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Roger Douglas II

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Before some grave economic misfortune overtakes us, Australians must find a government which will tackle our poor competitiveness. Any one of these could undo us: a commodity price collapse, a prolonged drought, a cave-in to the unions, or new and expensive defence needs. The public knows this. There is little doubt that, at the next Federal election, it would give the political party which looked as though it would fix the economy a handsome majority---if it had a choice.

Furthermore, at the level of economics (as opposed to politics) there is a rough consensus about what needs to be done to restore dynamism to our economy and raise our living standards in the long run. The question for political leaders is how to do it.

They may find an answer across the Tasman, where New Zealand has experienced, and to some extent faced up to, even bigger problems than our own. There, Roger Douglas, until recently Finance Minister, led a blazing campaign of economic reform. It became popularly known as `Rogernomics'. It is true that New Zealand is not Australia---we, for instance, have a Senate and States to block sensible reform. It is also a fact that Douglas failed on some fronts---particularly the labour market. And, with hindsight, we can see mistakes: he eventually lost the support of the New Zealand Labour Party and with it the capacity to make further reforms. He did not conduct the campaign alone and he entered a window of opportunity while it remained open. Even so, Rogernomics is the most successful economic reform program seen in a democratic country. While they still have the time, Australians must learn from it.

Last week, I quoted Douglas's paper to the Mont Pelerin Society, in which he explained that decisions which most benefit the nation in the medium term---he called these 'quality decisions'---not only win politicians the respect of history but also win elections. What then is the essence of Rogernomics? What should the reforming politician know?

Douglas listed 10 principles and in private conversation admitted that there are others. These are some of them.

* **Success depends on people.** "The biggest quality problem in New Zealand by far is the calibre of the people attracted to and selected for political candidacy....Politics is a mess because too many quality people are content to criticise from the sidelines." He is correct, but, as a failed politician myself, I am glad that I can hide behind him while saying it.

  He applauds Victorian efforts to replace some politicians with people of better calibre and ascribes his own party's success to the good candidates it recruited as recently as 1978-84.

  He says, "It is absolute nonsense to think that either National or Labour has, or should have, a monopoly of quality thinking". If only our Australian 'leaders' were not so bloody banal in their partisanship, we might get more reasonable debate, a better informed electorate, and from that gain economic reform.

* **Implement reform using quantum leaps and large packages.** Step-by-step programmes give interest groups time to mobilise and drag the reformer down. Narrowly-focussed reforms take privileges from some groups but do not give them the benefit of no longer having to pay for other people's privileges.

  Boasting about his own comprehensive 1984 budget announcements Douglas said, "You could hear the jaws dropping right across the nation as the budget speech was broadcast...'

  He tells us that the major interest groups assembled in Parliament Buildings on the Monday after the budget. Rather than chew him up, the first thing the mob did was chew up the transport industries who attempted to push their own barrow when everybody else was hurting also. Douglas makes the point that every group in the room had a vested interest in the success of the reforms being imposed on every other group in the room. Packaging reforms in big bundles is economically and politically efficient.

* **Speed is essential.** It is uncertainty, not speed, which endangers structural reform programmes. He takes a swipe at "those armchair theorists" who have criticised him for the sequence of his reforms: "Before you can plan your perfect move in the perfect way at the perfect time, the situation has already changed anyway. Instead of a perfect result you end up with a missed opportunity."

* **Credibility is essential** to maintain public confidence, and the key to credibility is near-total consistency in policy and communications. He says, "You know when you start to win the credibility battle: The media start looking for inconsistent decisions and lapses of principle." A clear parallel in Australia is the Hawke Government's subsidy to Kodak.

* **"Let the dog see the rabbit"**. He makes the point that people cannot cooperate with the reforming process unless they can see where reform is leading. Decision makers---consumers, investors, voters, the lot---must be able to see as much as possible of the total pattern if they are to plan effective responses to the reforms.

* **Never sell the public short.** "Successful structural reform does not become possible until you trust, respect and inform the electors." It seems that those members of the Australian Federal Opposition who promise in private that in government they will do more than they have announced may be as wrong politically as they are morally.

* **"Ask yourself why you are in politics"** This is Douglas's final injunction. "Conventional politicians", he assures us, "use the latest opinion polls to fine-tune their image and their policies in order to achieve better results in the next poll." In short, they aim only to be in power. Do we have any like them in Australia?

In case we do, I urge you to ring the Centre for Independent Studies (02 438 4377), get a copy of Douglas's paper, and insist that your local M.P. reads it.

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