

Abbott's Easy Ride to Polling Day

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The Libs have cleverly built up discontent on economic issues – and their policies have dodged scrutiny. Don't be reassured by Abbott's 'no surprises' line, writes Ian McAuley.

In 2007 Australians elected a Labor government with a decisive majority. The trade unions claimed their campaign against WorkChoices to be the decisive factor, but there were many sources of dissatisfaction with the 11-year-old Howard government. The days when labour relations issues alone can swing an election are long gone.

The Howard government's economic management had been indolent. It lazily reaped the benefits of reforms under the Hawke-Keating government, and its own much more modest reform of indirect taxation. It used the proceeds of the mining boom to fund generous handouts for family allowances, private health insurance and superannuation. It achieved a budget surplus by neglecting needed investments in education and infrastructure, and it allowed living standards to be boosted by a massive increase in private debt, fuelled by the wealth illusion of rising house prices.

The first Rudd government showed early enthusiasm for economic change to make up for the neglect of the Howard years. Its response to the GFC was deft and effective, rightly drawing praise from the economic community. But when it came to the harder issues involving tradeoffs between competing interests, such as carbon pricing and the far-reaching recommendations of the Henry Taxation Review, the Rudd government soon got cold feet.

The Gillard government too was cautious. Gillard saw her challenge as getting legislation through a finely-balanced Parliament. She was adept at deal-making, like a lawyer who handles a caseload by obtaining out-of-court settlements. But that strategy had its costs, because those deals went through with little visible conflict.

A politically smart government can use the petulant protests of rent-seekers to expose conflicts between sectoral and community interests, and to embarrass the opposition when it is seen to be siding with rent-seekers. In choosing appeasement she not only lost respect; she also forfeited an opportunity to associate the Opposition with the gambling industry, big polluters, private health insurers, multinational miners and others helping themselves from the public trough.

That is not to devalue her government's economic achievements – carbon pricing, the NBN, disability insurance, cigarette packaging, financial services reform, school funding – to name a few. But they are not as bedded-down as the reforms of previous Labor governments, because they were presented without conviction and came across as isolated initiatives, without any underpinning set of principles, or “narrative” as some say.

If, as is likely, Abbott wins on Saturday, it will be the easiest and least-deserved victory in modern history – pipped only by the 1961 election when Menzies won on the basis of Communist Party preferences and rigged electoral boundaries.

He has had extraordinary help from the Murdoch propaganda machine, reminiscent of Moscow's Pravda in the days of the Cold War. He has been helped even more, perhaps, by the kid glove approach of ABC journalists, particularly on the influential Breakfast show, because the ABC is perceived as a non-partisan source. Other media have given him an easy run by focussing on trivia and “gotcha” issues, and, in the campaign, on budgetary nitpicking, while ignoring important issues of economic policy, where there are clear differences between the parties.

Abbott has cleverly built up discontent and anxiety on economic issues – public debt, interest rates, employment, cost of living – regardless of evidence. (If elected, this may be his most vulnerable point, because the flip side of discontent is heightened expectation.)

He has been helped tremendously by the Labor Party itself, particularly its NSW Branch. It would be ungracious if his already-drafted victory speech did not give recognition to Eddie Obeid, Ian MacDonald and Graham Richardson.

Some credit is due to federal Labor for its childish fights over leadership, which had little if anything to do with policy. And some credit goes to the Government's political staff – wet-behind-the-ears wannabe politicians, who took the life and passion out of Gillard's public appearances, with turgid speeches and cliché-ridden

speaking notes, as patronising as the drivel on the pages of the Telegraph. Were they paid a bonus for each inclusion of “working families”?

Abbott’s economic policies, therefore, have escaped scrutiny. The notion that we have had a “bad government” has taken easy hold, because few journalists have challenged Coalition spokespeople or their supporters with the simple question “what do you mean by that”, or “what, specifically, has been bad about it?” Similarly the notion that carbon pricing is moving through the economy like a wrecking ball has undeserved traction.

The dominant idea in the election, therefore is that Labor has been bad, and therefore the Coalition must be better – a line of thinking wrong in both its premises and its logic. It is reinforced by the idea that an Abbott government would be good for the economy because it is sympathetic to “business interests” – as if there is some homogenous “business community” with perfectly aligned interests.

That assumption of aligned “business interests” disregards those entrepreneurs with plans to exploit the opportunities offered by the NBN, or to invest in low-emission technologies in a market where, through carbon pricing, their competitors would be paying a price for their externalities. The Coalition’s policies on depreciation and carry-back of losses tip the balance against high-risk entrepreneurial ventures in favour of established businesses in stable markets.

In fact the term “business interests”, as used by the Coalition and its supporters, is a shorthand for “existing firms and industries, which have secured their market position, and don’t want to be challenged by competition from innovators or technological progress”.

That’s where Abbott’s brand of conservatism fits so well with those with entrenched interests, and why he is so enthusiastically welcomed by the business lobbies. Just as trade unions represent existing workers, rather than those missing out on employment opportunities, so do these lobbies represent existing firms. They don’t want policies that might make life easier for new firms or industries.

Abbott’s “no surprises” line is an assurance – a false assurance – that Australia can go on with a high-polluting natural-resource-intensive economic structure. We don’t have to change. We don’t have to invest in skills or new technologies; we can go on as an extractive economy providing raw materials for cleverer people to convert into value-added products. In time, we might become to Asia what South America has become to the USA, but that, like climate change (if it’s not all crap about a colourless, odourless gas) is a long way off in the future.

Anyone who thinks Abbott has a conventional right-of-centre economic philosophy would do well to look a little more deeply before casting their vote. He has little respect for the “invisible hand” of markets and prices: he would be in there with his “direct action” handouts to favoured companies, and handouts to firms that take his fancy, as demonstrated in the campaign.

He may stand for reducing the number of public servants, but he has no difficulty in defending the tax-funded salary packaging and private health insurance firms – expensive bureaucracies diverting resources from the economy’s productive sectors. The starkest summary of his philosophy is “crony capitalism” – an economic system which protects privilege, which fosters corruption, and which eventually renders the economy moribund.

He speaks of “small government”, but there is no evidence that Australians want “small government”. Repeated research shows that people want government to play a strong role where markets do not work, particularly in education, transport infrastructure, health care and environmental protection – above all in climate change. Where markets do work, they want governments to butt out. They are not enthusiastic about welfare when it is seen to go to those who can look after themselves; his idea for maternity benefits fits poorly with the public mood (and with the traditions of the Liberal Party). And they don’t want paternalistic governments interfering in their personal choices about marriage.

People don’t want “small government” or “big government”: they want well-managed and responsive government that does what government does well, and leaves to the market those things the market does well.

The current edition of *The Economist*, a well-respected international weekly, with a generally pro-market right-of-centre line, has an editorial on the Australian election. Its conclusion is:

“The choice between a man with a defective manifesto and one with a defective personality is not appealing – but Mr Rudd gets our vote, largely because of Labor’s decent record.”