

Since it is more than likely that over its term of office I will be passing critical comment on the Hawke Government, it is only fair to assess its inheritance before my memory becomes clouded by claims and counter-claims that will inevitably be made by both sides to try to shift the blame.

Economic lags are in general far longer than the electorate appreciates; the Hawke government's options will be constrained by what it has just inherited for further into its future than one can reliably see. That is not to say that it will have no options or that I expect that it will necessarily make good use of the options it does have.

Economic lags also vary in duration; excessive money supply will have its worst inflationary effects within as short a time as two years; on the other hand, protection granted the motor car and textile industries has caused inefficiencies that would take, even with the best will in the world, ten years to get out of the economy, and even then the production lost because of their past uncompetitiveness would still be lost for ever. Elements of the legacy will have very different effects, now and over time. A Senator and erstwhile colleague of mine was given to remarking that the difference between the Liberal Party and the Labor Party was that we were competent socialists while they were incompetent socialists. In the public mind at least, all that has changed. Labor are now the competent ones, and that is the main reason why they have been elected, not because of the Franklin dam or Hawke's unusual T.V. Manners, or even unemployment. Hawke at present has the electoral advantage of leading what is seen to be the more responsible of the two major parties. It is an advantage he will not wish to lose; so long as he has that advantage the Liberals cannot win and will probably from frustration dissipate their energies maintaining an opposition pecking order.

In office, the reputation ^{for} ~~for~~ ^{of} responsibility to be held, ^{it} will have to be earned. That will be particularly difficult for Hawke but would be difficult for any Labor Prime Minister, who is inevitably plagued by the mad left (which mercifully Hawke seems to be pretty much on top of at the moment) and by enthusiastic but amateurish interventionists who lead governments straight into foul-ups. If Hawke doubts the latter he should question either Whitlam or Fraser; he should get the same advice from either, namely, ignore enthusiastic amateurs.

Hawke's particular difficulty is that many of the more important socialist positions have recently been tried by his Liberal opponents and found wanting. If Hawke now seeks even higher government expenditures for the many socialist objectives which will be urged upon him by his rank and file he will be faced with a fiscal problem that will bring his government down. Whether he takes the high tax or the high deficit road he would very quickly cost the Labor Party its unaccustomed reputation for greater responsibility.

On the other hand, if he ignores all the pleas for action, some if not many of which will be sensible, well-thought-through approaches to the socialist state, he will gradually produce a very disgruntled party, deny himself the opportunity to implement his own ideals, and run the risk of being more concerned with the possession of office than its use.

Further, since the Fraser Government favoured rather looser monetary management than many (especially with hindsight) think responsible, produced a bigger public sector than Whitlam; produced a record deficit; regulated airlines, shipping, agricultural markets, petrol retailing etc. in a traditionally socialist vein and protected uncompetitive industries from international competition it will be almost impossible for Hawke to open a gap on the socialist side of the administration he has replaced without himself being irresponsible.

It is not an easy inheritance. Hawke's only real option is to cut programs he does not particularly favour in order to leave himself both political credibility and fiscal leeway to implement those he does. Cutting programs will have vested interests inside and outside the Labor Party screaming like banshees. Although I think too much is being made of the funeral benefits episode when Fraser caved into a minor back-bench revolt, the episode did demonstrate that Fraser was in fact too weak to govern purposefully when opposed by vested interest with political clout. We must wait to see how Hawke copes with similar problems. If he really tries to make use of his time in office, he will have even more of them. If he doesn't try very hard to trade off rationally, inside acceptable aggregates, then I predict that he will be pushed around by vested interests (not least big business and the big trade unions), quickly lose his tenuous "more responsible" image and give government back to the Liberals, perhaps before we are fit and ready to take it.

If Hawke tries to cut expenditures I hope that the Opposition will behave better than Labor did over funeral benefits or the Coalition did when Whitlam cut the super bounty.

Hawke has inherited a shameful fiscal mess that is probably even worse than that bequeathed to Fraser by Whitlam but he cannot truthfully say that he did not know before he took office. Five weeks before the election I wrote in this column that the current year's deficit was going to be around \$5,000 million. At the Party Room briefing a few minutes before the budget was brought down I was worried by the obvious, namely that some major expenditures and tax cuts only ran for quite small portion of the 1982/83 year. I asked then what was the effect on the next year's budget. If I could work out that there was a problem, so could Hawke.

The Labor party during the campaign made promises particularly with regard to tax that cannot be kept without further damage to our economy. Whatever the moral implications of making promises that cannot be responsibly kept, they cannot, and should now be broken. The Liberal Party might do something for its tattered reputation if instead of being too critical, it urged Hawke to make a rational reappraisal of his election undertakings.

Finally, Mr Hawke takes over an economy, the supply or productive side of which is plagued by all sorts of government-induced inefficiencies: tariffs, monopolies in both private and public sectors, regulations which protect the inefficient, wages set at unemployment levels and discriminatory taxes to name but a few legislated barriers to efficiency. It is the manner in which he tackles these supply side difficulties that will have most effect on the Australia of twenty or thirty years hence.
