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978-0-521-69943-3 - How to Argue with an Economist, Second Edition: Reopening
Political Debate in Australia

Lindy Edwards

Excerpt

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Part I

A Historical Juncture

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Chapter 1

A political impasse

‘How lucky can you get. They were down for the count. They had no idea what they were going to do. Then “pewft” – September 11. And they’ve got it on a platter.’ The 30-something Labor hack stretched back on the couch and laughed in macho nonchalant fashion. Like so many of the Labor boys when reality bites too hard, he retreated behind the cynical veneer. At the popular Canberra pub, the motley crew of political insiders – bureaucrats, journos and political staffers – stared into their beers and contemplated the chips selection.

After a few moments another staffer broke the silence. ‘I can’t think about it that way. I can’t believe it was an accident of circumstance and line up to do it all again.’ She pursed her lips. ‘The bottom-line is our vote was soft. We had a big lead in the two-party preferred in February. But the polls swung wildly because people weren’t committed to us. We were vulnerable because we hadn’t tapped into what people wanted.’

In a sea of outrage, bafflement and disappointment, political watchers of all colours and creeds are scrambling to make sense of the 2001 federal election. Steeped in fear and xenophobia, the campaign has been dubbed one of the lowest ebbs in Australian political history. But a common theme is emerging in the post-mortems. It is not the insecure and anxious electorate. Or even the conservatism of both leaders. The common theme is the policy vacuum.

The campaign’s policy pickings were meagre. Both sides’ desperate scramble for election ideas had amounted to zip. The incumbent Coalition had little to offer. Policy launch upon policy launch announced things they had already done, and programs already in train. Labor was struggling to come up with a post-Keating agenda. They had settled for a Whitlamesque approach to jobs, education

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Excerpt

[More information](#)

A political impasse 3

and health. But they were fiddling at the margins rather than sweeping reforms. Both sides had hit a brick wall. Neither side had any solutions.

As the creative capacities of our political elite stalled, they opened a space for the campaign that followed. In an absence of answers, debate was diverted. Unable to offer people their hopes, John Howard settled for focusing their fears. As his rhetoric zeroed in on the dark corners of the Australian psyche, debate shifted from our ambitions to our anxieties. We became swamped by threats rather than elevated by opportunities. And Labor offered no respite.

As Australia looks for answers to the current political mood, we have to look to the policy drift.

The policy drift

The current policy drift is the dead patch at the change of the tide. Australia is on the cusp of a new political era. The old era is dead and both sides of politics are grappling for a new way forward. The economic rationalist reform agenda initiated by the Labor government and continued by the Coalition is completed. The implementation of the GST (the goods and services tax) was the last instalment. For the first time in years, both sides of politics are in search of a new direction.

As the parties flail around in the darkness, their compasses have gone haywire. The old indicators of left and right have vanished and a great divide has blocked the only way forward. The divide is not between the city and the bush or between Labor and Liberal. It is a growing divide between the Australian people and their policy makers. Economic rationalism is the flashpoint, but it is not an argument about the economy. It is a mismatch of values and priorities.

On the one hand is a public fed up with economic rationalism. After 20 years of reform and the best part of a decade of the promised growth, people do not believe that economics is going to deliver the community they want to live in. And on the other is an administrative elite in which the economic orthodoxy charges on unquestioned. Politicians have been left straddling the divide, paralysed as the ground is swallowed beneath them. They desperately need a way forward but the two views seem irreconcilable.

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Excerpt

[More information](#)

4 A historical juncture

Economic rationalism

‘Economic rationalism’ is the label slapped on a set of ideas that gripped Australian public policy circles through the 1980s and 1990s. Some people use the term to describe putting economic considerations above other values. Others use it to describe an ideological commitment to small government and free markets. My use of the term incorporates both of the above. In Chapter 5 I will outline in detail the ideas I am defining as economic rationalism. The ideas are a simplification of neo-classical economics that combine to yield a worldview.

They are adrift in the gulf between our professional policy makers and their public.

The public mood

The current malaise has been building for nearly a decade. In the mid 1990s reports of public discontent were flowing into both political parties. Backbenchers recounted anecdotes of the bitter public mood. People were fed up. They complained they were losing their communities and their way of life. In the lead-up to the 1996 election Liberal Party research found that people felt they were being ignored. People said ‘Canberra’ was not recognising their priorities and had no empathy with their problems. Newspaper polling found that almost a half of Australians planned to vote for the party they disliked least. People were not drawn to the parties’ visions and did not associate with their values.

When Pauline Hanson sprang onto the scene she shocked the political establishment into realising it had a crisis on its hands. She was swept to prominence when she won the regional Queensland seat of Oxley. An unknown Liberal candidate in a safe Labor seat, she was thrown into the limelight on racism. She had written an anti-Aboriginal letter to her local paper. When the incident got national publicity, Coalition Leader John Howard had to expel her from the party to prove his own questionable race credentials to the big southern electorates. In the flood of publicity that followed,

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Excerpt

[More information](#)

A political impasse 5

Hanson, a political novice with little education, emerged as someone who shared the views of many disenfranchised Australians and who wasn't afraid to speak her mind. She provided a vent for the electorate's frustration. She was swept to power as an independent, winning the largest swing in the nation.

Hanson set up her own political party, One Nation, and ignited Australian politics. While racism fuelled her notoriety, her speeches connected with a lot of Australians:

The only employment growth has been in part time and casual jobs, and those Australians lucky enough to have a full time job have to work longer and longer to keep their families' heads above water. The eight hour day is a thing of the past. Growth in low skilled and low paid part time and casual jobs is a worrying trend. It is not possible to raise a family or pay off a home on such an insecure and paltry income, and irregular and inconsistent work hours make family life very difficult.

Successive Liberal and Labor governments, including this current group of treacherous self seekers, have worked for the interests of just about everyone except the Australian people who elected them and pay them. (Pauline Hanson, Parliament House, Hansard)

In 1997 One Nation won 11 seats in the Queensland election. It was one of the most successful results ever for a new political party. Most of the seats had been snatched from the Liberal and National parties. Party polling indicated the National Party was at risk of being almost entirely rubbed out in the upcoming federal election.

Parliament House was in a flurry as the major parties realised the magnitude of the public crisis of confidence. There were panicked meetings around the halls of Parliament House. Analyses of the Hanson phenomenon attributed some of her success to racism, but most of it was about giving the big boys a kick. People were sick of not being listened to. They were fed up with the economic agenda that marched forward irrespective of their views. They had had enough of watching their lives being eroded and being powerless to do anything about it. Labor started to back away from its economic rationalist rhetoric and Prime Minister Howard moved to tell people that he 'understood' their concerns.

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Lindy Edwards

Excerpt

[More information](#)

6 A historical juncture

In 1998 the major parties closed ranks to quash the uprising. They teamed up to do a preference swap and eject Hanson from federal politics. Liberal Cameron Thompson ousted Hanson despite having received just over half of her primary vote. Preference deals also kept One Nation's representation in the Senate to a minimum. But, despite what can only be described as a chaotic and unprofessional campaign, One Nation won 9% of the national primary vote. Again, a spectacular performance for a new political party.

In its second term the Howard government took a sharp turn to the right. Ignoring Hanson's economic policy concerns it took up her mantle of social intolerance. It made sport of beating up on minority groups. Policies affecting handfuls of people were blown up into national issues. There were media frenzies over illegal immigrants, welfare cheats and in-vitro fertilisation for lesbians. The cunning strategy enabled the government to voice its intolerance without hitting too many potential voters. But it wasn't enough. The economic reform program rolled on and people continued to be angry. As the government entered the election year it continued to slip in the polls.

The rise and rise of economic rationalists

The electorate had hoped that the gulf between government aspiration and the public's concerns would be overcome when Labor Prime Minister Paul Keating was bundled out of office in 1996. Keating had been attacked for being arrogant, aloof and out of touch with the average Australian. He was widely held as being responsible for the economic reform agenda, and the electorate relished giving him a good solid kick in the 1996 election. He was thrown out in a landslide defeat for Labor, losing 31 seats.

But, far from easing the economic rationalist clout, the change of government served to exacerbate it. Despite the signs of a political moodswing, the change of government boosted economists' power within the bureaucracy. After the 1996 election, under the guise of clearing out 'Labor hacks', a program of workplace renewal began. In the powerful Department of the Prime Minister and Cabinet, people with non-economic backgrounds and a broader social perspective were deemed to be lefties and were replaced by

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Lindy Edwards

Excerpt

[More information](#)

A political impasse 7

narrow economists. Longstanding department members groaned under the weight of what they called ‘the Treasury invasion’. Economists from economic rationalist establishments like the Productivity Commission even began appearing at the lower levels in the social policy areas.

Within a couple of years the impact on the department was evident. In May 1998 the Howard government brought down its third round of harsh budget cuts. Publicly the government was being condemned by opposition parties for a policy akin to ‘starving the children to pay the mortgage’. But within the department the mood was strangely consensual. Traditionally, the department’s social, economic and industry divisions were recruited from the respective social, economic and industry departments. The different departments’ cultures and political bents usually made the annual post-budget presentation a fiery affair. But that year the debate was silent. People filed in, listened to the presentation and asked a few non-controversial questions. Efforts to spark debate about the social justice of the budget strategy were met with a polite silence. As people slunk out of the room the old hands were uneasy about the new consensus.

The trend is evident across the public service. Even as school leavers turn away from economics degrees, bureaucrats continue to flock to economics courses at the Australian National University or the University of Canberra. They believe their careers hit a ceiling if they do not have economics qualifications. In 1999 the Canberra branch of the Economics Society was the only branch across Australia to report a strengthening membership. And when asked about what new paradigm will replace economic rationalism, most young bureaucrats return blank looks. A change is not on their horizon. They insist that economics is the only way of analysing the issues facing government.

Straddling the divide

Politics is where the two worldviews collide. The politicians have the policy elite in their ear on the one hand and the public on the other and they have been forced to bridge the gap between the two. In June 1999 in an interview with the *Australian*, the Prime Minister

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Excerpt

[More information](#)**8** A historical juncture

captured the quandary his government was caught in. Howard said that, although he did not think more government involvement was the answer to Australia's problems, 'the community won't accept government withdrawing'. He was caught in the crosscurrent. The ideas and policy prescriptions taken for granted by the policy elite were unacceptable to the electorate. A gulf had emerged between the values the Prime Minister encountered on talkback radio and the values underlying the public service briefings he read each day.

Amidst a storm of criticism about its lack of vision the Howard government bluffed its way through its first term, clinging to gun control and tax reform as proof it was going somewhere. Finally, part way through its second term the government found a way to straddle the divide. Howard found a way to articulate a vision that bridged the gap. In a landmark speech to the Australia Unlimited Roundtable, the Prime Minister talked about the two complementary policy approaches of market liberalism and 'modern' conservatism. He argued that market liberalism was fundamental to engaging with the global economy and consistent with the liberal traditions of the party. But, he said, Australians needed to be cushioned through this process of change. The stresses of change were exacting a greater cost from some parts of the community than others. He argued that it was consistent with the conservative element of the party's tradition to provide an 'anchor' to people through this time of rapid change. The government had a role to 'minimise the impact of these outcomes and provide positive alternatives' for those struggling with the changes.

John Howard's speech had an eerie echo of Paul Keating's 1993 victory speech. After winning the 1993 election Keating made an appeal to the 'true believers'. He said that economic liberalisation was inevitable in embracing the modern age. The difference, he said, between Labor and the Coalition was that Labor would reach back and lift up those who were being left behind. It would cushion the blow for the hardest hit and the least able to cope with change.

After four years in office the Coalition had reached the same conclusion Labor had reached six years before. Being a social progressive was identical to being a liberal conservative. Both amount to a commitment to free markets, with a caring eye to those suffering through the transition. To the extent that there is any view

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of how to move forward, both parties had come to the same conclusion: that the policy elite in Canberra were right, and that the punters just didn't understand. Both sides had concluded that the public were battered, bewildered and didn't realise it was all for their own good. Both sides talked endlessly about needing to 'explain' things better to the electorate.

While there was a vision of how to move forward, the divide was sustainable. The politicians knew where they were going and they had something to talk about. Both Labor and Liberal became immersed in the 'politics of economic necessity'. They rammed through wave after wave of economic reform on the basis that we had no choice. They talked about 'banana republics', 'the recession we had to have', and 'buffers against the Asian crisis'. They wheeled out experts and saturated the electorate in jargon, graphs and numbers to give a scientific credibility to the unpopular reforms. Governments led and, with only a choice between 'Tweedledum and Tweedledee', the voters had no choice but to follow.

The tensions are being pushed to a climax because the economic liberalisation agenda is complete. When Paul Keating began the economic reform process as Labor Treasurer, five pillars of economic reform were identified: floating the currency and freeing up the financial system, slashing tariffs, cutting back the government sector, ending centralised wage fixing, and tax reform. With the Howard government's implementation of tax reform, both parties have been sent scrambling to find a new vision, a new agenda to take Australia into the 21st century. As the politicians grapple for something new, something to grab the hearts and minds of Australians, the divide is harder to ignore. It presents an impasse.

However, this is not simply a debate between an educated intelligentsia and 'punters' who just don't understand. It is a debate about values. Australia is at a historical turning-point. How we resolve this divide will shape the character of the nation over the next century.

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Chapter 2

A nation-defining choice

Bridging the divide and reacquainting our policy makers with their public is not just a matter of solving a temporary political impasse. It is more than a problem to patch over. How Australia goes about bridging the divide between the electorate and the policy circles will be pivotal in shaping its ongoing culture and values. The economic rationalist reform period was a revolution that changed more than our economy. As this period of change comes to a close, our response to it will set the foundations of the Australia of the 21st century.

Things to be put to one side

The fabric of a national culture is woven together by thousands of different threads. How we organise our economy is an important, even foundational, thread, but it is not the only thread that runs through Australian culture. Through the economic rationalist years there has been a bundle of grand-scale cultural changes that aren't closely related to economic policy and aren't the focus of this book. These have included the rise of feminism, multiculturalism, Aboriginal reconciliation, environmentalism and gay rights. These movements have all impacted, in different ways, on our ideas about what it is to be an Australian. But while recognising their importance I will leave those changes to be discussed by others. My purpose is to draw out the largely under-recognised thread of the impact of economic changes on our culture.

Australia's economic transition

Casting an eye over world trends in the 1980s, it's easy to make the mistake of believing that Australia's dalliance with economic ration-