

## The Howe Factor



**A** breakthrough in the ALP's thinking on privatisation finally came early last month with the suggestion from the Left's senior Cabinet minister, Brian Howe, that the proceeds of assets sales be ploughed into improving Australia's sagging infrastructure.

"The use of scarce public sector capital resources for airlines seems difficult to justify by comparison with the clear need for infrastructure investment," Howe, the Minister for Health and Community Services, told a national infrastructure conference in Sydney.

Brian Howe's argument cuts a swathe through the entrenched positions that dictated the privatisation debate within the ALP hitherto - the Left's unquestioning defence of all public trading enterprises and of the public sector at large; the Right's commitment to sacrificing any enterprise for the sake of debt retirement and the 'crowding-out' thesis.

Underlying the notion are assumptions which challenge the supposedly unique position of enterprises such as Australian Airlines, Qantas and the Commonwealth Bank, and the urgency for paying off Australia's hefty, though not crippling, public sector debt. The proposal also challenges Paul Keating's preoccupation with running a tight fiscal policy.

"We cannot expect the benefits of our economic growth while refusing to deal with the economic and social costs of increasingly inadequate infrastructure."

Improved infrastructure, Howe argues, will bring its own economic rewards, such as improved efficiency. Howe is not advocating an abandonment of strict financial "discipline", but is suggesting a creative alternative to the slavish dedication to "the prejudices of young Americans on their Reuters boards", which are never likely to be satisfied. Such dedication becomes "a fetish" with some advocates of a rigid fiscal policy "for our public sector borrowing requirement [PSBR] to never again be positive".

"It follows that any notion that assumes the zero PSBR is immutable is to be rejected," Howe said. "And in rejecting that notion we must reject propositions that the level of provision of national infrastructure should be tied to the effect of possible policies on our public debt interest. There is no case for reducing the size of our public sector capital. There are strong arguments for massively increasing our investment in public infrastructure - and in that context looking at our priorities for allocation of public capital."

The fear is that if public capital is used to retire the national debt, it will be years before that capital is returned to the public sphere, thus further jeopardising the development of infrastructure projects like national rail freight and improved urban transportation. Howe also predicates his proposal with the need for rational planning and co-ordination between Australia's various tiers of government.

"We cannot afford a repeat of the disaster of the 1970s when the Commonwealth encouraged the states to compete with each other to provide cheap power to energy-intensive industries. The result was massive over-investment - and debt problems that burdened the national economy throughout the 1980s."

The infrastructure projects favoured by Howe are those which go some way to addressing social justice and environmental concerns. His criteria are:

1. projects which significantly restructure patterns of access within and between cities, especially metropolitan and nearby provincial cities;
2. projects which significantly increase the potential for new economic activity in selected non-metropolitan areas;
3. projects which provide substantial demonstrations of innovations in the field of housing and of employment location within cities; and
4. projects which remove barriers to development and change in strategic locations, like the Arundel Dam project in Melbourne.

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