

## \*FEAR\* OF WAGES AND WHEAT

*John Hyde*

The Governor of the Reserve Bank, Mr Bob Johnston, tells us that if everyone were on average to cut his expenditure by \$200 per year, then the current account deficit would be reduced to the level forecast in the budget papers, namely, the \$9.6 billion which many thought excessive. Needless to say, most families of four would think that \$1200 per year is a pretty big drop in their living standard. And, of course, there is a better alternative: members of the workforce might on average increase their production by about \$500.

Since nobody likes getting poorer, then to get elected, the Coalition needs to convince the electorate that in the long run it has a better answer. In pursuit of the better alternative, both sides of politics are promising micro-economic reform, but the key to success is labour-market reform which Labor cannot offer. Industrial relations policy is thus central to the Coalition's political and economic strategy.

The Coalition IR Policy has been carefully thought out and well articulated. For four years the Coalition has publicised, explained and defended the basic strategy, which has not changed. Gradually, against vehement opposition from the IR Club, it has won support from important groups such as the Business Council. Although Labor dare not admit it, second-tier bargaining was a small step towards implementation of the Opposition's policy.

In many of the circles which are important to the Coalition, its policy is now accepted not only as feasible but necessary. That is great progress. The question being asked by many people now is: would the Coalition in government really implement its policy? The wheat market issue--the deregulation of something easy--has put the Coalition to a test of sorts, but has it passed the test?

Labor's micro-economic reform program includes abolition of the Wheat Board monopoly of the domestic market. It is a measure of the Coalition's difficulties that it looked like dividing on this straightforward issue. If the Liberals cannot get its Coalition partner to support even as much micro-economic reform as Labor is implementing, then the Coalition is not ready to govern.

The National Party--Mr Bruce Lloyd the Coalition's spokesman for Primary Industry in particular--had gone a long way out on the socialist limb in support of the Wheat Board monopoly. The Coalition is now saying it will support Mr

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Kerin's deregulatory legislation only if 'reasonable' reform of transport, handling, storage and the waterfront is also undertaken. Thus the Coalition position seems to be the irrational one that a thoroughly-inefficient wheat industry is better than a half-efficient one. Or is the Coalition saying to the Government, as some Nats seem to think it is: we won't let you deregulate the National Party's mates unless you deregulate your mates. In which case it adds churlishness to irrationality.

On the other hand, the Federal Government is doing all that it can do to bring about deregulation of transport, handling and storage. That leaves only the waterfront. On this we can expect something, however minor, in the April Statement. There is bound to be further argument within the Coalition about what constitutes reasonable reform, but were the Coalition to vote against the Kerin legislation it would be shown to be incapable of putting the general interest in micro-economic reform ahead of vested interests. I think, therefore, that the Coalition will, in the end, support the legislation. If so, it has scraped through the test---the 'reasonable reform' requirement is to save Mr Lloyd's face as he falls off his socialist limb.

The principles offended by the regulation of both wheat and labour are, as nearly as is relevant, identical. The main difference being only that payment in one case is made by weight and in the other by time. Is the Coalition now asking the unskilled and unqualified to accept the discipline of the market but unwilling to demand the same of farmers? Conversely, is the Coalition giving wage employees the right to negotiate the sale of their skills with willing buyers whilst denying the same right to farmers?

The objection to both the Wheat Board and the Arbitration Commission is not their existence, but the fact that they are monopolies that fix prices. The Arbitration Commission sets *common* prices for workmen who are very different. The Wheat Board does the same with grains. Pooling disguises the price signals that should show which things are worth doing and the least costly ways of doing them.

I cite my own case. Because to do so does not reduce my wheat price, I have delivered every weed seed I could get away with and, at one stage I grew a variety, Insignia, which reduced the quality of the Australian harvest. Yet, in spite of my efforts to gain yield at the expense of quality, because of my soil type and rainfall, my wheat remains of unusually high quality. My wool, on the other hand, is unusually full of burrs and dust. I often ask the wool producers in other districts to pool their wool with mine---naturally they decline. Were wool also to be pooled at a common price, might not they fill their bales with burrs and dust too?

What is more, monopolies such as the Wheat Board and the Arbitration Commission are easy meat for other monopolies such as rapacious handling authorities and unions. Organisations which do not face competition, and can therefore pass costs on

or back, are easily 'blackmailed'. There might be a sufficient reason to regulate the prices charged by natural monopolies but there can be no reason to create unnatural monopolies.

The Coalition's IR policy does not attack unionism. It understands well the need for trade unions, but it intends to introduce competition. It is promising an alternative to the centralised price-fixing that has for so long characterised the Australian labour market. But workers will not accept the need for change if, when the opportunity arises, the government does not apply the same general principle to other markets.

The Labor Party works day and night to portray the Coalition as anti-worker. If the Coalition is seen to single out unionists for special treatment, while exempting its little mates in the wheat industry and elsewhere, then, for as long as the event is remembered, the Coalition will not be trusted by unionists.

Wheat is not a one-off problem for the Coalition. Traditionally the Nats are socialists and similar situations will occur. The Liberals must establish the few really important principles now. Continual deregulation is one of these. If they cannot even hold the Nats to free-market principles when all they must do is allow Labor to do the deregulating, then they are not tough enough to deregulate the labour market. Then, the Coalition's fine policy is, as some fear, little more than wind.

It is easy to understand why Mr Howard does not want to divided the Coalition, but he can't govern by appeasement. The price he would pay for inconsistency and lack of purpose will, in the end, be even higher than the cost of a row.

ENDS