Fightback to the Future

The release of the federal Coalition’s ‘Fightback!’ package last November constituted a political event not seen in Australia for at least a decade, perhaps ever. Its integrated program of taxation changes, government spending cuts, and broader philosophical and political concerns has only one parallel: the release of the joint ALP-ACTU ‘Statement of Accord’ prior to the election of the Hawke government in 1983. In an uncanny parallel to the Accord, ‘Fightback!’ was released at a time of 10% unemployment, a deep recession, a government which had served for a long time and appeared bereft of new ideas, and a deep-seated feeling in the community that new economic and political directions are needed.

It is there, however, that the parallels end. ‘Fightback!’ has been released 18 months before a likely election, while the details of the Accord were only unveiled a month prior to the 1983 election. The Accord was a set of loosely-framed propositions about the ‘good society’ whose cornerstone was a commitment to a prices and incomes policy and tripartite negotiations about economic policy, whereas ‘Fightback!’ is a quite tightly-costed set of policy proposals centred around fundamentally reordering not only the role of the state in the economy, but the whole structure of Australian society. Most significantly, the political program outlined by the Coalition in ‘Fightback!’ is clearly experimental, and a blueprint for conflict and division, whereas the early Hawke Labor program—as epitomised by the Accord and the National Economic Summit—was one whose rhetoric was designed to appeal to all Australians, and reached deep into populist and nationalist traditions in Australian culture.

In normal times, such a political strategy would appear a disaster. It reveals all of its cards too early, it antagonises various interest groups immediately, and it promises stormy times ahead. Indeed, all of the obvious responses to ‘Fightback!’ have already been made: a deeply divided Labor government tried in the last weeks of 1991 to prove the sums wrong, while affected interest groups (welfare, environmental and ethnic community groups) protested against the aspects of the package which hit their constituency.

Yet these are not normal times. The Liberals knew that the sums of the ‘Fightback!’ were much less significant than its capacity to present a vision of the future, as well as being, at the least, more credible than those presented by Andrew Peacock at the last federal election, or those found in the last two Labor budgets.

At the same time, ‘Fightback!’ cannot be simply dismissed as the logic of capital writ large, nor simply as the byproduct of a malevolent and misguided set of ideologies. It is, instead, a more or less coherent attempt to capture the hearts and minds (or at least the votes) of a range of political constituencies, and an appeal to particular subjectivities at the expense of other, more marginalised, dissident or collectively-oriented constituencies and subjectivities.

The proposed introduction of a 15% Goods and Services Tax (GST), the shift of the taxation burden from income to expenditure, privatisation of most public enterprises (including Telecom/OTC), dramatic changes to the provision of social security, and changes to Medicare, are the issues which will dominate public debate about ‘Fightback!’ over the next twelve to eighteen months. Also of interest, however, are some of the spending hidden in the ‘fine print’ of the package. By themselves, they don’t amount to a great deal financially, but they are perhaps most revealing of the philosophy and political analysis underpinning ‘Fightback!’ and contemporary neo-liberalism more generally.

It is proposed that, if elected, a Coalition government would abolish government agencies such as the Human Rights and Equal Opportunities Commission, the Affirmative Action Agency, the Australian Manufacturing Council, the Resource Assessment Commission, the Commission for the Future, the Office for the Status of Women, and the Office of Multicultural Affairs. Such measures are not adequately explained by the need to finance the $10 billion worth of anticipated income tax cuts. Many of these measures (such as the abolition of the AMC) do not appear to satisfy the criterion of being in the ‘interests’ of the corporate sector, nor do they seem to be in line with a consistent philosophical liberalism.

They are, however, consistent with an analysis of the inadequacies of the democratic political process drawn from the ‘public choice’ theory of the state. This theory draws inspiration from neo-classical economic theory, and has been most fully developed by the ‘Virginia School’ of political economists in the United States. According to public choice theory, the problem with such regulatory state agencies is their proneness to ‘capture’ by special interest groups to the detriment of sound public policy. (This analysis, incidentally, has some echoes in left-libertarian critiques of the contemporary capitalist state.)

Writ large, the interaction between particular interest groups and political parties, once seen as one of the virtues of Western pluralistic political systems, is now seen as being part of the ‘crisis of democracy’ where party competition, majority voting and input politics are seen as leading to budgetary overload, irresponsible economic stewardship, and the sap-
ping of a vaguely defined 'entrepreneurial spirit'. Interestingly, this 'Hayekian nightmare' is not only to be found on the political right. Traces of it are clearly visible in Peter Walsh's 'Cassandra' column in the Australian Financial Review, or in Michael Costa and Mark Duffy's Beyond the Bonsai Economy which dismisses calls for sectorally-specific industry policies as a "Nightmare on Swanston Street" and a discredited "New Protectionism".

Three points can be made about the political currency of such an analysis.

Firstly, it clearly has a populist appeal. Just as the talkback radio host speaks to the 'average' listener, so too does public choice theory seek to 'reason' with the 'average' voter not actively engaged in political lobbying, to activate notions of resentment towards those who have sought access to the state. Secondly, its charges are virtually irrefutable, as its logic is self-referential. In its bias against, for instance, the ABC and SBS (both to be subjected to a 10% funding cut), it reflects the simplistic 'private good, public bad' philosophy which has informed much of the privatisation debate in recent years. Thirdly, it uses the limitations of such state-centred reform strategies as an argument for their abolition. The limits of the Office for the Status of Women as a vehicle for gender equality, for example, would be readily admitted by most who work within it, but this hardly serves as an argument for its abolition.

An advantage of the early unveiling of 'Fightback!' is that it gives more time for some of its unintended consequences to be exposed. For example, the net effect of increasing average personal disposable incomes through tax cuts, combined with price increases arising from introduction of a GST, must be an increase in the rate of inflation. The argument used to counter this fairly obvious point is that the Reserve Bank would be committed by 'charter' to a regime of low money supply growth. The combination of these two sets of policies must, almost by definition, be an increase in money interest rates. One doesn't need to be an economic sophisticate to discern the adverse effects of such policies on investment, employment and growth, in a period of the worst recession since the early 1930s.

A second advantage is that the parts of the package which are essentially populist and irrational in policy terms can be pointed out. The most striking example is the proposal to eliminate petrol tax at a cost of $6.5 billion. This can only really be explained as a transparent move to capture the motorists' vote and perhaps to assuage the Nationals' fears about how to sell the package in rural communities. It flies in the face of about two decades of economic and environmental argument about the need to cut fossil fuel consumption and the role which the price system can play in achieving this.

The final critical point is that the set of policies, and the sort of social vision, found in 'Fightback!' has been seen in practice in a number of countries now, and the social and economic balance sheet is not good. More than a decade of Thatcherism in Britain failed to lead to sustained employment growth, has profoundly divided British society, and left British industry well behind its European competitors; its heirs in the Major government have spent much of the last year distancing themselves from the legacy. In smaller, more open economies closer to home, like New Zealand, the net effects of such a program have been even worse. In selling 'Fightback!', Dr Hewson and his colleagues could well find themselves regretting it is 1992 and not 1982, for their goods are looking more threadbare worldwide. The electoral backlash to Nick Greiner's neo-liberalism in New South Wales—a key state in the next federal election—should have sounded some alarm bells in Liberal Party circles.

Nonetheless, 'Fightback!' still constitutes an alternative economic strategy, and an alternative vision, in a time of crisis and despair, and of tiredness in the government and when the political forces most clearly at odds with such a vision are at their most vulnerable for many decades. The challenge is on for its opponents to develop a different vision of a 'provisional utopia' which can give a feasible policy content to mobilising ideals of democracy, equity and environmental sustainability, in the wake of the fracturing of the old certainties about class, history and progress.

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