The New Idealists

Reading the opinion columns in the papers on the government's March economic statement is enough to make one thankful that few people read them. Two rhetorics prevailed. The first was the stock-in-trade of political reportage: non-members' bar gossip about who is scrapping with whom in government. Would the statement reassert Hawke's dominance in cabinet? What did Button really say to Crean? Who really cares? This is the soap opera type of political reporting, the only notable feature of which is that it says nothing about politics at all.

The second type of rhetoric does actually involve some analysis, although sometimes it is only the appearance of analysis. These days it seems it is newspapers rather than politicians who are the slaves to defunct economists. Despite appearances, economic journalism is far from trendy; in fact in this country it is distinctly monotonous. There is protectionism and there is free trade. We used to be for protectionism, now we're agin it. This blinding insight is used to avoid discussing anything more complicated. Like industry policy.

Protectionism is the sort of defensive pseudo-industry policy which keeps other, more powerful economies from stomping all over your own. Industry policy proper is a much more complicated matter of trying to create institutional arrangements in which efficiency and stability are the goals to be balanced, and the power of conflicting interests is the force to be reckoned with. Not that you would gather that from the discussions of industry policy in the media. Since political journalists tell ringside stories and economic journalists abstract from statistics and models, the problem of power and institutions goes unaddressed.

So, too, does history. The economists are almost unanimous in declaring protectionism to have failed. "The history of protectionism—a lesson in collective folly", according to a Paul Cleary story in the Sydney Morning Herald. For the Financial Review, 13 March is "the day protection died in Australia". Michael Stutchbury notes that since the 70s protectionist measures have been dismantled. One of the few dissenting voices in this chorus was in The Australian. There David Carroll had the temerity to defend the old orthodoxy of protection. Carroll notes that since the 70s Australia's manufacturing base has been decimated—ouch! But all he can offer is a return to the good old days of the Menzies era piecemeal protectionism. The free traders combat the policies which were innovative for the 1880s with what the textbooks tell them Adam Smith stood for—in 1776.

Protection has had its drawbacks, and journalists have pointed these out with monotonous regularity. Yet they have not addressed the key issue to which protectionism as a policy was the historic answer: the problem of economic power. How can a small and vulnerable economy develop efficient and stable economic structures without having them wiped out by powerful opponents?

'Economic rationalism' does not have an answer to this problem. Neither does the prime minister's statement. The commentaries on it are full of the rhetoric of toughness. The statement shows "determination and courage" says Gittins. "The government will hold its nerve" says Stutchbury. (Just when we all thought they were holding another piece of their collective anatomy!) The rhetoric is meant to suggest that it takes toughness and nerve to hold fast to economic rationalism. What the rhetoric hides is the fact that it is faith which is required, not nerve.

Hawke's statement includes this piety: "However much our competitors might bend or break the principles of fair trade our own self-interest is served by a steadfast refusal to return to the days of protectionism." In other words, if we haul down the protective walls, we risk watching helplessly as our competitors kick our manufacturing base to bits while offering no such sacrifices on their side which might give our mining and agricultural industries an opening. This is pure idealism—of a kind the Labor Party displays in few other areas of its political life or history.

Stutchbury paraphrases Hawke: "Even if the East Asian economies do not play ball, yesterday's announced tariff cuts will yield economic benefits by forcing Australia's protected 'infant industries' to grow up or shut down." What this tough talk disguises is an idealistic belief that in destroying the slug-like growth which is our protected economy, the 'playing field' is somehow miraculously cleared for new, sportier industry models to thrive in. They even have little models to 'prove' it, where all those scandalously inefficiently used resources scamper about and regroup themselves into mean, lean and keen combinations.

Honesty, this was great rhetoric in the days when Adam Smith marvelled at a dozen men making pins.

But the real hard-heads of today are not these ideological economists, nor the cautious protectionists of yesterday, but the administrators, horse-traders, engineers and money-men of Tokyo, Seoul and Taipei who don't give a stuff about "principles" (or economists) and don't "play ball" unless it's hard ball. So while the economists fault the government for too little hard-headedness, they are really calling for more idealism. The really hard stuff is waiting out there to clobber us when our guard is down and it will. The economists will cry foul and say it isn't fair. But then when was capitalism ever fair—or rational?

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