

# Why is reform such a challenge?

Christian Kerr

Everybody agrees that economic reform is A Good Thing. 'Standing still is always riskier for Australia than going the extra mile on economic reform', the Prime Minister said last month in a major speech explaining his industrial relations proposals.

'Economic reform is central to the primary mission of the Labor Party and the people who benefit are the people we represent', new shadow finance minister Lindsay Tanner says.

And Access Economics has produced a paper for the Business Council of Australia entitled 'Locking in or losing prosperity – 2005 and beyond' which says that we could have the third-highest per capita gross domestic product in the world if further structural changes were made to the economy.

The fresh focus on reform, of course, has coincided with the sitting of the new Senate.

The federal government has a majority in both the Senate and the House of Representative for the first time since 1981. This, however, doesn't necessarily translate into control.

Not only are the ways and means towards a new wave of economic reform vague, but, signs of the political will to carry it out—let alone the actual form that any agenda would take—are hard to discern.

Interestingly, the BCA says that 'the gap between a low growth (2.4 per cent growth a year) and a strong growth (4 per cent a year) future can

be achieved by building on existing reforms, rather than radical policy solutions'. Its report nominates increasing productivity, workforce participation, better infrastructure planning, increased investment in education and training, and higher immigration as areas for action.

Yet mention the word 'reform' at the moment, and most people will immediately think of the Government workplace relations proposals that are proving contentious on so many different levels. They'll think of risks. Downsides.

In one of his first major interviews in his new job, Tanner told The Australian's Paul Kelly: 'The economic reforms of the 1980s and early 90s substantially improved the living standards of working people'. No-one would argue with him.

His leader, Kim Beazley, gave a spirited defence of those reforms to the 'Sustaining Prosperity' conference in Melbourne earlier in the year.

He also made these admissions about what inspired them:

'We didn't pretend that we were building a new Jerusalem. We just did the job that needed to be done.'

'And we weren't perfect. We made our mistakes.'

He was pretty blunt about their consequences, too:

'These measures weren't vote winners, either. We were opposed by many of our supporters, who thought those reforms were a betrayal of our principles. Some of our supporters still think that way.'

In 2005, Labor is a double victim of its economic reforms. The prosperity they created has pushed some voters to the Coalition. They have driven old leftists into the arms of the Greens. At the same time, they have created a yardstick for markets and commentators which Labor has found it very hard to measure up to in the years since they were implemented.

The Government is well aware of the impact of the first two issues. More importantly, it knows that the challenge of building upon and furthering the reforms of the 1980s applies as much to it as to the ALP. It also faces a high bar—particularly given the way it has portrayed the years of Senate control under Malcolm Fraser as wasted time.

At the moment, there is no real spirit of reform. The word has become shorthand for changes to industrial relations laws and the sale of the rest of Telstra.

The Government first needs to make it abundantly clear that economic reform is not ideological caprice, that it is a constantly growing and evolving process that affects us all. It can do this by invoking our current prosperity—how it has come from policies adopted with varying degrees of reluctance by Labor out of necessity more than anything else.

It can do this with minimal political risk, as it stands in John Howard's favour that, through the 1980s, either as leader or a key opposition figure, he chose to support reform rather than make easy political capital by opposing it. Indeed, this puts pressure on Labor in opposition to respond to reform in a responsible, rather than a begrudging manner.

Politicians are normally not shy about invoking mandates. Much has been made of the Coalition winning the balance of power in the Senate. Just before the Government formally took control, John Howard spelt it out in typically cautious terms to the Liberal Party Federal Council.

When much was being made of the dawning of the brave new world, the Prime Minister played down the changes.

He said: 'What's going to happen on the 1st of July is that we're going to see the final consequence of the deci-

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sion of the Australian people on the 9th of October last year, that's all.'

He explained the authority granted by that decision: 'We're going to actually see in a sense the final votes in the election counted'.

He then spelt out the importance of using that authority:

In giving us that majority the Australian people were not only trusting our past stewardship, but they were also placing confidence in our future administration. And what that means is that they expect us to legislate for things that we believe in. They expect us to do the things we said we were going to do. It's not a complicated proposition, you enter into a covenant with the electorate of the time of the election, that if they support you, you will do certain things.

Indeed, the best thing the Prime Minister could do at the moment is let it rip. Rather than putting one or two issues on the table that one or two Senators will make very public ambit claims about, he should lay a much broader reform agenda on the table. As Howard himself has said, economic reform is not about ideology. It is about unleashing the energies of our people and our nation.

The old excuse of Senate obstructionism—of not showing your hand due to the risk of wearing political heat on proposals that will only be rejected by an opportunistic upper house—is gone. It is very hard to argue against the unprecedented growth and prosperity we have enjoyed since the 1980s on anything other than the narrowest of sectional interests. Economic reform is a positive, and it is time for a broad, positive agenda.

Astoundingly, the Government is in a controlling position, yet seems short on ideas.

The Howard Government is now in its fourth term. There has been a significant turnover in its members. Fewer of them—fewer frontbenchers, even—are men and women who entered politics because they wanted to

do something, because of anger at the bad decisions of the Hawke or Keating governments, because they wanted to create. Fewer of them have been involved in the battle of ideas. Fewer have had ideas. More are careerists. Careerists aren't noted for vision.

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More and more of the Howard Government's staffers are now professional public servants. More and more senior ministerial advisers are career public servants, with protected places to return to in the bureaucracy. Indeed, even chiefs of staff with this type of background are now appearing.

There have always been professional public servants in every ministerial office, the DLOs, Departmental Liaison Officers, but they are there to serve the almighty public sector god of procedure and to ensure clear communications between ministers and their departments. But just as changes have swept over the parliamentary party in the third and fourth Howard Governments, so a new type of staffer has emerged. As the Coalition's years in government lengthen, there is not only fresh blood amongst its advisers, but blood from different stock—the public sector—that is changing the character of the government.

These staff lack political skills. They don't know how to damage Labor. Nor do they necessarily want to. They don't have a reform agenda. They are more interested in administration.

Policy comes from three directions. Backbenchers agitate. Ministers refer ideas to their departments, who

determine how they can be developed and implemented as practical programmes. Bureaucrats put proposals to ministers and their offices, who add a political edge to their schemes. This process gets negated with public servants at both ends.

The stream of men and women and their staff who have led the Howard Government since 1996, combined with the wear of nine long years in government, have produced a change of culture. The agenda is driven by departmental rather than ideological or political priorities. There is less awe, for want of a better word, of ministers. Less effort is made to anticipate what they want. This is not an atmosphere that lends itself to the politics of reform.

The Government is run by managers or careerists, not reformers. Would-be MPs on ministers' staffs are not going to disrupt their own chances of election.

Bureaucrats who have joined ministerial offices are even more risk-averse. They lack a national focus. They are Canberra-centric. They do not understand the different priorities and needs of different States. They have no experience of branch and internal party politics. And the department, not the punters, commands their respect.

These people are not going to be stirred by Crispin Crispian speeches. Appeals to death or glory are meaningless when you have a protected place in the public sector to which you can return.

The Howard Government is free to take the country in new directions, yet a stay-at-home mentality risks defeating pioneering spirit.

It is impossible to dispute the positives of economic reform. Restating them for voters—and the politicians who seek their support—is the first great reform challenge.