I owe my warped interest in economics to a British childhood spent entranced watching grown-ups forever talking about the bad economic news. The annual ritual of budget night only added to my bewilderment. The television screen would conjure up a pole-faced man known by the odd title of Chancellor of the Exchequer holding up a battered briefcase before a gang of photographers. In that briefcase or despatch box was the budget—a sheaf of papers, the reading of which the long suffering British public awaited with dread. Year in and year out the Chancellor’s sonorous address to the nation would be accompanied by cliches like ‘living beyond our means’ and ‘you’ve never had it so good’. All up, it was an unmitigated night of reckoning relieved only by gloom.

Coming to Australia in a big white P&O boat, I left these austere bogey-men behind. Or so it seemed. My Catholic secondary school experiences brought these ghosts back—but in another guise. Some of my schoolmasters, well-versed in cajolery and ridicule-making, engaged, it seemed, in the same tactics of intimidation, fear and confiscation. Like Chancellors they would hold up their briefcases and threaten to unleash the contents—the leather strap—on us, the unruly pupils. One sadistic master called this teaching aid “Dr Black”. Elderly masters no longer capable of wielding this weapon relied on their verbal powers to vent their misanthropy. Schoolmasters, too, were taxmen in disguise, fond of confiscating lollies and schoolboy playthings and, of course, never returning them. I imagined the schoolmaster’s locker like a coffer, full of schoolboy treasure.

I have, since those days, always painted our political leaders like bullying classmasters—killjoys from childhood. To be successful these days our leaders, be they federal or state, must appear as models of fiscal rectitude. The tighter the restraint, the better the leader. Keating’s undertaker image and Kerin’s determined jawline are only variations on this theme. Indeed, the only Treasurer who did not make the grade for fiscal toughness was Dr Jim Cairns—who, because of his generosity of spirit and, equally, of the public purse, was dubbed “Dr Yes” by Treasury wits. Lynch and Howard, too, tarnished their reputations because of the rubbery nature of their figurework.

Recently, headmistress Kirner administered a collective round of the fiscal strap on those naughty spendthrift Victorians. Headmaster Kerin intends the same for the rest of us.

Everywhere, it seems, the talk is of expenditure cutbacks as fiscal fundamentalism grips the country. The moralistic climate accompanying this born-again fiscal orthodoxy is that we must do penance for the greed and excesses of the 80s. After the affluence, it seems, comes the austerity. Mr Kerin’s first task as Treasurer is to reintroduce Australians to austerity economics. This, of course, is nothing new given Australia’s mottled economic history. How can we ever forget Niemeyer’s visit to our shores in 1929? He had come, at the behest of Britain’s Chancellor of the Exchequer in 1929, Cripps was, for a time, Britain’s Chancellor of the Exchequer in Attlee’s Labour government of 1945-51. Cripps was appointed Chancellor at a most difficult time in British economic history. In an episode not unlike our own predicament Britain had a mounting balance of payments deficit with dwindling foreign exchange reserves.

Cripps—an austere ascetic man of pinched face and downturned mouth—warned to the task at hand. His solution essentially was to graft his personal asceticism onto the rest of the populace by reimposing harsh rationing of goods, the like of which exceeded even wartime conditions. Cripps administered Britain like a tyrannical headmaster. His moralistic mission was to expunge from British
its hunger for materialism. Churchill quipped of him, “There, but for the grace of God, goes God!”

For ordinary folk it was a miserable time. My father still shudders at the brief memory of it all—no food, no fuel, no fun. The experience left many with a sour distaste for Labor governments either in Britain or in Chifley’s Australia.

I am not suggesting that Australia adopt Cripps’ therapy as the way of correcting our balance of payments deficit—though some cranks have indeed argued for import rationing as practised by Menzies in 1960. The only recent example of such policy extremism was by the late Romanian dictator Ceaucescu who lumbered his people with a hefty mix of frugality and rationing as a way of completely eliminating that country’s foreign debt. And we all know the ignominious end this apostle of austerity came to!

Thankfully, the only rationing we are likely to see in Australia is job rationing. Retrenchment has become the new R word. Widespread job-shedding is resulting not just from the recession but also from the ongoing campaign of microeconomic reform.

There is, however, an element of Cripps’ economic puritanism in the federal government’s penny-pinching antics over tightening the eligibility for, and deferring the payment of, the dole for those who have lost their jobs. Moreover, the long-term unemployed are being bullied into signing activity agreements with the CES at what many consider a most inopportune time.

Overall fiscal policy is strictly adhering to the canons of sound finance; Niemeyer must be smiling up above. The government’s reluctance to pump-prime the economy shows the policy straitjacket the current account deficit really is. Waiting for a private-sector led recovery has some other benefits for the government. Rising productivity will ensue from the labour-shedding now taking place. It will also get some boost from a more disciplined labour force. Wage growth, too, will be checked by the spectre of unemployment. In other words, to paraphrase Mussolini, recession puts the stamp of humility on people.

There is no doubt that we are in for the economics of Bleak House. In these grim days, then, of sound finance and economic drift we can find some comfort in Keynes, if not for his advice then surely for his timelessly relevant prose in Can Lloyd George Do It (1929).

Negation, Restriction, Inactivity—these are the government’s watchwords. Under their leadership we have been forced to button up our waistcoats and compress our lungs. Fears and doubts and hypochondriac precautions are keeping us muffled up indoors. But we are not tottering to our graves. We are healthy children. We need the breath of life. There is nothing to be afraid of. On the contrary. The future holds far more wealth and economic freedom and possibilities of personal life than the past has ever offered.

We are wont to look back upon our schooldays and lament the discipline and truly useless information drilled into us by cruel headmasters. I’m sure that die economically afflicted from these hard times will one day look back and ask whether all this economic pain was truly necessary.

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Salvation’s Seamy Side

One year after bands of government-led coal miners put a brutal end to the marathon protests in University Square, the congested space in central Bucharest bustles with traffic and gypsy flower vendors.

Since the bloody June 1990 crackdown, only sporadic demonstrations and strikes have accompanied the swell of popular discontent across the country. The memories of coal-blackened miners beating students and ransacking opposition offices have left their mark on the democracy movement. Yet, today, the defeated opposition of a year ago is united and organised, poised to challenge the government in elections next year.

The months immediately following the miners’ rampage were dark ones for the opposition, as well as for the country. The clampdown underlined just how little the reform communist leadership of the ruling Front for National Salvation (FNS) had extricated itself from the structures and ideology of the dictatorship. The FNS’s popular legitimacy, won in a landslide election victory only three weeks before, was shattered overnight. International condemnation also stung the Front badly.

Their scant material resources in ruins, the opposition was forced to start again from square one. Drubbed in the election, the historical pre-war parties, the National Liberal Party and the National Peasants Party, were compelled to admit that they lacked popular support. The students and intellectuals also embarked on a painful process of introspection.

The absence of an organised underground resistance before the 1989 revolution created a situation for the Romanian opposition unprecedented in Eastern Europe, explains Gabriel Andreescu, president of the Group for Social Dialogue (GSD), a Bucharest-based intellectual forum set up in December 1989. “For nearly a year following the revolution we had no modern political movement to fill the vacuum here,” he says.

The opposition’s soul-searching in the aftermath of the miners’ assault led to two new organisations: Civic Alliance, and the Democratic Anti-Totalitarian Forum (DAF). Civic Alliance, spearheaded by the GSD intellectuals, linked diverse elements of the extra-parliamentary opposition, from maverick trade unions to environmental groups. Formed in August 1990, the DAF bound the historical parties with an array of other groups, most significantly the party of the Hungarian minority.

Like the former dissident movements in Central Europe, the pivotal category for Civic Alliance is that of civil society. Its charter emphasises the group’s non-governmental role in building a ‘participative democracy’ in which citizens control the decisions that affect their lives.

A genuine multi-party system requires a democratic political culture solidly entrenched in civil society, insists Andreescu, one of Civil Alliance’s vice-presidents. “The first signs of civil society are already there,” says the former physics professor, “but the legacy of dictatorship and nationalism will affect our society for decades to come.”

At the base of the regime’s moral and political illegitimacy, claim the oppositionists, is the distorted truth of the revolution. When the front grabbed power following the dictatorship’s overthrow, it justified its authority as the popular embodiment of the revolution. In fact, the FNS inner circle, predominantly former communist party apparatchiks, had planned a coup de tetes years earlier. The simple change in leadership at the top left the structures of the police state virtually intact, and the Front leadership at their mercy.

The FNS’s distortion of the army’s role in the revolution prompted a group of 70 officers to form the Committee for the Democrtisation of the Army (CADA). Banned after the miners’ debacle, CADA re-emerged late last year and joined the Civic Alliance. But its renewed efforts to initiate a dialogue between the army rank and file and their superiors have met with threats and dismissals.

Down the street from the GSD’s elegant offices, CADA founder Captain Valerian Stan works in the Civic Alliance’s sparse two-room headquarters. Stan claims that changes in the military hierarchy since the revolution have only been cosmetic. “Of the generals and officers who issued orders for the army to shoot on demonstrators during the revolution only one has been prosecuted,” explains the 35-year-old former officer who was removed from his position last year.

The government’s economic ‘shock therapy’ program lies at the source of its sharp drop in popularity. The second phase of price liberalisation, instituted in April, more than doubled the prices of many goods, some for the second time in six months. In downtown Bucharest, new shops sport a variety of goods from videos to German beer. But, for the average wage earner, even the staples of a year ago are now beyond reach.

Recent opinion polls reflect the broad social disillusionment with the government. Only 21% of those polled expressed confidence in president Ion Iliescu who captured 85% of the May 1990 vote. The FNS now has the complete confidence of less than a quarter of the electorate.

Yet the Front’s loss has not been the opposition parties’ gain. Although recent polls show Civic Alliance rapidly making a name for itself, the older parties have either stagnated or fallen in popular opinion. One survey shows the army as by far the most popular institution with the confidence of 47% of the people.

While fiercely critical of the government’s economic policy, neither DAF nor Civic Alliance offer credible alternatives. Both brand the slower, socially-oriented approaches...
to a market transition, advocated mostly by the trade unions, as “conservative”.

"Prices have all gone up, but there’s been no real economic restructuring to match it," contends DAF spokesperson Akim George, a member of the Peasants Party. "It’s impossible for a bureaucracy so rooted in the old system to realise the radical free market reform necessary."

Despite their differences, DAF and Civic Alliance work together closely, forming a solid democratic bloc against the Front and ultra-nationalist parties. The older parties’ reconciliation with the Hungarian minority party, the second leading vote-getter, lays the basis for a formidable alliance in elections planned for some time next year. Civic Alliance has also announced plans to form a party which would work in tandem with the extra-parliamentary movement.

The opposition has clearly shifted its strategy away from the spontaneous street protests of a year ago. Talk of a ‘second revolution’ has been replaced with calls for a transitional coalition government to rule the country until the 1992 elections.

Conspicuously absent from the forefront of the new opposition is the Romanian Students League. During the demonstrations last year, it was the students and their president, the charismatic Marian Munteanu, who embodied the ideals of the betrayed revolution. But with his graduation this year, Munteanu, who was nearly beaten to death by the miners, has stepped down from his post.

In their offices at the university’s law faculty, Munteanu’s newly-elected successor, 24-year-old geology student Marius Balasoiu, explains the League’s new role. "The period of demonstrations is definitely over. Now is time for the organised political forces to make their move," says the soft-spoken, bearded president. He says that, while the students had won the sympathy of a segment of the population, they realised their support was not broad enough to affect the structures of power.

The gap between the opposition and the workers poses the most serious obstacle to challenging the government for power. Split between front-backed official and newly-formed independent trade unions, the working class remains a wild card in Romanian politics. A deep suspicion towards intellectuals was sown among workers during the dictatorship, and it continues to haunt the opposition today. For the unions, their top priority is maintenance of jobs and the standard of living. The opposition’s wholehearted embrace of free market philosophy has simply driven many workers into ultra-nationalist and conservative neo-communist camps.

The miners’ rampage illustrates just how deeply Romania remains entrenched in the legacy of its past. Whether today’s opposition forces come to power in the next decade will not alone determine the country’s fate. In the long term, the building of a political culture from below may prove the more decisive factor for Romanian democracy.

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It is perhaps paradoxical to equate the Murmansk region of the USSR with Australia’s Northern Territory. For a start one is arctic, the other tropical.

However, there are many more similarities than differences. Both regions depend heavily on the mining industry. Both are remote from the major centres of their respective countries and each is considered a wild frontier. People have to be encouraged to settle with tax or wage incentives. Both are newly settled.

Perhaps the most striking feature the two have in common is the tendency of the inhabitants to exaggeration and hyperbole. I heard from a doctor that because the Kola Peninsula cannot support its current population, ‘Nature’ is retaliating. Thus there is a lower birthrate, widespread infertility and a lower life expectancy. While these statistics may well be true, they probably have more prosaic causes—such as a poor diet and untreated venereal diseases brought from the West by the large numbers of sailors.

There were also stories about one million soldiers secreted somewhere in the wilderness. (The CIA estimate of the entire Soviet armed forces is only four million.) There are characters in abundance, like the person who claimed to have founded the local chapter of what Sydney-siders would know as the Bondi Icebergs. The arctic Soviets have natural ice however, and a ‘skimmer’ employed to stop the pool from freezing over.

Despite the wild-frontier attitudes, the Kola is perhaps a good indicator of Russian society as a whole. Towns like Apatity (200km south of Murmansk) are nothing if not suburban. The ubiquitous nine-storey apartment blocks stand side by side. From their upper windows hang plastic bags full of perishables: a functional arctic refrigerator, at least at this time of year. Meanwhile, in our hotel, skiers congregate in the lobby, equipped with the latest clothes and skis, not made in the USSR. Apatity is also a ski resort.

In Apatity people are not afraid to speak of their mistrust or outright hatred of Gorbachev, even with their bosses present. Indeed, following the revelations of official lies over the last few years, it is common to find people who no longer believe anything emanating from the government, from Gorbachev or from the Communist Party. When the question of military spending arose, I was told quite emphatically that 70% of central government expenditure (CGE) is spent on defence (the official figure is 16%). The CIA, I have since discovered, believe that it is 43% of gross national product (GNP). Questions of philosophy aside (what is truth?) it becomes a matter of choosing a figure. Indeed, it is doubtful whether the Soviet government itself knows, and the CIA admits that its own estimates are inaccurate.

This scepticism even extends to subjects which one would expect would be sacred: the Great Patriotic War (known in the West as World War Two) is now known by the latter name in the USSR. Veterans question why they fought so long to drive out the Germans when they were subjected to the continuing reign of Stalin afterwards. There would be few people in the West who would dispute the need to have defeated Hitler.

The exchange rate between the rouble and hard currencies is a story in itself. There are various official and black market rates. However, because the economy of the USSR functions (or fails to function) in an entirely different way from those of the West, some items, such as telephone calls and transport are incredibly cheap, whereas other goods are obtainable only on the black market. It seems more sensible, when trying to work out what the average Soviet citizen can afford, to compare the costs of various items with the monthly salary, rather than trying to convert the rouble to hard currency.

An average worker earns about 400 roubles per month. In the Murmansk region, salaries are about double that, to encourage people to settle. However, skilled workers can often earn four times as much from additional work for co-operatives or with joint ventures. There is thus a widening gap between those who are only able to work for the state and those with access to other sorts of income. For instance, though miners in the Donets basin in the Ukraine earn more than average, they are unable to earn extra income and are relatively poor. This is one of the reasons for their militancy.

There is also a two-tiered price structure. Some items are price-controlled, attracting long queues. Others are more realistically priced but too expensive for the average person. For example, a 500g tin of Nescafe, which looked none too genuine, was priced at 250 roubles. On the day of a further price ‘adjustment’ (increase), there were no signs of unrest on the streets of Murmansk, despite the dire predictions of our hosts. The Russians are long-suffering and slow to anger, perhaps.

An official estimate of the extent of the black market is about 10% of GNP. However, when one visits a typical apartment and then a department store, it becomes clear that dwellings could not be filled with possessions by buying from the stores. The longer one spends in Russia, the more obvious it becomes how pervasive is the secret economy. One Soviet economist has even claimed that virtually every enterprise must deal on the black market in order to obtain necessary raw materials which are made artificially scarce by corrupt bureaucrats. For consumers the most popular goods are those from the West: Japanese videos and cameras and clothes with Western labels. On television I even saw MTV, broadcast for one hour per week, including a clip from the repellant Vanilla Ice.

In the manner of a recently converted ex-smoker, the citizens of the Soviet
Arctic embrace capitalism with naive fervour. While the newly emancipated East Germans are busy with a credit-supported buying spree, the Russians are impatiently waiting their turn. In a land of contradictions, the newfound worship of capitalism was demonstrated to me most forcefully when I discovered an empty can of British shaving cream occupying pride of place in the display cabinet of a Russian home. Yet, despite this, those to whom I spoke had a remarkable knowledge of affairs in the outside world and an even greater curiosity. The first and most common question was about the earnings of an average worker in Australia. Then followed particular questions about how much they themselves could expect to earn if they were to emigrate. Translated to roubles, the figures must have seemed enormous (though, as I noted above, this gives an incorrect picture). An economist I spoke to (who, incidentally, wishes to emigrate to Australia) gave his recipe for the reform of the USSR. This view appears to be widely shared. First comes the abolition of the ‘leading’ role of the Communist Party. If the Eastern European experience is a useful guide, this would lead to the diminution of communist power to such an extent that the party would become irrelevant. This begs the question: who would then govern the country? There are many examples to follow but the most likely seems to be that of East Germany where widespread hatred of communism led to the formation of a rightwing government before the reunification. Most Russians believe, however, that the communists are unlikely to give up power willingly. The military may not allow it, in any case. The second item on the wish list is a free market economy. This is anticipated, highly optimistically, to provide immediate benefits with consumer goods aplenty, though it would certainly have a catastrophic effect on the trade balance.

Thirdly, the borders should be opened. Were this to occur, large numbers of people would leave to try to settle legally or illegally in the West, driven by the expectation of a better life and the fear of a civil war or a military crackdown. As an example of the strength of the desire to emigrate, I was cultivated by a doctor over several days, the sole purpose being that I would convey a letter to the immigration officer of the South African Embassy in London. Of course, if everyone who wished to could leave, the economy would be further disrupted.

Lastly comes democracy: an understandable goal, and one which would make the others achievable, eventually.

While most people agree or are desperate that things must change, these great hopes are flights of fancy, with no one able to say how the reforms should be introduced. This sense of unreality was reinforced as I sat in the lounge room of a sanatorium on the shores of Lake Imandra. The lake was still frozen, even in April, as I listened to the twittering of birds inside the room. These birds were budgerigars.

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