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ON THE DRY SIDE ~~211~~ THE NFF SEEKS AUDIENCE John Hyde.

When I think of the political demise of Whitlam and Fraser, the Greek aphorism, 'whom the Gods would destroy they first send crazy' is forced upon me. Power does strange and unlovely things to people.

It seems Prime Ministers suffer mental strain caused by excessive responsibility; for that they deserve sympathy. We cannot afford, however, to sympathise with attacks of hubris brought on by habitual exercise of power and the fawning of courtiers. They come to believe they deserve to have their boots licked. Criticism becomes disloyalty or, what is seen as worse, impropriety. They become isolated from reality and leaders on their way out of office retreat into cells padded with protocol. In the vernacular, they lose their marbles--- Nixon, Gorton, McMahon, Whitlam, Fraser, Dunstan and many more.

King Bob's refusal to grant an audience to Ian McLachlan, president of the National Farmers Federation (NFF) is of the pattern, but the grounds for refusal are unusually revealing. Mr McLachlan's impropriety was to talk to the people--- admittedly by talking to the fourth estate; but how else do you talk to the people of a modern democracy? How did Mr Hawke himself, when ACTU President, conduct his arguments with governments? He conducted them through the media. What is more he was right to act that way. Australia has had enough of back room deals which end up as bargains which the parties are too ashamed of to explain to the public.

Governments get a lot of submissions from organisations with axes to grind. Most are so narrowly self serving they should be ignored. One such was the NFF's response in 1982 to the Balderstone Inquiry into rural Australia. Ministers received it with protocol and back slapping while they, and many others, privately marked down their respect for the NFF.

The NFF learned a bitter lesson well. Its submissions are no longer written for its internal politics. The brief Mr McLachlan carried was written by David Chessell, who was until recently employed by Treasury and now employed by ACIL Australia. It has little that is new. It catalogues sobering, indisputable facts taken from the public record and argues that the government's policy mix cannot cope with them. It is a simple, unemotional and hard-to-refute case which reflects badly on every government since McMahon. It is not unfair to Hawke; it says, for instance, that his government has shifted fiscal policy in the right direction but too slowly.

Throwing McLachlan out was an irrational response to a problem now beyond a Prime Minister who does not like having his head withdrawn forcibly from the sand. Economic growth has collapsed, external debt is out of immediate control, the budget appreciably off target and wages in the circumstances are excessive.

External debt has risen from 6% of GDP in 1979-80 to 30% now. EPAC estimate that it will level off at 40% by 1989-90 but that forecast requires the trade balance to improve by about 4% of GDP to a sustainable 1% trade surplus. EPAC assumes no further depreciation will increase foreign debt service costs and no further decline in our terms of trade after this year. Given that our fixed capital investment has been inadequate for some time, that our inflation is so far above our trading partners as to erode the competitive advantage of the devaluation by 1990, EPAC's hope defies economic gravity.

To win and hold a trade surplus Australians must improve their competitiveness in a sustainable way. To do that unit costs must fall faster here than in other countries. But our wages are forecast to rise by 6.25% this year whereas our trading partners' average wage rise is expected to be only 4.5%---a competitive disadvantage of 1.75%. To just maintain, but not improve the present competitive position, that deficiency could be offset if our productivity were to improve 1.75% more than theirs. But, while OECD productivity is forecast to gain at least 1.75% ours is expected to improve by only 0.5%---a further disadvantage equivalent to a 1.5% wage rise. On top of that our terms of trade are expected to slip by a further 8% this year---equivalent to a 1.6% wage rise.

To hold the competitive gains of the devaluation our wages should not rise more than 1.4%. Yet this financial year award wages have risen by 4% already and the Commonwealth is proposing a further \$10 first tier plus a maximum 3% second tier (at least another 3.0% over all) second wage round.

Investment is poor because public-sector borrowing and taxing is crowding it out. In the 1960s net public sector-borrowing was 2% of GDP, Whitlam raised that to 4.5% and Fraser to 5.5%. Hawke will reduce it to about 4.25% this year, but his borrowings are on top of the debt left by his predecessors and for that reason is even less sustainable. Interest on past borrowing is now over 10% of the Commonwealth budget.

Commonwealth outlays under McMahon were 14% of GDP, Whitlam raised that to 17%, Fraser to 19% and Hawke to about 20.5%. State and Local Government outlays increased from 17% to 22% in the same time.

There are ways out of the mess but I get the strong impression that they have become all too much for the PM who would sooner not know about them. He should nevertheless study the NFF paper.