A more fundamental issue is the significance of Fightback II to the Opposition’s broad ideological position. Does it signify that the federal Opposition has, belatedly, joined the move away from the small-government ideology of the 80s?

Obviously, as a federal minister committed to the re-election of the present government, I can’t claim to speak on any of these issues as a disinterested party. So this is an admittedly partisan critique of the Opposition’s latest effort and its significance.

The heart of both Fightback I and II has been the introduction of a broadly-based goods and services tax. In response to criticism from a wide range of community organisations, the Opposition decided to remove basic foodstuffs from the ambit of the tax. While politically advantageous, this does not overcome the fundamental objections to the GST. Excluding food reduces the annual revenue from the GST from $27 billion to the still huge sum of $22 billion. Terms of macroeconomic impact, there is not much change from the original package. There is a consensus among economists that, at least for the next few years, the introduction of a GST of this magnitude would depress economic activity and employment, and lead to higher inflation and interest rates.

The basic problem is that, in the absence of an effective incomes policy like the Accord, a Coalition government would have no option but to run a very tight monetary policy to avoid the price-hike induced by the GST generating an inflationary spiral. This has been the overwhelming experience from countries that have introduced such taxes. New Zealand, for example, had to endure five years of near-zero growth after introducing such a tax.

The revised package contains a commitment to spend several billion dollars on major infrastructure. In this respect, the Coalition could be seen to be following the government’s broad direction in the One Nation statement, which included a multi-billion dollar public infrastructure program. There is no doubt that neglecting public infrastructure is a false economy. There is strong evidence from studies of the US in the 1980s that the starving of public infrastructure investment by the Reagan and Bush administrations exacted a heavy price in terms of poor productivity growth.

The problem is that this increased infrastructure investment is supposed to be funded by a massive program of privatisation, particularly the sale of Telecom. Most economists, conventional or otherwise, acknowledge that to use the proceeds of privatisation to fund increased spending in other areas involves a sleight of hand, since the macroeconomic effects of placing a given volume of public enterprise equities on the capital market are essentially the same as if the government borrowed to fund these expenditures.

The sheer scale of the proposed public asset sell-off is remarkable. The sale of Telecom alone will involve putting $10 billion worth of equities on the capital market for two consecutive years. The total value of the private market for equities in Australia today is around $13 billion per annum. There is no doubt that privatisation on this scale would degenerate into a fire sale of public assets, to the great detriment of the Australian public.

Fightback II retains the massive cuts to public spending announced in the original package. The big losers from this would be those most dependent on various ‘social wage’ expenditures. These include labour market programs, which are designed to provide the unemployed with a variety of training and work experience opportunities to enhance their employment prospects. This is a particularly insidious aspect of Opposition policy, which their spokespersons seek to disguise by caricaturing such programs as ‘painting rocks white’.

In fact, these programs are demonstrably effective, particularly for the long-term unemployed and people suffering various forms of disadvantage. Their effectiveness is attested to by international studies and rigorous evaluations carried out locally by the Department of Employment, Education and Training. That they have a crucial role to play in preventing the entrenchment of long-term unemployment as a permanent feature of society is conceded even by ‘dry’ economic commentators such as The Australian’s PP McGuinness.

The revision of Fightback II does not signify any fundamental ideological shift on the part of the Opposition—a point they have been at pains to stress. It does indicate a response to the notable hardening in public perceptions of the impact of dry economic policies. To be seen as a doctrinaire ‘economic rationalist’ is increasingly an electoral kiss of death. The public expects governments to respond to the recession with stimulatory policies, and is supportive of increased public spending on crucial infrastructure and the education and training system. It also expects governments to act to ensure that large numbers of people aren’t left behind as economic recovery gathers pace.

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