

HAWKE ON STRUCTURAL ADJUSTMENT

Even if vested interests manage to force retraction of every sentiment of Hawke's Tokio structural adjustment statement, they can't erase it. It remains that the Prime Minister has said "It is not good enough for us in Australia now to point to the existing situation and to say, 'That must be kept because it will provide jobs and output at this point of time.' " -- "We need a longer range vision....." --and more in similar vein.

Warning that there is an inevitable trade off of today's cosseted industries and jobs for the next generation's living standards, Hawke mouths no more than the conventional view of economists, the government's advisers and international commentators; but within Australia he lends Prime Ministerial authority to it.

The protected industries have a long record of successful use of political threats. Hawke knows well the power of protected companies and unions and the lengths to which they will go to retain their preferments. It is political risk, knowingly incurred, which gives his speech the moral standing and credibility to make an impression. Had he spoken in generalities only, the speech would have been easily dismissed. We had heard it all before. However, by singling out the steel and car industries, he made sure of attention in Australia.

In 1953 Australia was the sixth wealthiest nation in the OECD club of twenty-three industrialised nations. Before the rise of the oil sheikhdoms that is to say sixth wealthiest in the world. Now we are somewhere between sixteenth and twentieth. There is a lot of ruin in a nation and we are not yet poor, but as each nation's standard of living passes ours, the event may be seen as a milestone on the road to ruin. The milestone is an indicator of opportunities lost; of poverty not alleviated, of unnecessary unemployment and lost defence capacity, as well as lower real wages and profits..

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Someone, say an Indian economist, who does not really know us but is familiar with the vital statistics of nations, might wonder why, relative to other countries, Australia should be going backwards when we have so much going for us. In spite of some dispute about literacy we do have a substantially literate workforce. We have stable government and we are a haven for internationally mobile capital. By sheltering beneath the United States defence umbrella we avoid the cost of a heavy defence commitment. We are rich enough to be able to afford savings and investment. We are unusually well endowed with natural resources.

One statistic should strike our Indian friend with force. For a small economy, particularly one which has obvious comparative advantages (specialist opportunities) in minerals and agriculture, we trade internationally a remarkably small portion of our total product. Comparatively, Australia is not a great trading nation and this is a clue to how it is that an economy with so much can perform so poorly.

His curiosity aroused, further enquiry might show him that Australia has an extraordinary proportion of its industry protected from international competition by some of the most comprehensive trade barriers erected around any small economy. An Indian grows up with ascetics who seek salvation by impaling themselves on beds of nails, so his curiosity might well be aroused by a nation which apparently is seeking its salvation by making life difficult for itself.

Further enquiry will disappoint him however. We are not ascetics in search of salvation but carousers on a binge. Far from earning ourselves a better hereafter, we are earning ourselves a dreadful hangover by present indulgence. Neither is the hangover calculated self flagellation intended to improve our characters or propitiate the gods, but it is a consequence to which we have given little thought. Mr. Hawke, who knows a lot about these things, is warning us: ("We need a longer range vision.")

No Prime Minister can want the history of his time to see him as one who contributed to the decline of his nation, or who squandered opportunities to strengthen it, but there is no leadership without risk. Whitlam, faced with massive inflows of foreign money, a bloated money supply, high and rising inflation, and a fixed exchange rate, had to bring the Australian dollar into equilibrium by a better means than letting

inflation run. He twice revalued the dollar, reducing the competitive edge of all those industries which produce or compete with traded goods - import competing, exporting, high cost protected and low cost internationally competitive alike. Then, since he was compelled to take even further action, he decided that this time he would not ask those industries which made good use of Australian manpower and capital to adjust. Instead, he required the adjustment to be made by those industries which by misusing resources make us poorer than we need be. He cut tariffs by 25%. In all the circumstances his policy was obvious, necessary, and in an economic sense, correct. Yet it was politically disastrous. He was vilified with one of the most dishonest and effective campaigns in Australian history; which is not to say that Whitlam did not deserve all he got on some other matters.

- 3 -

Hawke, with wisdom that no doubt comes from witnessing Whitlam's fate and Fraser's failure to face the issue, seems to be trying a different tack. First make the Australian people realise that they have a problem they cannot overcome without discomfort. Only then might they summon the will power to solve it; - the Alcoholics Anonymous technique.

It is by no means clear yet whether Hawke himself has the will to see it through, or that he will let markets pick the growth industries, but so long as he is trying to face the issue he deserves support. Bystanders can't do much to prevent the Opposition and the vested interests trying to make political capital of the issue, but we can do a little to see that this time there is no profit in the attempt.