

BACK TO BASICS

Oration by

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delivered at St John's College,
The University of Sydney
on December 3, 1987

My acquaintance with the writings of Earle Christmas Grafton Page has left me profoundly impressed both by the fertility of his ideas and the substance of his achievements. As Treasurer in the Bruce-Page Government from 1923, he was instrumental in formulating and establishing, in 1927, the historic financial agreement between the Commonwealth and the States that was subsequently enshrined by referendum in Section 105A of our Constitution. It sought to address, among other things, the growing problem in the 1920s of over-borrowing — particularly overseas by the States. The list of policy initiatives and measures associated with Earle Page over a long Parliamentary career is wide-ranging and his achievement is as enduring as it is imposing. In reviewing these from the perspective of 1987, I have been struck by their fundamental importance to the basic development of Australia at that time. Forty years after the six-year life of the Bruce-Page Government, Page noted with satisfaction that many of the legislative achievements with which he had been closely identified had come to form part of the permanent structure of Australian government. In considering his contribution, I must conclude his instinctive understanding of the importance of getting the "basics" right provided the foundation for his considerable legislative success.

Lest there be any misapprehension, however, let me stress I am not advocating that we now turn to the particular programmes and policies so ably championed in his day by Earle Page. As did Earle Page, so we today must look to the quality and clarity of our ideas - the intellectual integrity of our policy leadership. Only on that basis will the National Party be worthy of the opportunity to implement those ideas if successful at the next federal election. And if elected, we are bound to inherit a tangle of policy confusion and be confronted by a great weight of institutional clutter. We will need to refer continually to basic principles as we seek to translate our policies into programmes. Fundamental is the need for a sound policy framework to be laid down in **Opposition and observed in Government**. Otherwise, we will find ourselves - like the Fraser/Anthony and the Hawke Governments - drifting on a sea of governmental irresolution.

I have chosen as the title of this lecture, "Back to Basics". In doing so, I have had in mind not merely the need to mock the outrageous claim of the present Premier of New South Wales, Mr Unsworth, expressed in that same phrase, but to highlight the profound disquiet within the Australian community about the way the people's elected representatives appear to have failed them during recent years.

Cleaning out the current Augean governmental stables of New South Wales is a task even the stoutest-hearted Hercules would find daunting. Manured by a decade of droppings from Mr Neville Wran and his Ministerial colleagues - one recalls the names of Mr Rex Jackson and the late Mr Paul Landa - such a task would turn even the strongest stomach. However, long experience in that most fundamentally rotten of institutions, the NSW Labor Council, appears to have endowed Mr Unsworth with the necessary resolution and he has wisely sought to distance himself from Mr Wran and other former colleagues.

The current back-to-basics gambit by Mr Unsworth's New South Wales Government is bound to suffer from one obvious difficulty - the most "basic" thing about it is its stench. My "basics" title reflects a different consideration - our party's policies must reflect the deep, growing concern about the direction Australia has been heading for at least two decades. This is evident not least within the ranks of "traditional Labor voters" who could be pardoned for wondering how it is that their party could have been captured by radical trends who have gone about destroying so many things they had held dear. They would unconsciously echo the words of the Honourable Kim Beazley (Senior) who, following a National ALP conference in the late 1970s, is reported to have reflected: "There was a time when the Labor Party was made up of the cream of the working classes; nowadays, it is chiefly made up of the dregs of the middle classes".

Whatever political comfort we might take from growing disenchantment within Labor Party ranks, we would be foolish to ignore the equivalent concern within the ranks of our own supporters. It is vitally necessary the National Party should understand and accept some of the positive lessons of the so-called "Joh for Canberra" phenomenon, flawed though it was in many respects. It is true the public image of disunity the campaign undoubtedly helped to generate was electorally damaging but the more important truth was that, on the basis of the policies the conservative parties had in place before that campaign, those parties - including our own - did not deserve to win. The conservative parties would not have been ready for Government - not steeled to turn Australia's future around.

Whether they be farmers, shopkeepers or other small business proprietors, or the many others whose livelihoods depend upon the continued existence of those people, it is the men and women of "middle Australia" who constitute the heartland of our party. It follows it is their interests we need particularly to have in mind. I propose to comment on five topics relevant to my "Back to Basics" theme.

Federalism

In my adult lifetime, Australia's basic institutional and governmental structures and processes have become distorted and debilitated to the extent of calling into question our ability to respond positively to current challenges and future opportunities. Chief among those processes has been the weakening of Australian federalism, which has accelerated markedly in the past 15 years.

Legislative and judicial episodes, such as the Engineers Case and the Uniform Tax Case of 1942, saw important enhancements of Commonwealth power. More recently, the corporations power (Section 51 (xx.)) and the external affairs power (Section 51 (xxix.)) of the Constitution, notably in the Tasmanian Dams Case, have undermined our federal system. Commonwealth influence has also been greatly enhanced by means of specific purpose Commonwealth payments to the States (under Section 96) in areas such as education housing, health, transport, water resources, and now local government. Prior to the 1970s, these functions, either wholly or largely, were State responsibilities. While particular indicators of increasing Commonwealth supremacy might not be universally agreed, all reasonable tests of governmental dependence and independence suggest only one conclusion - States are in chains.

In fact, it has been the well-documented intention of successive Labor Governments to eliminate the Australian States, the argument being Australia will prosper only if and when it functions as a unitary entity.

Labor believes that to retain a federal system is to persist with an outdated concept which inhibits "national progress" and is costly, cumbersome and anachronistic. In one of his more Fabian pronouncements, our current Prime Minister strongly affirmed this attitude in his first Boyer Lecture eight years ago.

The Prime Minister's assertion proceeds from two tenets: firstly, that governing authority should not be divided and hence limited; and secondly, that the Commonwealth Government alone is capable of achieving "good government". There is not the slightest doubt the Constitutional Commission will produce a "new" Bicentennial Constitution for Australia which, if it were ever to be adopted, would achieve most of what the Labor Party has been seeking. That is why it has been set up; and that is what it will serve up early next year. As Professor Rufus Davis has said, what current Commonwealth Government initiatives seek is "what Mr Whitlam wanted for 30 years - almost everything short of the formal obliteration of the States. That having been achieved, the Federal Government can then function in every field of State activity".

There are two main reasons for the meaningful restoration of federalism: Experience is increasingly showing the centralist approach to our economic and social problems is simply not working and in the fundamentally important field of civil liberties and personal freedoms, there is a growing need to decentralise power.

"Small is beautiful" is a slogan I suggest should command immediate adherence in a party whose own roots are to be found in small business, small communities, and that small but still unbeatably effective social institution, the family. When the Country Party lost its philosophical way during the McEwen period, more attention seemed to be paid to "getting with the strength".

There was a conscious courting of big business, particularly big manufacturing interests and a renewed move to invoke the power of the State at Federal level to do favours for those interests and, to a lesser degree, for the people upon whose votes the party actually depended.

It is vital to the future health of our party that that betrayal of its longer-term interests be clearly identified and acknowledged. To the credit of the National Party, it has begun to do so but the process of policy re-direction must now be both reaffirmed and reinforced. A "back-to-basics" approach towards Federalism will require the Commonwealth to re-allocate to the States responsibility for a range of activities it now undertakes. It will need to redefine the relative roles of both major levels of government and eventually provide for an enlarged State taxation base in substitution for part of its own.

The Australian Constitution has proved to be a flexible and adaptable document, for many decades providing a stable and democratic governmental environment in which personal liberties and decent values were protected and enterprises flourished. It could not protect us against political ineptitude or insulate us from the exigencies of the international economy, nor can it do so today. To replace it with some new "plain English" version composed by a Constitutional Commission whose origin, purposes and impartiality are suspect, would be to condemn this country to a future based on a discredited concept of centralised government.

The real challenge confronting Australia today is to achieve the successful redirection of existing power. Federal governments today do not lack powers to deal with their responsibilities, including the national economy. What they have lacked has been either the insight or courage to do so.

Smaller government

The relationship that has developed between Australians and the State was summed up in 1930 in Professor (later Sir Keith) Hancock's statement that "Australian democracy has come to look upon the State as a vast public utility, whose duty is to provide the greatest happiness for the greatest number". Although that view has been changing recently, it was long regarded by Australians as little more than conventional wisdom. In a country as isolated and presenting as many developmental difficulties as Australia, heavy initial reliance on and deferral to the greater resources and authority of the State was, perhaps, inevitable. Over time, however, that reliance on government became almost an instinctive Australian response with the unhappy effects now permeating every aspect of life.

The strong Australian instinct for governmental involvement is evidenced by the legacy of duplication and overlap now seen at all levels of government. A vast bureaucratic array of boards, trusts, advisory councils and committees currently pollute our administrative environment.

For example, the Commonwealth Department of Education employs 1,800 public servants with an annual salary bill of \$60 million but none does any teaching. The Queensland Education Department, by contrast, with a staff of some 30,000 teachers, is administered by a head office staff of only 500 with a salary cost of \$10 million. The more we look the more examples we find of Commonwealth priorities, particularly in the area of service delivery, rightly the province of the States, being imposed upon the States from the remoteness of Canberra. Such excessive administrative duplication exists, not only in the form of unnecessary Commonwealth agencies, but also through complicated accountability requirements on the States. I contend that, by returning many functions of government to where the people are - in the States - a large step would be taken in the task of restoring public accountability to the processes of government. The present overlapping structure brings not merely waste and higher taxes, but burdens of cumbersome decision-making and inefficient outcomes.

Australians have been positively encouraged to find a need for ever greater government intervention and involvement. More and more detailed objectives and outcomes have been held to be "socially desirable". A veritable epidemic of alleged "market failures" has been diagnosed by a bewildering range of sectional interest groups. Both have provided governments at every level with "good" reasons to intervene. In most cases, little or no attention has been paid to whether the alleged "market failure" involved was bad enough to warrant the presumption that government involvement would somehow set things right. That markets can "fail" to the disadvantage of vulnerable individuals or groups is not disputed. However, if the "market failure" argument is to carry any weight, it has to be demonstrated not merely that such "failure" has occurred, **but that the alternative of governmental intervention will produce a better outcome**; that the political (and associated bureaucratic) decisions involved in that alternative will reflect superior and more efficiently used information about consumer preferences than the market will provide. I doubt that these tests have been applied very often and rarely have they been met.

Although entirely unwarranted, the presumption has been that where government **involvement** is necessary, government **provision** is also required. Thus, until recently, the notion of private sector provision in such fields as tertiary education, roads, railways, to a large extent even hospitals, telecommunications and electricity supply, was likely to be summarily dismissed as almost "un-Australian". Meanwhile, the combination of trade union power and political patronage which flourished within these public sector preserves has given rise to the greatest crop of unlovely weeds, and the lowest level of productive performance, ever to have been tolerated in our history.

It is no accident, therefore, that those most alarmed today at any suggestions of "privatisation", or even "commercialisation", of public enterprise are the trade union bosses. We must understand clearly that, in many of these cases, the possibility of private sector involvement is deliberately excluded by government regulation or legislative prohibition, justified not on economic grounds, but as a matter of ideological or policy choice. Yet, in most of the areas mentioned, there is considerable scope for reducing the actual role of government by allowing private sector involvement in the production and supply of the goods and services concerned. With obvious exceptions such as defence and law and order, a general policy of governments handing over supply and marketing to the private sector (with subsidies, where justified) is now justified.

The "social wage"

The need to redistribute community income to the disadvantaged has been cited often to explain the doubling of real public service spending on goods and services, primarily in the various "social wage" programmes, since 1975. Those programmes are generally defined to

include (as a minimum) education, health, social security and welfare, and housing and community amenities. In reality, much government intervention and expenditure directly benefits individuals and groups whose claim to social and economic disadvantage, or compensation for "market failure", is tenuous or even unsustainable.

A study by the Economic Planning Advisory Council on Commonwealth and total government sector outlays on "social wage" programmes between 1973-74 and 1985-86 noted that, during the Whitlam era between 1973-74 and 1975-76, "social wage" spending rose at an unprecedented annual average rate of 39.8 per cent. The first years of the Fraser Government saw a real decline, but between 1978-79 and 1982-83, "social wage" expenditure again grew and in the final Fraser Budget (1982-83) the peak of expenditure of the Whitlam era (1975-76) was again reached.

Under the Hawke Government, between 1982-83 and 1985-86, Accord-driven Budget expenditure on "social wage" programmes has increased at an annual average rate, after adjusting for inflation, of almost six per cent - well above the rate of increase in average weekly earnings. In the social security area alone, per capita real expenditure rose from \$514 in 1970-71 to \$1,300 in 1986-87. Yet, despite these "achievements" by successive governments, it is acknowledged on all sides that the problems of poverty and unemployment in Australian society have deepened.

To discover the real winners from increases in "social wage" programmes, we must look further afield. Apart from politicians and bureaucrats, the list would include a whole range of better-off and higher-income earners. Indeed, an irony of our middle-class Welfare State is that these "social wage" programmes appear almost incidental in such assistance as they provide to the disadvantaged and truly needy. Put simply, this shows that those who have benefited from increased "social wage" outlays are mainly those who have paid for them through higher taxes. As usual, only middlemen - the bureaucracy and politicians - have really gained.

Clearly, until we call a halt to the proliferation of these wasteful processes, there can be no hope of any substantial cut in the real burden of taxation. But it is not only welfare - a whole raft of government subsidies, bounties, tariffs, quotas and tax concessions designed to assist various industry groups, show clearly the extent to which sectional interests in Australia seek to promote their own rather than the national interest.

The tide of regulation

The interventionist attitudes underlying these arrangements are essentially part of the wider processes of economic regulation in Australia. A degree of regulation is inevitable but we should never concede the right of governments to fetter their citizens for other than the most compelling reasons. Recent experience with the so-called "Australia Card" should have served notice on all political parties that the average Australian has had enough of governmental invasion of his or her civil rights and liberties. The truth is a freer society is a more productive society.

Markets, in the end, will find ways around most regulations anyway. The point is that, in the process of doing so, much energy is expended and much expense incurred, so that productivity is lowered and we are all the poorer. In Government, therefore, our boast should be not about the number of laws and regulations we have made, but the number we have repealed.

An important example of the costly effects of regulation is provided by our system of determining wages and other conditions of employment through our network of arbitral tribunals, such as the Australian Conciliation and Arbitration Commission and its various

State counterparts. Our economically insular and rigidly centralised wage determination system is a positive detriment to those sections of our workforce most disadvantaged. The young and/or those with minimal or no work skills or experience are clearly to the fore. By maintaining real wages above economically justified or sustainable levels, our centralised wage fixing system ensures that fewer people will be employed than otherwise. Naturally, the number of unemployed is higher than it would be otherwise. In turn, governments are then susceptible to pressure - not least from the ACTU - to implement so-called "compensatory" programmes for these disadvantaged groups.

Trade unions, representing chiefly the interests of union bosses, have successfully pursued objectives including the maintenance of higher real wages than otherwise for those in jobs at the expense of more people being without jobs. In return for the perpetuation of this evil, the political decision-makers in the Labor Party have asked for - and to some extent received fewer politically embarrassing industrial disputes. The result of this Faustian compact has been that the very things needed to reduce the dependency of the unemployed, particularly the young unemployed - namely faster employment and income growth - have been negated by labour market policies directed to the interests of the trade union leadership and their political collaborators.

Countries insisting on trying to contend with a world economy, changing with ever-increasing speed, while retaining almost total rigidity in their own markets for labour, are bound to suffer in terms of their economic performance. That suffering will emerge in two ways - productivity will be lower than it would be if their markets for labour allowed more flexible use and there will be higher unemployment. Lower productivity means lower real living standards and probably higher inflation. Private savings (individual and corporate) are likely to be depressed, as well as business investment, essential to job-creation. It is under this combination of circumstances that demands for industrial protection "to protect local jobs" begin to mount and such demands are strongest in societies where trade union power has achieved a position of dominance.

Industrial protection

It has been in the area of industrial protection that, in the 1960s and since, the then Country Party so signally deserted the true interests of its constituency. So I have been glad to see the National Party of today return to the path of economic rationality in this regard and much of the credit goes to the Member for Gwydir and former Deputy Leader of the Federal Parliamentary Party, the Honourable Ralph Hunt.

Industrial protection can provide for a time a position of privilege to the industry concerned. How the "economic rent" accruing from that position of privilege is shared between capital and labour ultimately depends on their relative bargaining positions.

In Australia, experience suggests that, over time, such "rents" from protected industries accrue principally to labour. It also explains why, since Federation, the path of industrial protection has generally run parallel to the path of unrealistic wage-setting by the arbitral tribunals under the pressures of trade union power. However, there is in economics no such thing as a free lunch and financial privilege from industrial protection can only be given at the expense of others in the economy, particularly the export industries. In addition, it is generally big business that enjoys the political clout of protectionist favours done for it while small business is relatively disadvantaged.

I, therefore, contend that "levelling the playing field" of the international competitive process is not merely good economics but, for our party, also essential politics. The fact that for almost two decades, the Country Party under the influence of the late Sir John McEwen did not recognise this, is a sad reflection on the separation between the leadership and the grass roots of the party at that time.

While I have spoken principally on matters economic, a "Back to Basics" theme naturally extends far beyond such an arena. Increasing signs of unrest are emerging about this Government's immigration policies - about the virtually indistinguishable policies of the Coalition as well. Whatever we think, we should not be deterred from any such re-assessment by pathetic charges that even to raise such questions smacks of "racism".

More and more, the "racist" smear is thrown around with the clear aim of suppressing debate about immigration policy. So indiscriminate has its use become that there is a real danger of rendering respectable those public comments which might truly deserve that label.

This example of immigration policy could be widely multiplied. Almost wherever one turns - and particularly in relation to the role of the family - the demand to go "Back to Basics" is a rising from our constituents. I suggest that our party will fail to heed that demand at its peril.