

Two deep coal miners, a heavy engineer and I, a wheat farmer, got to arguing about what the future held for us, our kids and Australians generally. We had seen the workforce of our industries halve and the immediate future of the survivors looked bleak.

I was surprised to find myself the bull among bears. Australians are so pessimistic that even to assert that there is an achievable alternative to the mess makes one a bull.

Inevitably the central issue was will Australians accept reduced living standards to save themselves. Is the spirit which in crisis produced the great volunteer armies of the two World Wars dead? Particularly will the trade unions permit industry to compete successfully or are we to descend an endless inflation-devaluation-inflation spiral?

About 1980 Treasury and Reserve Bank officers warned back-bench MPs, and I must presume Cabinet, that if the government and unions did not mend their ways there would be a balance of payments crisis and falling living standards. Then I saw little evidence that the public understood and heard no admission of the inevitable from either unions or government. That has changed - reality is asserting itself.

We agreed that most public opinion had changed; but had the unions changed? I believe that they have, and will change much more as the crisis becomes more obvious.

The World and Australia look to be confronted by another 1929, by more bankruptcies and by even more unemployment. Australia is still plagued by reactionaries (not all of them in trade unions) opposed to necessary, and indeed inevitable, changes. The good news is that they are fewer and no longer command the moral and intellectual heights.

A coal miner, who has recently been presented with the ridiculous \$60 coal industry award, must find it hard to accept that Australians have learned anything. Neither is the ACTU attitude to superannuation and indexation cause for rejoicing. But other Australians, some unions, and even the ACTU on other issues, are learning from events that victories which ignore markets are Pyrrhic.

They are learning because the economic signals are at last getting through to them. The floating currency has become a barometer of failure. Politicians and union officials find it harder to duck facts that are understood by their constituencies.

Messrs Kelty and Crean would never say, as ACTU President Hawke once said, that inflation does not matter. Their defence of the Accord is that it keeps wages down. To preserve union membership

they, unlike the Marxist zealots, will negotiate increasingly realistic conditions of employment. Holiday pay, site allowances, prosperity loadings (paid by the sugar industry: believe it), shift loadings and much more that together raise labour costs to sometimes as much as double the base wage, leave room to negotiate without losing face.

The signals are also getting through because of sheer magnitude and immediacy. It is hard to see any good in bankruptcy, takeover or the sale-at-a-loss of pits, factories or farms if one's own business is involved. But traumatic events, or the threat of them, find what the auditors miss. They restore dynamism to stable economies.

The personal cost can be high but the economic cost is usually not. Some mines, farms and factories might lie idle but most will find new owners who, having paid less, will have less debt to service. Britain is experiencing a high level of bankruptcies but she is also enjoying record new business starts.

Unemployment is a dead weight loss but, to the extent that it causes hardship or discomfort even it is self correcting. In the 1930s, as the depression deepened, union membership collapsed, wages and employment conditions became more flexible and recovery slowly emerged. In this context the proposal that the unemployed work for their benefits is important.

Most importantly there is a new found willingness to deregulate. Deregulation will compel unionists to bear the consequences of their own actions. For instance an airline crew will be less inclined to raise costs if that means loss of passengers and their own jobs.

The gloomy prognosis is overstated. The Great Depression, for all the undeserved hardship it inflicted on the unemployed, did not destroy them or Australia. There is no evidence that we are genetically or morally inferior to our forebears or that we have less common sense. So long as it does not trigger another World War, depression will hurt but not destroy us. I am confident that the common sense of rank and file workers eventually prevails over union managements and class dogma. I have seen that in shearing sheds. How many coal mines will be left when it does?