

Anstis Holmes - Minister Sundry increases

J.M. Hyde

Optimistic

Treasury RB advice

CEDA Talk.

Good laugh next year.

15 yrs

A Political Overview

Who will govern us?

I will say something about what I expect to be the course of the political parties' quest for power because this is of more than passing relevance to my topic. However, I am more confident than I am about most things when I assert that trends in the political climate will be far more important than changes in the occupancy of Treasury benches.

Too many people see politics as a little more than a competition for the right to form the government instead of being a process by which public policies are formed; most people are much more hung up about who wields power than about what is done with power. I will, therefore, start by making a forecast about who is likely to govern in WA and at the Federal level.

The next State election

I predict that the Lawrence Government will run its full term after which it will be defeated by an Opposition led by Barry MacKinnon.

The full term

Although the Royal Commission will place several matters on the public record, it will probably not uncover much that is new. I say this for several reasons:

1) Those who have followed the WA Inc. scandal probably already know many, perhaps most, of the essential and important facts of WA Inc. The Liberal Party has done a far better job of uncovering, and of using the democratic processes to force others to uncover, the government's past actions, than most people give it credited for. Discovery and disclosure is a proper and indeed necessary feature of democracies such as ours and it is usually conducted by Oppositions.

Already
Known

2) While the three Commissioners are all competent and indeed learned men, they are likely, through habit, to take a judicial rather than an inquisitorial approach to the inquiry. That is, they will wait for evidence to be presented to them. They will not, like Commissioner Costigan, go ferreting for evidence in the local pubs.

Judicial

3) The learned Commissioners are legal men, and will probably be very impressed by law breaking, bribes, kick-backs, that sort of thing. But MPs may have been involved with none of these, none of any consequence or none that is discoverable. Unlike the Bjelke-Petersen Government's political sins which Fitzgerald highlighted, the Burke and Dowding Government's serious political sins may be overlooked while the Commission reports upon quite minor illegalities such as misuse of expense accounts.

Law
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Politics

Two further reasons why the Government will run its full term are that the chief WA Inc players are gone from the cabinet and most of them from the parliament; and there is a strong opinion among the public that supply should not be blocked except under circumstances that do not exist. That opinion flies in the face of the whole tradition of Westminster democracy going back, at least, to the battle of Naseby. In these days of dominant, disciplined political parties, the threat of withheld supply is the sole means by which our Governments, and others derived from Westminster, are made accountable to public opinion between elections. I, therefore, think that the public's reluctance to see supply

blocked is totally misguided. Nevertheless, that apprehension is a fact of political life that will not be changed during the next two years. Not when MacKinnon believes, probably correctly, that all he has to do is wait.

A change of government

The reasoning here is simple:

1. The current opinion polls
2. The WA Inc. events will stay before the public
3. Labor will have governed for three terms, and
4. The Opposition Parties can smell victory and are, therefore, less likely to shoot themselves in the foot--- they are unlikely to attempt a high-risk strategy such as blocking supply or to allow the quite deep division within the party to surface again between now and the election. For similar reasons, divisions between the Libs and the National Party will be papered over.

MacKinnon will continue to lead

There is considerable antipathy to MacKinnon among a substantial minority of members but it is very difficult to gain the numbers to roll a leader who looks as though he will win. I predict that these Members will confine their activity to grizzling in the corridors and the occasional dishonourable 'background' briefing of a journalist. One of the malcontents may have his own troubles arising from the Royal Commission.

The Feds

Here I predict a very similar outcome. Hewson will lead the Coalition to victory at the next full-term election.

Full Term

Unlike WA, there is no tradition encouraging the Prime Minister to run full term but, Malcolm Fraser's aberration aside, Prime Minister's seldom call early elections when they stand a good chance of losing. There is nothing at present that would justify---politically---the blocking of supply and the current Federal Labor Party is not like the one led by Whitlam. It is unlikely to take leave of its senses and thereby provide the Opposition with a *cause celebre*.

The Coalition will win

I am not as confident as I am about WA politics because there is no issue that reflects very badly upon the integrity of the Federal Labor Party, nor do I expect there to be. My reasons for predicting a Coalition win are:

1. The current opinion polls,
2. The economy is in poor shape now and, while I expect it to be more buoyant by the end of 1993, I do expect the underlying problems of lack of competitive ability and too much foreign debt to be plainly evident to political and economic commentators;
3. The ALP will have governed for three terms;
4. There are quite serious divisions at the top of the Labor Party in Canberra. In contrast, for the first time in many years, there are no serious divisions within the Liberal Party and the divisions between it and the Nats are quiescent---almost dormant.
5. The Coalition is a team with sense of purpose with a visible vision for Australia. Its policy formation has been of a most unusually high order. I think this is an electoral advantage. Indeed, if it were not an electoral

advantage, then I would despair for democracy. However, not everyone agrees with me.

That brings me to what Labor has going for it, or conversely, what the Coalition has going against it:

1. Health and agriculture aside, the Coalition has drafted several of the policies that are needed for economic recovery and a more fair, everybody-equal-in-law society. This means it will offend many vested interests who know that they will lose their privileges;
2. Because it has locked itself into these policies--- already by far the most consistent package in the history of Australian politics---they have denied themselves the opportunity to make cheap capital when the Hawke Government takes brave or even necessary decisions. In this sense, the Hawke Government, which in my opinion has been one of Australia's better governments anyway, has had a dream run and will have more of it.
3. The party organisation has two years to get its act together but, beside the Labor machine, it is incompetent and seriously under-funded. However hard it tries, I do not expect it to succeed in matching Labor's direct-mailing skills for instance.

How will they govern?

I come now to much the more important aspect of politics--- namely, how they govern us.

Many people have commented on the trend toward a more liberal order. It is easy to see. Governments, in most parts of the world, are showing greater respect for private property and markets are more free. Governments are allowing their

citizens more personal freedom, and, whether it is the governing class's intention or not, they are requiring ordinary folk to accept more personal responsibility for their own actions. This nation, although something of a laggard, is not an exception.

On an intellectual plane, liberal ideas have substantially won the day. Socialism is dead! Even if the charismatic and very bright Gough Whitlam were to return to the Prime Ministership, he could breathe no life into Socialism. In the space of about 100 years, socialism has come and gone.

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The exceedingly happy fact of its demise has already allowed/caused the people of Eastern Europe, Nicaragua and some other places to regain freedom from arbitrary arrest and worse. It will, in time, do as much for many others including the vast populations of China and the USSR. I expect the lack of any intellectual justification for governments to hold concentrated and unfettered power, and the subtle spread of market capitalism, will between them undermine even the governments of such Thugdoms as Ethiopia, Libya and Cuba---but don't hold your breath, just yet. Besides, you need all the breath you have for praying that nobody dreams up another persuasive argument for using the coercive powers of the state to create utopia.

We now understand that, in the socialist societies, the power of the state, which the poor bloody citizens are always promised would serve common interests, instead serves a few vested interests---the nomenklatura. In other words, socialist states---always wrong headed---without exception become corrupt!

What is not so well understood, is that we don't avoid the tendency for political power to be corrupted---that is turned from public to private ends---merely by avoiding socialism. The socialist ideology, when it is practiced, gives great power to a governing class. It is, however, the power

rather than socialism that leads them into temptation. That brings me to the less extreme case of Australia.

A graphic illustration of what is wrong with our poor little nation can be seen by glancing up and down, say, National Circuit and Northbourne Avenue in Canberra. There, lined up along both sides of both streets, are the working residences---the daytime palaces---of the modern courtiers of the crown, the lobbyists. Each courtier has his hand held out for grace and favour, each jealously guards his influence, each tries to gain an advantage against the others, each tries to turn the power of the state from general interests toward private interests. They fawn, they threaten and they beg. They are clever, articulate, well paid and very effective. They wheedle the government into giving them occupational licences, tariffs, government purchasing orders, guaranteed prices, anti-competitive regulations and so on---in short, they demand and get privileges. These courtiers have their own constituencies whom they serve, and in the final analysis they also serve themselves.

Ordinary, unorganised Australians are, at best, poorly represented in Canberra by members of a parliament which is too often treated by Cabinets as a pin-pricking nuisance to be got around whenever possible. The situation is, in my judgement, even worse in State capitals: bad as Canberra is, something like the WA Inc scandal could not have occurred there.

The lobbyists' not inconsiderable cost is an investment in privilege. For instance, does anyone doubt that the high tariff protection enjoyed by the textile industry is a privilege of greater value than the fees that industry pays to lobbyists?

It might surprise you that politicians so often place vested interests ahead of general interests, but they are, in fact, merely looking after their own interests. Politicians become elected, not by chasing the middle ground, but by

assembling a coalition of interest groups until they have the necessary half-plus-one. It, therefore, pays them to buy support with taxpayers' or with consumers' money. It is the lobbyist's job to acquaint those who would govern with what they must do to win or retain the support of particular vested interests. Politicians who are members of minor parties go one step further, knowing that they will never be called upon to deliver, they promise to pay the private interests with money that does not exist.

Why concentrated vested interests should prevail over more general interests is explained by what political scientists and economists call "Public Choice Theory". Now is not the occasion for a paper on "Public Choice" and there are, in any case, people better qualified than I to explain it. Please take my word for it that it is a powerful theory providing insights into political behaviour during such diverse events as general elections and party-room ballots.

Adam Smith had never heard of Public Choice Theory, but not much has changed here since he penned "The Wealth of Nations". For that matter, if he had ever heard of socialism, it did not command his attention. His *bete noir* was commercial privilege. That Smith became such a hate figure among socialists says a great deal about socialists.

Contrary to what you are sometimes told, Smith believed in a strong state---a state that was too strong to be bribed or blackmailed into using the force of law to serve private ends. He did not advocate a minimal state, but the sort of state he advocated would, in fact, be smaller if only because, without privileges to enforce, it would have less to do. There would, for instance, be no need for most of the activities of our Customs Department, Department of Primary Industry, Telecom, and the Department of Industrial Relations, because most of the things these departments do can be done by private people buying and selling in competitive markets. These departments would not exist, were it not for the fact that the

government wished to tilt the playing field in favour some Australians and against others.

Nobody, and certainly not the socialists, actually claimed that the resources of the state ought to be commanded by people who happen to live in marginal seats or belong to the more militant unions. Nor did anybody suggest that the state should finance sinecures or handouts made to a Premier's mates. But, the more of a society that the government controls, the more decisions taken in smoke-filled rooms and the fewer in disinterested markets, then the more opportunity there is to blackmail or to bribe weak ministers with promises of votes, cash or even of a quiet life.

Although an intellectual justification for an interfering state has been discredited, the machinery of the interfering state is still very much in place. And it is the machinery, not the philosophy, that interests those clamouring for privileges.

I suspect it will be a long time, if ever, before we are finally rid of such organisations as the Arbitration Commission, the Wheat Board, the Electricity Commissions, and before we are rid of even such blatant privileges as TV Broadcast licenses, taxi plates, tariffs, and preference-to-unionists clauses in awards. Nevertheless, these practices and many more are discredited. One by one they are falling so far from grace that the relevant interests cannot rescue them. They are falling into such bad odour that even a not very courageous government can abolish them, thereby doing what it all along knew that it ought to do.

It is relevant to observe that the senior advisers in the policy (but not the spending) departments tend to give advice that favours the general interest. And think tanks, such as AIPP and IPA, were formed with the sole purpose of building a climate of opinion such that timid politicians would not have to be brave in order to govern well.

There are other factors beside conscious opinion makers changing public opinion. Most importantly, every now and again an organisation or structure is shown by events to be either malign, incredibly stupid, or both. When even the willfully blind can see that it is, then the organisation has had its day. The Wool Corporation is an obvious example.

And Governments, such as the Victorian Government, that are borrowed to the hilt and short of funds, are forced by their straightened circumstances to consider measures, such as privatisation, that would have been anathema to them a short while ago. Example is also important. The success of Roger Douglas in New Zealand and even the relative success of the Queensland and NSW Governments is changing opinion in other jurisdictions. So strong are some of these trends that some of the weaker vested interests can no longer prevail.

So you can see that public choice theory does not explain everything about political behaviour---sometimes notions of public interest do prevail after all. This should not surprise us: we know that the regulation and control that characterised life in the 16th and much of the 17th century Britain gave way to the liberal years of unprecedented economic growth and longer life expectancy in the 18th Century. Surely the dramatic change was brought about by the liberal ideals of limited government, rule of law and secure property rights which at that time found favour in Britain. Weren't those the same ideas as are now struggling into ascendancy? Isn't it the case that in some circumstances ideas do prevail over interests? And isn't it a fact that, in general, individualist ideas are now replacing socialist ideas?

Nothing is written in the stars, but I am reasonably confident that these trends still have life in them. If so, we will see less kowtowing to our our lords and masters in Government and by them to interest groups. We will see more deregulation and more privatisation. The skills of the producer will be better rewarded and the skills of the courtier less. We must presume, therefore, that those who will

prosper in the 1990s will be those who satisfy the demands made by markets rather than the demands of politics.

For the first time in my lifetime, Australia is moving in a liberal direction. In fifteen or twenty years we will be getting the full benefit of today's changed political attitudes. In the meantime, I don't think it will matter very much which political party sits on which side of the Speaker. But it will matter a great deal, however, whether Australians can liberalise their economy as fast as other countries are liberalising theirs. Our rivals are not standing still!

In very general terms I have tried to explain what I think is a momentous trend, but take my prognosis *cum grano salis*, please!