

Senator Walsh

John Hyde

Politicians are given to singing their party's virtues. Their paeans of self-glorification are thought to influence elections and to be integral to the survival of each political species. Until recently it was easy to tell one political species from another by its song. But, with its Loony Left all but mute, by singing a song which is remarkably like the Liberals' song, Labor is causing confusion among both Liberals and Laborites.

One important difference, however, is that Labor is sometimes heard to change tense. Whereas the Libs can sing only "we will", Labor sometimes sings "we have cut expenditure etc". I would complete the metaphor with the Minister for Finance leading the Labor faithful in the psalm "More Liberal than the Liberals", but the mind boggles.

One of the Finance Minister's recent speeches, the Norman Cowper Oration, appeared upon my desk. It is vintage Walsh--- full of Labor's success and an acid attack on hypocrisy. In one respect I believe Senator Walsh is wrong. Before I come to that, however, note the criteria by which he, justly in my view, praises the Hawke Government. Those criteria emphasise the extent of the Liberal's identity problem.

Labor's lost faith in centralised control exercised by a governing elite is evident throughout the speech and so is Walsh's contempt for the trendy, middle-class, greedy. Walsh is speaking for a new Labor, but he is also applying economic literacy to an old pre-Whitlamite Labor value---care for the underdog.

He boasts of turning an impending \$9 billion deficit in 1983-84 (possibly a modest exaggeration) into a \$9 billion surplus. Then, by the dubious means of netting out the Medicare Levy, he boasted that taxes, as a proportion of GDP have fallen---not a boast Jim Cairns could or would have made.

On firmer ground, he tells us that the budget surplus was achieved without raising taxes---that is, the surplus is "the product of sustained economic growth and expenditure control". More about "sustained economic growth" later, but Walsh's expenditure control---his personal ministerial responsibility-

--compares extremely favourably with that of the Fraser Government.

"In four years real outlays have declined absolutely by more than 8% and nearly 6 percentage points of GDP." Eight percent over four years is nothing by private-sector standards, but is almost exceptional for a government that is not bankrupt. The Liberals, who must have bitter memories of the failure of the Fraser Government's Razor Gang, have still to prove that they can cut costs.

With six years of Government behind him, Walsh now says: "The simple, cynical, conventional wisdom that what is good economics is bad politics, is not now entirely true---if indeed it ever was." Will the National Party please note! I think the Senator is actually selling himself short. By teaching the electorate, he, and three or four of his colleagues, turned better economic management into better politics. Opposition leadership please note!

On the subject of the poor, Walsh made these points:

- | "It is the poor, not the privileged, who suffer most from Governments who are so fiscally irresponsible and economically incompetent that per capita income is put into sustained decline."
- | "The Henderson Report is not, never was, and was never claimed by its authors to be an indicator of absolute poverty.... In fact the Henderson line has, since 1973-74, increased in real terms by 15%."
- | "With isolated exceptions such as the very low income self-employed, the most needy people in Australia are those who pay private rent, have dependent children, and have little income bar the social security payments."
- | "Unemployment Benefit (UB) payments are controlled not only by the state of the labour market, but by the efficiency with which the work test is administered." He boasted that Labor had reduced the numbers receiving UBs by 20%.
- | "The proportion of the pension age population in receipt of pensions...has now dropped by five percentage points."
- | He told us of the "hundreds of angry letters" he received when he reduced fraud by those claiming relief from child care fees.

Middle-class welfare advocates, advocates of additional government expenditure, the sillier environmentalists and, of course, the Opposition all get well-directed serves. Getting so much right begs the question: what went wrong?

In the first place Walsh is not the Government. More importantly, and this is the mistake he makes, I believe his macro-economic analysis is very wrong. The Senator repeats

platitudes which we have heard too often from the Treasurer: domestic demand was not appreciated by anyone, implying that the government is not to blame for it; the economy is heading for a soft landing in 1989-90; all will be more-or-less well, etc.

Will it? By June 1990 the Treasury implies that economic growth will be zero. Moreover, the foreign account deficit will still be around \$1000 million per month and inflation, though lower, will still be well above that of our competitors. What happens if commodity prices fall sharply? What does 1990's Treasurer do? He can hardly soften the landing by again expanding demand when the current account and inflation are so distinctly unsatisfactory.

We are heading for a hardish landing because of an error which Labor made when it first came to office, and with which it has persisted. Chanting "Jobs, Jobs, Jobs", the Government kept demand at a level which has achieved around 4% annual growth. It relied on The Accord to keep Australian costs down by keeping wages down. Too much was asked of it.

The Australian economy is sclerotic. Although many countries do better, the level of demand which produces 4% growth per year overheats our economy. The Accord actually makes the necessary adjustments more difficult. Until we deregulate and privatise we are going to have to accept very modest growth indeed. Labor's mistake was to go for a macro-economic fix when there was not one available.

Though it will undoubtedly cause confusion in the nest, it's time Labor sang of labour market deregulation.

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