



# The Public's Choice

*Terry Flew looks at the flawed theory behind NSW Liberalism.*

**T**he recent NSW state election result was one which was not scripted, as Premier Nick Greiner put it in his brief and chastened appearance on the election night of May 25. It is clear though that most people whose vote turned against the Liberals (or against rightwing local independents) had a reason, such as the closure of schools and hospitals in their area, the loss of public transport services, deterioration of public services, or increases in taxes and charges, such as motor registration. The serious miscalculation by the Liberals in NSW was their belief that people would put aside these privations, instead respecting Greiner as a 'strong' leader, willing to make the 'tough' decisions for the greater economic good. Nick Greiner did not coin the phrase 'NSW Inc', but it was one which he was happy to accept, seeing governing a state as akin to running an enterprise, and believing most voters felt likewise.

Greiner is a firm believer in what is known as the 'public choice' theory of the state. 'Public choice' theory has its origins in neo-classical economic theory and in the work of the conservative 'Virginia School' of political economists. Put simply, this school of thought sees a conflict between 'rational' economic management and the electoral process, where party competition, majority voting and input politics are seen as leading to 'distorted' or 'irresponsible' public policy outcomes. In particular, it is argued that particular interest groups, as well as voters in marginal electorates, engage in 'political exchange' with politicians and political parties, extracting major policy concessions in exchange for electoral support.

The obvious conclusion is that 'good government' involves spurning the special interest groups, taking away their

privileges, and toughing out the consequences. The political payback arises in the claim that, after the original protest and bluster, the disenfranchised majority of 'average' citizens (and taxpayers) will respect the government's capacity to make 'tough' decisions. This sort of political analysis, which has influenced the Labor government federally (especially in the period when Peter Walsh was Finance Minister) and the Liberals both in NSW and nationally, appeared to have been vindicated with the lack of protest against the Greiner government over the last 18 months, and it was widely assumed that the NSW election would mark its consummation as accepted political wisdom.

Voting trends in NSW have revealed Greiner's miscalculation. To take the most obvious example, the Liberals' changes to secondary education, rather than being seen as an attack on the 'education lobby' (which is large, vocal and anti-Liberal), were perceived as an attack on universal education and the creation of a two-tier system. As such, they became an issue of concern to every parent. Greiner's dismissal of large protests held at the time, where he claimed they were both insignificant (because more people went to the football) and a plot of the 'Sussex Street mafia', was smug and foolish.

'Public choice' theory functions as both political analysis and a public philosophy. Its links to the political-economic agenda of 'economic rationalism' are obvious. The rejection of such a politics of austerity by NSW voters must be of great concern, partly to Labor federally, but particularly to the Liberals who need to win seats in NSW to gain power federally. It had, until now, been assumed in most influential circles that Australian voters had come to accept a lowering of expectations from the state, in the name of economic necessity, and that the performance of governments would be assessed by voters on the basis of their ability to make 'tough' decisions. The ongoing crisis of the Kirner Labor government only seemed to bear this out.

Economic rationalism dominated the political scene in Australia for much of the 1980s. It possessed internal

coherence, it had powerful advocates, and it had seemed the only logical position in the current economic climate. The only alternative seemed to be a sort of anti-economic rationalism, or economic irrationalism, which called for more funding for existing programs, was opposed to structural reforms, and believed the tax take could be expanded indefinitely to pay for such promises. This agenda, often not clearly argued but often thought, may have made sense in individual cases but lacked coherence at the 'macro' level, and thus its advocates looked foolish against the economic 'drys'.

Although it appears from this world-view that free markets are the basic precondition of democracy, economic rationalism ultimately has a problem with democratic processes. This arises from the tendency of voters to make the 'wrong' choices, in the sense that they put their particular interests ahead of what is considered to be the 'general' interest. Such a conclusion is an uncomfortable one to reach for those who stress individualism and the pursuit of self-interest as the cornerstones of democracy. As a result, some have sought to explain the unexpectedly close election result as an act of spite and as a mistake on the part of NSW voters, rather than as a more-or-less rational response to unpopular policies. In the end, such a point

of view demands that economic and other decisions be taken out of the public arena altogether lest they be unpopular, as illustrated by federal Liberal leader John Hewson's calls for a Reserve Bank 'independent' of parliament.

The NSW election may herald the first expression at the polls of the widely-held view that political parties and policy-making elites have lost touch with both their supporters and the citizenry generally, and that democratic processes can still be called upon to make them accountable when it matters most.

Nick Greiner has been saying otherwise, stressing that his second-term policy agenda remains untarnished. But he will have to deal with an articulate and critical group of independents, a Labor opposition with renewed confidence, and an increasingly jittery backbench of his own Coalition parties. At any rate, the NSW election result marks a return of the impure world of politics to trouble the otherwise clear horizons of economic rationalism.

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## Two Up, Two Down

*Tony Aspromourgos argues that the NSW result heralds a return to the community for political parties.*

**A** number of explanations have been offered for the extraordinary NSW election result: Labor leader Bob Carr's scare campaign on the possibility of a state consumption tax; Liberal Party machine ineptitude and/or an ill-conceived election strategy; Labor Party machine skill and/or a brilliantly

conceived election strategy; an electorate reeling back from the impact of 'Greinerism' (identified with 'micro-economic reform' and 'economic rationalism' by the economic commentators); and an exaggerated protest vote induced by near unanimous pre-election opinion that the conservatives would win easily.