which prevent them from competing successfully in world markets. If the Accord cannot now reduce production costs, and hence the current account deficit, it has failed. If so, then union monopoly power must be controlled another way.

We should not elect a party which does not have a labour market strategy which can solve the balance-of-payments problem.

That leaves the third area. For the sake of our children, micro-economic reform must proceed. It is a long-term concern and it is here that Labor looks better than the Liberals. If we are not to become (as Lee Kwan Yew once predicted) the poor white trash of Asia, we must raise productivity. The loony left apart, there is no real disagreement among politicians about this----just a very strong wish to be loved by every vested interest in the land. Again, there is too much at stake not to elect a government which will deregulate, privatise and reduce the protection presently offered activities ranging from motor car manufacture to beach-bumming on the dole.

Political corruption, foreign debt and declining living standards, if unchecked, would each eventually destroy our prosperous, liberal, democratic Australia. In December, or thereabouts, we might have to enter the polling booth unconvinced about the reliability of Labor or the Coalition. Nevertheless, corruption and our lack of competitive ability are the big issues in 1989----we should make both parties face up to them.

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