

For whom do we vote?

*John Hyde*

Today we choose a government. To state the obvious: despite the high proportion of people who the polls show are disenchanted with both major parties, when the votes are counted, either Labor or the Coalition will govern. It is, therefore, our preference for Labor or the Coalition that matters.

When voting, the economy will not be the only issue we consider. Nevertheless, most of us will be influenced more by our assessment of the way the parties will deal with Australia's economic problems than by anything else. The polls tell us that three or four per cent of people feel that another issue, the environment, ought to take precedence over the economy. But even these people might reflect that only those nations which have sound economies have, in fact, cared for the physical environment and seriously attempted to undo past environmental mistakes.

Before casting our votes it would, therefore, be prudent to remind ourselves of our economic problems. Australian living standards are falling relative to those in other nations. Since the 1950s we have slipped from the third wealthiest nation in the world to about the twentieth. This relative decline is caused by poor productivity and high unit production costs. Australian inflation is about double that of our trade competitors. Even at a time when the prices of our exports are above trend, we have a very large balance of payments problem and in consequence of this we have a high and rising foreign debt.

To reduce the rate at which foreign debt is growing, the Labor Government has endeavoured to slow down the economy, that is, bring about a slight recession. To do this it has employed exceptionally high interest rates. There is no absolute guarantee that this policy will work even in the short run and, unless permanent recession is contemplated, it cannot work in the long run. It is, at best, a holding policy which makes sense only if the time gained is used to implement other policies to permanently change Australians' productive performance, and

consumption and saving habits. What is more, there can be no guarantee that the recession will, in fact, be slight.

Leaving aside the snake oil offered by Democrats and Greens, there is now almost no doubt what the broad economic policy settings should be---at least government advisers and the more serious politicians have few doubts. The exceptional feature of this campaign has been that no politician has been specific about the settings. This failure occurred because nobody could offer an easy fix and each party was afraid of what the other would do to it, if it were frank about the difficulties. Consequently, the campaign has been the most banal that I can recall, but one in which neither major party made many extravagant promises such as characterised past campaigns (and with luck even those that were made will be broken).

What, then, will the winning party do after the election?

The question is, unfortunately, not easily answered. The answer will depend upon who within the major parties will, in fact, call the shots. Will Hawke, Richardson and their ilk determine how a fourth Labor Government governs or will Keating and Walsh have a dominant influence? Six months ago Labor politicians thought a Labor victory was most unlikely. In the event of a Labor win, will the conventional wisdom in caucus be that victory was achieved because Richardson's cynical politicking snared the environmental vote? Will caucus put their win down to good fortune---i.e. that, the Peacock factor, like the Joh factor, gave it victory? Or will caucus understand that if public opinion had not rated them the better economic managers, their chances of victory were minuscule? Will they give the credit where credit is due---to the Keatings and Walshes and what they stood for? If, and only if, the latter is the case, will Labor face up to our economic problems.

In the case of a Coalition win, will Peacock and his ilk dominate policy or will Howard, Hewson, Stone, McLachlin and the other dries call the shots? If, and only if, it is the latter, will a Coalition Government settle down to the long grind toward economic recovery.

Voters who are worried about the chronic sickness of the Australian economy---i.e. most of them---must decide which party is more likely to cut government expenditure, reduce inflation, deregulate the labour market, cut trade barriers, deregulate the transport sector (especially on the waterfront), change the tax system to one that does not penalise investment, increase the rewards for working and decrease those for not working, and reorganise the health and education systems. In short, voters must decide which party will bring about the micro-economic reforms which alone will treat our sick economy. Most

importantly, they must decide which party will make best use of the recession to introduce labour market reforms.

Rather than despair, voters might remember that there are quality men, who will take quality decisions, in both parties. The Liberals' claim---that a vote for Hawke is a vote for Keating---if true, is no bad thing. And Keating's riposte---that a vote for Peacock is a vote for Peacock---is probably wrong. Peacock is no more shallow than Hawke but his position within his own party is weaker. The best that he can hope for is that he will be seen by the save-our-seats boys and girls in the party room as the man who almost lost the unloseable election. He may not long survive and, if he does, he may not be in real control.

Whichever party wins today, 'things' immediately after the election will be much tougher than either party has admitted. The influence of the professionals in Treasury, the Department of Finance and the hard heads in the new government's own ranks will be important---that much is certain. The unanswerable question is: will the influence be sufficient to call forth the effort needed to produce sustained recovery, or must we have another recession in a few years' time?

It is unfortunate that our vote cannot change the balance of power within the parties. Yet, we cannot absolve ourselves from the responsibility of choosing between the Coalition and Labor---not even by being too drunk to vote or by voting Democrat.

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