

THE ISSUES TODAY

John Hyde

Today voters should assess which party is more likely to drag Australia kicking and screaming out of debt; vote for it and urge their friends to do the same. They owe their children at least the bequest of a solvent society. The worst is not over. In the short run, until something is done about our balance of payments and foreign debt problems, living standards will fall. Neither party has had the guts to say so plainly. The nearest to truth both have come is a half-hearted admission that there will be no easy wage rises next year.

At one point the Prime Minister actually promised that there will be no fall in real wages for three years. If you think he means it, which I don't, vote Liberal. Attempts to maintain the living standards of any group will mean even greater sacrifices by others. In any circumstances, wage maintenance would be bad for the balance of payments and employment and in some it would be disastrous. As I said, I don't believe he means it, but nevertheless the promises politicians might keep worry me more than those they break.

The potentially crushing debt cast a most appropriate air of gloom over the campaign. The major parties felt it and avoided really frightening the foreign exchange dealers but neither has told us how it intends to make Australian industry competitive. There is no way of servicing the debt unless Australian unit costs are improved. We can only hope that the politicians are more prepared in office to disappoint those flaccid public monopolies, protected industries and trade unions than they have been during the campaign.

The major parties were not as phony as the Democrats and Senator Siddons, however, who redesigned political arithmetic: $2 + 2$ no longer equals 5 but some much larger figure. Minor parties have the luxury of knowing they will never be asked to deliver. Fortunately foreign exchange traders know it too.

How to achieve competitiveness should have dominated the campaign, but except for tax, the issues which affect competitiveness were ignored.

Although tax reform and budget cutting have not been prominent in other nation's economic successes the demands of the public sector must affect costs. That taxes are costs is implicitly recognised by the government's own arguments in defence of its decision not to tax gold. Voters really should

not worry about the detail of the party's packages: either will turn out wrong. They should just ask themselves which party is more likely to lift more of the weight of taxation and deficits more quickly from the back of industry. I think it is the Liberals.

The critical policies which have not been prominent are:

- | rules for the labour market;
- | regulation of the other factor markets such as transport and communications;
- | rules for imports and exports; and,
- | for the long haul, the relevance and quality of education.

Few people now argue that Australia can afford not to reduce trade barriers---we cannot afford motor vehicles which cost double those of our trading partners for instance. The argument is now about how they should be reduced, at what speed, and by how much. Trade barriers have been reduced by Labor but too slowly. If present progress is not improved we will still suffer from significant import barriers in the year 2000.

The industry by industry approach, with its attendant snail-like pace, won't do. None of the countries which achieved economic miracles based on freer trade allowed protected industries so much opportunity to frustrate trade deregulation. Debate is progressing, however. Only two weeks ago AIPP published this: 'Neither party has mentioned across-the-board reductions such as Whitlam's 25% cut, New Zealand's current policy or those once adopted by West Germany, Taiwan, Korea and other notably successful economies'. Since then Senator Button has agreed to look at across-the-board tariff cuts if the economy is in suitable shape. Not sufficient, Senator; but it places your party ahead of the Liberals here.

Meanwhile Mr Kerin has been quietly reducing the weight of regulation down on the farm. He has had notable success with eggs, wheat, sugar, dairy products and dried vine fruits. Again, not fast enough but better than the Opposition.

Transport and communications deregulation surely offers the best opportunity to cut costs quickly. For instance inefficient transport and handling costs grain farmers about \$15 per tonne. Neither party seems fully aware of the opportunity.

Labor introduced a small university fee. (I am told drop-out rates are down already.) Here, although the Libs would no doubt charge the privileged few who attend universities and colleges rather more, the gap between the parties is not wide. It widens with attitudes to the private sector, however. Pupils are fleeing free (to the pupil's family) public schools to attend fee charging private schools; this can only be because they or their parents think the private institutions are better. Labor is making it difficult for private educators to provide places for these children by demanding two years' notice of substantial changes to enrollments or years taught and by punishing schools for private fund-raising effort. There is no rational reason for

opposing parent's wishes unless it is beholden to the Australian Teachers Federation. That brings me to labour markets where a real gulf opens between the parties.

Labor governs by trying to bring all the interests which are strong enough to throw a spanner in its works into the processes of government. They give trade unions, big corporations and powerful lobbies a government voice. They are flexible, bending to the wishes of unions and other lesser, in the Hancock Report's immortal words, 'centers of power'.

The Liberals promise less flexibility. They promise the rule of law which treats the powerful and those without power alike. It is a classical liberal position. Their industrial relations policy is not about confronting union power---they know they might lose that fight. It is about reducing it at its source. Union power is seen as emanating from the power to compel membership on pain of loss of employment. The ACTU takes the threat to its privileges seriously; it has already threatened to throw a spanner in the Liberal works.

For the same reason it is not reasonable to argue with an armed man, should unions be appeased? Or will every concession made to them be followed by another demand? Will every conference between the new government and trade unions be another Munich conceding policies which exempt unions from their share of adjustment to the foreign debt problem?

Labor's industrial relations policy is corporatist; the Liberals' individualist. Which will best rid us of those dreadful work practices? This is where the parties differ most. The difference is central to the most important issue today, which is: who will rid us of the debt?

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