

Ian McLachlan

*John Hyde*

When the Reserve Bank observed in its Annual Report that, "On its own, monetary policy will not produce the longer-term structural benefits Australia is seeking", it was saying only the obvious.

The budget parameters actually underline the point. The estimate of economic growth for the whole financial year (2.5%) means that high interest rates will have brought economic growth down close to zero by the fourth quarter. But, even so, the induced 'recession' will not have reduced the monthly current account deficit much below \$1000 million. What is more, net external debt will by then be about \$125,000 million. Holding the monthly deficit at \$1000 million during 1990/91 will require an annual improvement in the balance of exports over imports of around \$10,000 million---a tall order requiring a considerable improvement in productivity.

In the meantime there will be an election. What will Mr Keating or Dr Hewson, as the case may be, then do about the recession? Neither will be able to reflate out of it while the monthly current account deficit is around \$1 billion mark without dropping us back in the trouble the recession was supposed to cure.

A considerable improvement in our ability to trade profitably at international prices will be our only hope of not having to choose between prolonged recession and a balance of payments crisis. The government's only course will be to eliminate practices which restrict our ability to trade profitably. Some of these---e.g. wheat marketing and NSW egg production---have been removed, but not enough. In the context of circumstances which cannot now be avoided, nothing is more important than labour market reform. Since only labour market reform can prevent the falling living standards which inevitably accompany debt which is not matched by an appropriately high level of productivity, the election should turn on this issue.

That brings me to Mr Ian McLachlan's H.R. Nichols Society address last Saturday. It was significant in that it addressed work practices on the waterfront---some of the most costly to afflict Australian commerce. And it was significant because Mr

McLachlan, who holds Liberal endorsement for the seat of Barker, is a future Liberal MP with leadership potential.

His paper was carefully researched. That is also significant, since not all aspirants to high office bother to tidy their minds before opening their mouths. Moreover, though he spoke about technical matters, he found language that laymen could appreciate---another among the many attributes required of a political leader.

Jobs on the Australian waterfront are handed down from father to son. McLachlan likened the waterfront to a mountain pass controlled by an hereditary caste which taxes the passage of goods in both directions and prevents passage on unpredictable occasions.

By excluding outsiders from the wharves, the privileged class can benefit from substantial, so-called, monopoly rents. These rents take the form of extra pay, overmanning, rostered sickies, slow loading and many arcane practices not readily observed by outsiders. We are all rent seekers, it is true, but only privileged people get away with rents for long. Privileges which set rents in concrete, as it were, are the principal reason for slow economic growth.

Of course, Mr McLachlan will not be the only federal politician to understand privilege. Senator Button recently cited an example of almost pure monopoly rent. His case was that of a waterside worker who, for twenty years, travelled to work by taxi, clocked on, and travelled home again immediately. Only a monopolist could get away with that! Indeed, only another monopolist could pay for that. Which is, no doubt, why the Waterside Workers Federation (WWF) ensures that the five stevedoring companies face virtually no competition.

John Howard demonstrated in a recent article in *The Australian* that he also understands that privilege---not always hereditary---is at the bottom of Australia's economic mess. And by calling for a Wapping on the Australian waterfront, Senator Chaney demonstrated that he too understands. Wapping was where the British electricians broke the monopoly of the British print unions. McLachlan will not, therefore, be a lone voice in the Federal Parliament. But the question remains: has any political party the fortitude to take on the Australian privileged classes? The signs are not generally good.

Labor won't try to reform the waterfront. Indeed, Mr John Kerin, the minister who was so courageous and sensible about removing some of the Wheat Board's privileges, has proved a Wimp when faced with the WWF. He has even said that the National Farmer's Federation (NFF) proposal to break the WWF monopoly at the Fisherman's Island wheat terminal will lead to "an industrial bloodbath". That is what they said in Britain about the waterside workers at Felixstowe who elected to get on with the job. Far from causing a bloodbath, they won cargo from other ports.

Though courageous in some things, when it comes to trade unions, the ALP has preferred to rely upon consensus among the powerful. The current spate of industrial trouble merely serves to demonstrate, yet again, however, that consensus among monopolies cannot deliver us from restrictive work practices.

The Coalition has generally supported the NFF move but for various reasons nobody believes it has the courage to act. The Coalition's best chance of winning the next election is to convince the electorate that it can break the nexus between foreign debt and falling living standards. To do this it must convince us that it can handle labour market reform.

McLachlan has won in the field---the Wide Comb Dispute, the Live Sheep Dispute and at Mudginberri. Union officials who laugh about the present Opposition take McLachlan seriously. His presence in the Parliament would raise the Coalition's deficient credibility.

New members do not challenge leaders and if Mr Peacock loses the next election he is finished anyway. So he has nothing to lose and much to gain from a bye-election in Barker.

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