

The Defeat of Political Power

John Hyde

People, capital and ideas are all becoming more mobile. By migrating across national borders these production factors are undermining political power and the ability of governments to make a mess of things. The evidence is all about us.

- | Some of the brightest young people are fleeing China, Vietnam and Cambodia to make homes in nations which allow them better to use their talents and realise their aspirations.
- | The flight of young people dramatically changed East Germany in 1989. Less dramatically, the loss of 10% of New Zealand's skilled young over the last decade brought about a considerable change of thinking in that country.
- | The communications revolution has made it difficult for governments to keep their people ignorant of better practices elsewhere, and made Governments' self-serving propaganda less effective. For instance, at the time of the Tienanmen Square massacre, overseas Chinese and their friends faxed accounts of what actually happened into China.
- | Capital also is footloose. Millions of dollars have fled Australia's unworkable industrial relations system to 'manufacture off-shore'. When Malaysia foolishly discriminated against its Chinese minority, Chinese-owned capital in that country effectively went on strike forcing some modification of the policies. And so on.
- | Multinational firms---that is, bundles of people, ideas and capital---are constantly shopping around for the places where they can enjoy commercial freedom, stable, reliable and simple laws, and workforces which are keen and cooperative. The nations which have offered these bundles of resources the opportunity to prosper have themselves prospered. Examples abound in East Asia, North America and North Western Europe. Australia's case is borderline.

As usual, it took someone unusually perceptive to point out the unusually obvious. Professor Wolfgang Kasper, writing

for the Australian Institute of Public Policy, makes these points about the trend. Each is barely open to dispute, once you have thought about it:

- | The lesson from theory and history for the new era of openness to international mobility is that openness undermines the much-vaunted primacy of politics over economic life.
- | Political activists resent the discipline imposed by international openness. That is why, in Australia, socialists revile multinational capital, are xenophobic, extol futile 'buy Australian' campaigns, and condemn as unpatriotic those Australians who hold their money in less inflation-ridden currencies. Perhaps those among us who are currently making their resentment of immigrants, refugees and foreign investors evident, realise that the new mobility is making it impossible for them to continue with their more costly work and investment practices.
- | Politicians and bureaucrats don't give up easily. Finding their statist designs frustrated at home, they are trying to internationalise them into trade blocs, international taxation agreements, and so on. For instance, Mrs Thatcher, not always as consistently free-market as she pretends to be, nevertheless has legitimate concern about Britain becoming too European, given the success of the regulators in Brussels.
- | The new openness, affecting most of the world except the one-party States of Africa, is similar to what happened in Western Europe at the time of the Industrial Revolution, what has been happening in the 'Asian Tiger' economies over the past 30 years or so, and what is being planned for Europe now. It is the fountainhead of prosperity and it is, as the Gannaut Report pointed out, a trend to which Australians must become attuned if they are going to do even reasonably well.
- | It is becoming more difficult for governments to impose illiberal restrictions of a type that do not exist over the border. And even for far-flung island States such as Australia, international borders are becoming less important. In short, it is not just the Iron Curtain that is coming down.

The trend can be avoided only with Draconian measures, such as practiced by the government of North Korea, and it must be assumed that we will not, in the end, be that foolish. Nevertheless, many Australians, of both the so-called left and the so-called right, plainly resent the fact that factor mobility is reducing the politically-acceptable domestic-policy choices available to Australian Governments.

Some see this as a loss of sovereignty. Our Governments are, indeed, increasingly less able to impose upon us the taxes, the Arbitration Commissions, the state monopolies and the lifestyles that they believe are good for us. In that

sense, these people are right, but all that is being lost is the ability to impose upon us the controls and taxes we do not like. The trend is a victory for individual sovereignty.

It is also true that, the more we embrace the trend toward openness, the more we will go on becoming a polyglot, poly-you-name-it society. However, with all due respect to the Bruce Ruxtons of this world, our fathers did not fight the Second World War to prevent Japanese being spoken in our streets or Japanese cars being driven on our roads, or even to prevent Japanese capital buying our beaches. They fought the war to prevent what was then the Japanese statist, illiberal government being inflicted upon Australians. They fought in the knowledge that illiberal governments kill far more of their own citizens and their prisoners than they kill in battle. With reason, they feared that life under Hirohito and Tojo would have been very unpleasant, and anything but open.

If the new order is to mean that my Chinese neighbour drives a Japanese sports car, which is insured in London where my daughter is employed by a multinational company I don't see why I should not be pleased with the whole set-up. If, as is likely, that also means that we are all wealthy and living in peace, then so much the better. It would, moreover, be an added bonus if the mixing of the international pot and the spread of liberal ideals meant that my son never had to repel a Japanese or any other army.

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