

Senator Walsh

John Hyde

When Senator Peter Walsh is not bucketing somebody he usually makes sense. What is more he is prepared to say some of the tough things we had better believe. Unfortunately vitriol is not a lubricant.

He reminds us that in March 1983 he said:
"The state of our current account is, like the impending domestic (budget) deficit, one of the most serious problems facing the new government."

He saw the impending danger, gave it appropriate weight ('one the most serious problems'), and linked it with the budget deficit. What is more he accepted his political responsibility to speak out.

That he was aware is not remarkable in itself, for at least two years treasury officers had been warning back bench committees (and we must assume cabinet) that accumulating budget deficits, extravagant wage settlements and uncompetitive industries were leaving Australia vulnerable to even a modest adverse shift in our terms of trade. His credit derives from his Cassandra-like warning. The tragedy is that the government took no more notice of him than the Trojans of Cassandra although he was much less cryptic.

Now he graciously---yes I mean it in spite of some ungracious passages in the speech---blames himself for paying too little attention to the problem. As I interpret the scuttlebut, his colleagues did not listen to him. Walsh now excuses them (himself) by saying:

"At the time, hardly anyone was FULLY aware of the current account danger---largely because we did not foresee the export price collapse."

Export prices boom and bust and we must must accept that the next bust is always lying in wait for the extravagant firm or nation. It was against that inevitability that he warned us in 1983.

He now argues that although "the dollar is reasonably stable, the current account deficit, inflation, interest rates and unemployment are again moving in the right direction

...our fundamental economic problems have not yet been overcome. Foreign debt as a proportion of GDP is still increasing."

"That cannot continue indefinitely unless we are reprieved by a commodity price boom. Basically we have 3 choices:

- * The Draconian choice---that is stabilise the foreign debt by imposing on ourselves a catastrophic depression of indefinite duration and frightening social consequences.
- * The irresponsible choice---that is ignore the problem until the IMF imposes the depression on us.
- * The sensible choice---that is stabilise, and in time reverse the foreign debt as a proportion of GDP by a combination of consumption restraint, economic restructuring and productivity growth.

"I fear however that though we have been going in the right direction, we have not been moving as quickly as externally imposed circumstances demand."

This is another speech pregnant with warning. It says the compradore (agent of a foreign business house) ethos of capital and traditional anti-productivity ethos of unions are unlikely to accommodate the adjustment required. It identifies a subliminal community belief that services can be delivered without being paid for. It admonishes those concerned about the environment to remember that no economy is viable unless it has an income other than taxation. And it reminds all of us that nations with a high level of foreign debt and a continuing large current account deficit have limited policy options.

Senator Walsh spoke about the fiscal irresponsibility of the Reagan administration, whom the biggest spenders in the Labor caucus love to hate. But the barb was aimed at them; they must be aware that so far the United States administration has been no more irresponsible than the Australian, and for a much shorter time. The US has only just become a net debtor; it does not yet have a foreign debt problem.

It was a brave speech. I would like to say that any damn fool would appreciate its truth but in truth not many do.

In (February 1986) Senator Walsh disparaged the Opposition's (aborted) privatisation program. In view of the Hawke government's current hopes to privatise at least parts of Australian Airlines, QANTAS, Commonwealth Bank, Airports and Telecom, aspects of that speech might cause him to blush, but I doubt it.

To raise the money for its 'social program' Labor will privatise. Now that privatisation is on the Labor agenda if not yet the Labor platform, the February 1986 speech ought be compulsory reading in cabinet and caucus. They need to get at least the following ideas stuck in their heads.

- * "...what is important is not whether a business is public or private but whether it delivers the goods and services

required by the public efficiently, that is at lowest cost....

- * "The Thatcher government is using privatisation as smokescreen behind which funds for pre-election tax cuts are being generated by the liquidation of public assets. ...selling to provide for current expenditure is a sure way to go bankrupt."
- * No one sentence says that a government is obliged to allow competition and that deregulation is therefore more important to the consumer than privatisation, but the whole speech says as much, eloquently and clearly.

It gives these British examples of 'anti-competitive policies wrapped up in privatisation':

- * Anti-competitive policy No 1: The government, unwilling to let go control, retains substantial equity in the privatised company or establishes "Golden shares" for government with superior voting rights.
- * Anti-competitive policy No 2: The government restricts or provides incentives which maintain its control by preventing concentration of private ownership.
- * Anti competitive policy No 3: The government restricts access by potential competitors to markets served by privatised companies.
- * Anti competitive policy No 4: The government establishes a watchdog body to regulate the industry.

"This heavy regulation stems from a dilemma facing governments wishing to privatise to finance current consumption: in seeking to maximise sale proceeds they are led into guaranteeing protection from competition for the privatised business. The government gets a good price and the consumer gets a raw deal."

The Senator did not add that the management and unionised employees don't mind being privatised so long as their monopoly is maintained. He did criticise public enterprises which, "thinking they had a divine right to receive free public capital"... dissipate its benefits "in providing lurks and perks for sinecure holders and featherbeds for employees."

With this observation he made a case for the belief that a private monopoly is superior to the public monopoly---at least capital formation is competitive. However, the prime aim must always be to allow free competition with the product.

Senator Walsh's 'sensible choice', based on productivity growth, becomes much more of an option if he can convince cabinet of the verities of his earlier privatisation speech.