

Player or Ring Keeper?

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From its first year in office the Burke Government cultivated a symbiotic relationship with WA's multi-millionaires, but I don't think it foresaw all the consequences of blurring the boundary between government and private business. As early as 1983, it purchased Northern Mining from The Bond Corporation, created the Argyle Diamond Trust, and backed the trust with a taxpayer guarantee.

Recently, there has been a flood of revelation about unusual commercial activities, flushed out in the aftermath of the stock market crash. The commercial high rollers, who are gamblers but nobody's fools, have presented the state's taxpayers with big liabilities should markets turn even slightly sour. For instance, a \$150 million guarantee for Rothwells, and \$670 million used to purchase property and financial assets from the Bell Group at prices apparently above market value. Why? Who benefits on the government side? My proportionate contribution to the likely net cost of the Bell bail-out would not be more than \$10. Nevertheless, I would sooner it had gone to the Salvos.

The few Western Australians who, before the stock market crash, saw what was going on, had watched with increasing apprehension and frustration. Some had fired a few warning shots over the government's bows, but the government ignored them.

It was not easy to come to grips with the novel events. Public information was restricted in a manner that is normal in commerce but not normal in government. We naively expected that, whatever the government tried to do, the civil service would not allow one citizen to be favoured over another, but we failed to appreciate the consequences of appointing people to public office who gave their loyalty to the government rather than to the office.

While we felt in our bones that what was happening was wrong, we did not have the theoretical framework and the terminology which would have allowed us to make a dispassionate appraisal of the situation. Neither, initially, did we know enough history to spot the parallels between WA now and, say, Italy in the 1920s, or The Philippines and Chile

more recently. Unable adequately to discuss the situation in general terms, commentators could only recount anecdotes, with a risk of a law suit for the telling.

I tried to describe the problem in general terms in 1986, in *The Burke Ambush*: "When the public expects governments to do deals, individual citizens, groups of citizens, trade unions, corporations, industry lobbies and others can only be expected to trade favours with the government to maximise their advantage. Not to do so is to concede competitive advantage to those who will, and may often be a dereliction of duty. Governments which grant or trade favours defy an important tradition. For the past two centuries people of British descent have idealised a form of government that does not sell favours. We tend to equate the sale of favours with corruption, although it is not seen that way by many modern nations and was not in, say, Tudor England. It is the government rather than the private players which is corrupted--turned away from duties it has accepted." It was inevitable that the Burke government, or indeed any government that adopted its style, would be turned from the public interest to the support of private interest. In the light of what has transpired I should have said more---such is hindsight.

One aspect of the situation that restrained me from saying more was that I don't think that the Burke government set out deliberately to use the powers of state to serve private interests. However, they were blind and deaf to Acton's warning that power tends to corrupt. They simply did not believe his warning as it applied to themselves, and they ignored principles which have protected private citizens from government corruption for the past two centuries.

The truth of the matter is that nobody can be both a player and the keeper of the ring. Like referees, governments can stop the fight and protect the injured. Moreover, governments can change the rules. Therefore, the ring-keeper must not seek wealth on his own behalf or on behalf of favoured players.

Ordinary people get other people to do what they want by offering compensation for the inconvenience involved. But whoever holds the ring of government can make lesser mortals do his bidding. It is true that he holds the ring only until the next election but, while he holds it, he may appoint his friends to high places; he may demand taxes and use the money more or less as he pleases; and he may guarantee his mates against loss. In addition, as taxes ultimately stand behind his commercial ventures, he cannot be disciplined by the threat of bankruptcy. So long as he holds the ring, he cannot but use its power, and his hope of avoiding his own corruption, such as that hope exists, is to do only those things which are appropriate to ring-keepers.

By contrast, private businessmen possess no direct lawful power. They may have immense fortunes, but even the most wealthy must operate in a voluntary world; they must accept the answer, "no deal". Their hopes of profits and fears of

losses alone, compel them to satisfy their customers' wants and husband the factors of their production.

Market capitalism is the economic system with by far the best record with respect to man's material needs and his freedom, but it relies on voluntarism. When private players enlist the ring-keeper, power destroys the market, and the prospect of wealth for himself or his mates may corrupt the ring-keeper.

The inevitable conflicts of interest between government agents and private wealth-seekers has recently seen two men tried and acquitted of bribery charges. A simple transaction, such as lending money to a friend, takes on a different aspect when the lender holds the money in trust or the borrower holds power in trust. Power and commerce should not mix.

We don't know yet what WA Incorporated will cost us, but Western Australians do know that their government is abusing its trust. Fortunately, the problem may be cured by a stretch on the Opposition benches, while we watch the next ring-keeper struggle with temptation.

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