

The Tortoise and the Hare

*John Hyde*

The Coalition's unwillingness to bring down a health policy with 'losers' in the marginal seats is just the latest example of the hold that sectional interests have over Australian politics. There would be more reforming politicians and fewer occasions for backsliding, if politicians believed there was any way to escape the thralldom of vested interests.

Economists, qua economists, are more or less agreed on what our economy needs, and of course arithmetic is arithmetic. I'm sure the first-choice advice coming from senior bureaucrats is clear. Since the recommended measures in general call for less regulation, the government has the administrative and legal power to implement them. Further, ideology is no longer a serious barrier to the market economy--as an intellectual force socialism is dead. Nevertheless, the government has deregulated only slowly and avoided such sacred areas as union monopolies. Voters now ask whether an incoming government, of either stamp, will be better.

Each economically damaging regulation protects an interest with political power---interests without power don't capture licences, tariffs, union registrations or other privileges. That power may be exercised through the ballot box, party endorsement, media campaigns and contributions to party funds. However, they also employ less savoury means. It is an indictment of the Australian political scene that the Prime Minister could speak of a 'bonfire' of industrial trouble should the Coalition deregulate the labour market, i.e. remove the unions' legal privileges.

Government's clear responsibility is to maintain the general interest against vested interests. It is, however, easier said than done. The key political issue is what an incoming government does to overcome the powerful groups which believe in deregulation for everybody but themselves.

A politician gets nowhere alone. To implement policy a politician must convince people at every step of the way and he must keep \\them convinced. He has to win majority support in the party room or caucus, in the cabinet and in the Senate (where there will not be a government majority). All of these

democratic bodies are creatures of public opinion---we would not have them any other way.

As well as majority support which must be won at several levels, the reforming politician must win near universal acceptance of his policy. That is to say, even the people who disagree with the policy must go along with it. They will often do so if they believe that the processes by which the decision was reached are legitimate, but quite small numbers who are prepared to, say, cross the floor, or riot, can block most things. The art of politics is the art of winning whatever support is necessary to implement policies. In Australia it usually includes widespread public support and the acquiescence of the about-to-be-disadvantaged vested interests. If these simple facts about democracy were not so often ignored, I would have thought them obvious.

How then could reforming politicians achieve that support and acquiescence?

First, the public, though comprised of overlapping coalitions of vested interests, is not comprised either of nongs or utterly selfish people to whom no appeal can be made. It does, however need to see the basis of the appeal---in Chifley's words to see, 'a light on the hill'. I can think of no great democratic leader who has not shared his vision with his people. The appropriate vision is of an Australia that is freer and more prosperous than now, in which the law does not confer privileges on any but the poor and the weak, and which is able to take care of itself should any likely economic or other misfortune strike. This is not an unrealistic vision---indeed compared with Chifley's light on the hill, it is modest.

Second, the reformer must be consistent. It is particularly important to convince those who are about to lose privileges that they are not being singled out. It doesn't do to exclude mates in the unions, in agriculture or the civil service, for instance. Neither will it do to deregulate labour but not capital.

The Coalition has a rigorous industrial relations policy well-defended by the relevant spokesman, Senator Chaney. However, it also has a whimpish trade and industry policy which advancing public opinion has overtaken. Howard, the Trade and Industry spokesman, recently substantially rectified the policy inconsistency by announcing that the Opposition favoured the Garnaut Report's recommendation for free trade by the year 2000. In the one breath he made the Coalition sound more consistent, more serious and more fair, only to be less than fulsomely supported by his leader.

There seem to be two ways for a reforming government to proceed. One, we might call the Erhardt/Douglas way. That way a new government establishes its reforming bonafides by announcing as broad a package of reform as possible as soon after gaining office as practicable---say, on the occasion of the first budget. It demonstrates beyond reasonable doubt that

it is serious. It is particularly important that the government's mates are not excluded from any discomfort.

The other way we might call the Thatcher way or the Button/Kerin/Walsh way. It concentrates the government's persuasive resources on key targets, confident that as these fall they will expose others---just as financial deregulation exposed weaknesses in the labour market in Australia.

The second way has these advantages: deals may be done to appease vested interests which might otherwise thwart reform; piecemeal change is less dangerous when in error; and people don't feel their whole world is overturned. It suffers the disadvantages that implementation takes a long time during which vested interests regroup and reformers lose heart and direction. It also suffers from high adjustment costs because people losing a privilege do not at the same time benefit from no longer having to pay for other's privileges. And, affecting people selectively, it is not seen to be fair.

I now believe a bonfire of the regulations is a better, fairer way of reforming the micro-economy than that of picking off targets in turn. The fundamental fact of democratic politics remains, however, that support for the changes must be generated and maintained by explaining them to people---by leadership.

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