

Australia SOLVED

Rafe Champion reviews

Australia Fair

Hugh Stretton

UNSW Press, 2005, 294 pages

For a mere \$75 billion per year, Hugh Stretton knows how an Australian government can easily provide large doses of addictive social engineering. Stretton proposes a suite of policies to do 'whatever it takes in our changing historical conditions, by old and new means, to keep Australia fair. Contrive full and shared employment ... Continue women's progress to genuine equality at home and at work ... reduce the scale of our inequalities'.

The first chapter in Stretton's book is 'Leaders', with a fulsome tribute to 'Nugget' Coombs in his capacity as Keynesian social engineer and benefactor of the Aborigines. This conveniently sums up a number of the problems with the book.

As far as economic policy goes, his solutions are massively out of date. The bubble of Keynesian demand management has collapsed, leaving the problem of explaining how anyone ever thought that inflation could be traded off against unemployment, without addressing the fundamentals of productivity and the abuse of trade union power.

Underpinning Stretton's policy proposals is the assumption that the role of government is to channel resources from one group to another group according to the preferences of the policy-maker—instead of al-



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lowing the maximum scope for choice by people to make their own plans to achieve their desired lifestyles.

Stretton is so captivated by the idea of fairness (usually called 'social justice') that he has been blinded to the most obvious dangers of the unintended consequences that arise from the perverse incentives generated by schemes such as the proposed parent wage (a minimum wage for anyone who stays home to look after a child up to the age of seven). One can envisage communities of single parents, suffering from the same collapse that has occurred in tribal communities—circumstances which presumably inspired this book to be written in the first place.

The arguments for this massive programme appear at first sight to be well organized and backed by a prodigious display of statistics. Stretton has been reading and writing for over 60 years of professional life and the bold sweep of his vision tends to distract attention from the errors and muddled thinking in the details.

Stretton projects an image of fair-

ness with a chapter 'How not to argue' (refrain from parody when presenting the arguments of opponents), but he is too committed to his agenda to be diverted even to consider small government or deregulatory options. His policy prescriptions veer off in the direction of big government interventions like a heavily biased bowling ball. For example, his section on the environment would be improved by a realization of the way that property rights and market forces can promote conservation, rather than the reverse as he appears to

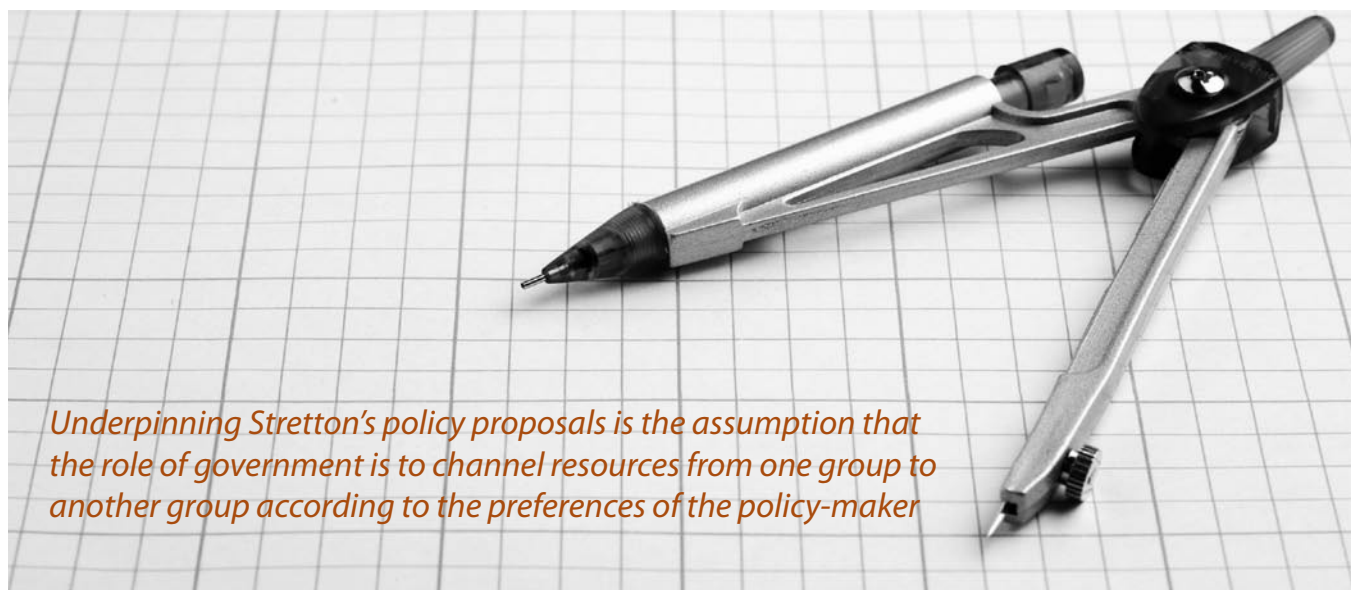
believe. This tendency to selective vision is exemplified by his uncritical acceptance of the deeply-flawed research of Michael Pusey.

The chapter on 'National Objectives' urges essentially Scandinavian levels of intervention and cradle-to-grave welfare, then a chapter on 'Work' demands full employment. 'Every consideration of economy and humanity should drive us to see that there is paid work for everyone who wants it'.

Stretton's attitude toward labour policy is particularly blind. Instead of engaging with the free-market case for the elimination of minimum wages, he simply dismisses such policies out of hand. '[Some] oppose most minimum wage requirements, claiming falsely that they always reduce employment and economic growth (opposite effects are just as frequent).' No evidence is cited and he proceeds to consider the array of interventions that might 'retain particular industries or limit foreign ownership of them'.

He writes that we have 'long had the world's best institutions for debat-

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ing and determining the wages and conditions of paid work' (p.113), forgetting that the wage-fixing system was an immediate cause of mass unemployment in the Great Depression, when adjustments to award wages were out of proportion to other market prices. Similarly, the Aboriginal stockworkers in the Northern Territory were swept out of employment by an 'equal wage' case, decided by distant judicial figures against the advice provided by people who knew the industry. Examples of misguided wage-fixing in twentieth-century Australia are easy to come by.

Education is another area where Stretton appears to have hugely inflated expectations of the gains to be made by increased government spending. He would have every public school funded to the level of the non-Catholic private schools. Unfortunately, the shortcomings of public education have next to nothing to do with funding. During the last three decades, the quality of public education declined precipitously while funding increased (in real terms per capita). This decline has been caused by a range of policies and cultural factors, not least the infamously militant teachers unions. No account of public education in recent times is complete without paying attention to the way that the teachers unions resisted or sab-

otaged efforts to obtain accountability and quality in public schools. Stretton provides no strategy to address this key problem.

As to the universities, he has legitimate concerns about the incursion of the micro-managers, but it should be noted that the decline of the universities is not a recent event. They were subverted by excessively rapid growth and the politicization of the social sciences and the humanities, both of which happened on his watch—or at least the watch of his generation of senior academics, planners and administrators.

The wide range of policies canvassed in the book presents a challenge to readers and reviewers who have not been working actively on a similarly wide front. For that reason, I will refrain from comment on his suggestions for superannuation and his speculation on the many thousands of people who might be required in the schools, hospitals and the building industry to make good his programme. No doubt his ruminations about a form of fiat money to be issued by the Commonwealth for certified public works will raise a storm of protest from some quarters. It appears that he has undimmed confidence in the potential for Keynesian demand management to handle the inflationary pressures that his schemes will generate.

At the end of the book he returns to the theme of full employment because unemployment is the single most important contributing factor in poverty and disadvantage. It may help to shelve some disagreements for a moment and take a stand on this common ground—the need to ensure something approaching full employment of all those who are able to work. This is where welfare, wage-fixing and taxation policies need to work together, with the elimination of minimum wages so that nobody is priced out of a job, and a reduction in the *de facto* tax rate when a welfare recipient takes up paid work. Progress in this area could achieve major gains that Stretton would applaud—that is, major improvements in the prospects of the least affluent people. Unlike his pie-in-the-sky scenario, this policy mix involves virtually no government outlays. This looks like the best kind of win/win outcome and one hopes that Stretton and his colleagues might revisit some of their core beliefs and especially consider the way that full employment is rendered illegal by minimum wage regulations.

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