Two words which sum up the unhappiness of Left-liberal opinion with the mainstream economic debate are ‘competition’ and ‘efficiency’. Competition (as I noted in ALR 121) has become at once the talisman of the Right and the bogey of the Left, assuming a theoretical purity out of all proportion to its rough-hewn, real-world existence. According to your definition to its rough-hewn, real-world existence. According to your preference, competition is either the magical solution to the productivity and efficiency problems of the contemporary mixed economy, or a dastardly means of depriving the public of its ‘democratic’ publicly-owned business enterprises. In the process the actual social fact of competition gets lost.

It was not always so. In decades past, the rise of monopoly and oligopoly was seen by the Left as a sign of the decline of capitalism into what was often predicted to be an authoritarian decadence. Much of the regulatory regime of the 40s, now hallowed as the high-water mark of progressive thought, was angled towards what was interpreted as the stifling growth of monopoly and capitalist concentration. Competition then was as potent a term for the Left as the Right.

Efficiency is almost as big a problem word. In the first place, as Gary Wickham noted in ALR 122, it is a term hardly capable of objective definition. According to preference, you may regard the short-term pursuit of profit at all cost as an efficient expression of pure market logic or a crazily inefficient flouting of long-term economic good. Again, the definition of what is efficient relies upon what one defines as an economic good: as environmentalists only too well know, if natural resources are priced as ‘free goods’, ‘efficiency’ in production can go hand in hand with an extraordinary contempt for the efficient use of those ‘external’ resources.

And herein lies the rub. For try as one might, there’s no way to remove some definition or other of efficiency from the centre ground of contemporary social and political debate. For one thing, there’s no sensible way of conceptualising environmentally sustainable development without invoking a lusty critique of the traditional parameters of market-allocated costs. But that in turn requires developing a broader, more satisfactory definition of efficiency of one’s own.

Back to the public sector. It may surprise many on the Left with short memories to learn that the post-war settlement which involved, among other things, dramatically increasing the roles of public business and industrial enterprises in the Australian economy, was dictated by none other than a hard-headed interest in efficiency. Indeed, the Morrisonian model of the public corporation applied to the public sector in Britain and Australia after 1945 took as given that it was more efficient to amass natural monopolies under centralised public management than under the feeding fiefdoms of obsolescent private concerns.

For several decades this was assumed to be the essence of the advantages of public ownership of business enterprises in mixed economies. Indeed, it was precisely this concern with efficiency above all else which motivated the annoyance of the Left with the public corporation model, and which led to demands for ‘workers control’ and a greater social role for public enterprises.

It was not until the recent vogue of ‘micro-economic reform’ that the traditional assumptions of the validity of economies of scale and of the benefits of a unitary, centralised management for ‘natural monopolies’ came under sustained attack in the mainstream of political debate. In other words, one set of assumptions about efficiency forged in the years of the postwar settlement came up against another set of assumptions forged in the new, deregulated environment of the exploding international economy.

In analyses of efficiency today, of course, public sector enterprises find themselves on the horns of a dilemma. If on the one hand they sustain costs well above those of private sector competitors they can be justifiably cauterised as inefficient. If on the other they follow the ‘corporatisation’ path and behave increasingly like their private sector competitors, the rationale for their ownership by the public in the first place becomes tenuous. The controversy over public enterprise borrowings only adds to this malaise.

Still, there’s no point in defending the practices of public business enterprises which are genuinely cost-inefficient to no obvious social purpose, particularly when the public foots the bill. Such social functions as are performed by public enterprises should be able to be costed by some means — or at the very least, the cost of providing them in other ways should be identifiable.

More broadly, as noted above, the growth of environmental economics puts a greater premium on efficiency — not just the lowering of input costs to businesses — than ever before. For a more efficient use of the scarce natural and processed resources at our disposal is the sine qua non of a more environmentally sustainable economy. It’s also the key to the maintenance of living standards in this new era dominated by the ‘return of scarcity’. All of which suggests that, whatever its uncomfortable implications, efficiency should be playing a greater, not lesser, role in the lexicon of the broad Left-liberal stream of opinion.

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