

Economic Nationalism: It's Back to the Future

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THERE'S a simple explanation for the rebirth of Pauline Hanson's One Nation Party, the recent stunning electoral defeats of conservatives, the less than reform-minded cast of politicians in both Labor and Coalition ranks, the bipartisan campaign to portray big business as a villain in public life, the sliding \$A against the greenback, and the rising backlash against globalization, culminating in the Howard Government's decision in April to reject Shell's takeover of Woodside Petroleum.

The explanation? Australians are ditching their 15-year-old honeymoon with a free-market reform agenda. No, they have not lurched dramatically to the Left, but the political mood has grown perceptibly more nationalist and interventionist in economic matters. The spectre of big government has once again returned to haunt Australia.

Of course, one could argue that Shell merely got the answer it deserved when Treasurer Peter Costello blocked its \$10 billion bid for Woodside. After all, the Dutch-owned multinational should have recognized that its campaign to take over Australia's twelfth biggest company in an election year would strike a political raw nerve. Still, whatever misfortune Shell brought on itself, Australia deserved better than Canberra's decision to reject.

No matter how the Howard Government attempted to justify its decision—Mr Costello cited 'national interest,' signalling concerns over the implications of a Shell takeover for the future development of the North-West Shelf project—the truth is that it buckled under growing populist pressures.

Protectionist sentiments have run deep in Australian political and economic life for most of the twentieth century. And they have resurfaced with a vengeance in recent months.

The devastating electoral setbacks for conservatives in Western Australia and Queensland have sparked immediate recriminations against Mr Howard's Coalition Government. Both State and Federal legislators have blamed the Prime Minister's free-market policies for the carnage, despite the

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fact that the defeats had more to do with voters bristling at a series of bureaucratic gaffes.

Still, maverick National Party MP Bob Katter reflected deepening conservative anxiety over the electoral routs when he complained: 'If they [the Howard Government] want to continue with these policies, like the sale of Telstra, deregulation of the milk industry and GST [goods and services tax] then they'll be as popular as a brown snake in a sleeping bag'. And as one senior Liberal Party official said, 'Economic rationalism is dead, dead, dead'.

Nor are these conservatives alone. A disparate coalition of centre-left, far-left and far right-wing opponents of capitalism have recently crawled out of the woodwork to support increasing levels of protection and government intervention in the economy. The growing strength of this group lies in their extraordinary diversity. Not since the early 1980s, before economic reforms were implemented, have so many groups of different ideological stripes—from the Greens and Democrats on the Left to One Nation on the Right—been galvanized at any one time. Opposition to deregulation, competition, privatization, free trade, and foreign investment and ownership is the source of their unity.

Indeed, such words are so dirty in Australia today that anyone who dares preach them risks being demonized as an 'extremist' and 'elitist' who's supposedly out of touch with the Aussie mainstream. As Brian Costar, a professor of political science at Monash University, wrote in *The Age* in February: 'Economic rationalism is as popular in parts of regional Australia as communism was in the 1950s'.

The rebirth of One Nation—much like its birth in 1996—is due not so much to Ms Hanson's racist attitudes or conspiracy theories about the United Nations planning to take over Australia. Her party's popularity has more to do with the widespread perception that free markets wreak havoc. As Mr Howard has consistently argued for the past five years, Ms Hanson may be merely riding waves of protest in the rural heartland, a traditional hotbed of anti-competitive, agrarian socialist principles.

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If anything, One Nation can rightly be seen as a reactionary, isolationist backlash against Australia's inevitable integration with the Asia-Pacific region and the global economy. Comparable movements have developed in Europe and North America, and there is nothing really surprising about its emergence in Australia.

Nevertheless, the danger exists that One Nation's agenda overlaps too neatly with that of the protectionist Left—including the Greens, the Australian Democrats and the left of the Labor Party. If these parties shared the balance of power in the Senate—and this is not inconceivable—they could find common cause on certain economic policies.

Of course, there has long been a statist culture in Australia. Since Federation in 1901, big government has manifested itself in various ways—in a White Australia Policy to keep out competition from cheap Asian labour, import protection to guarantee domestic profits, and an arbitration system to stand between capital and labour by guaranteeing a share of the protected pie for workers. Not surprisingly, these stifled Australia's development throughout most of the twentieth century.

Fortunately, these also had a limited shelf-life; the White Australia Policy was dismantled in the 1960s, as was import protection in the mid-1980s. Between 1983 and 1996, the Hawke-Keating Labor Governments floated the dollar, reduced tariffs and deregulated the financial system and government-controlled industries such as aviation and telecommunications.

Since 1996, the Howard Government has, in fits and starts and with some reversals, merely continued in this direction. It corrected Labor's budget, finished off the job of slaying inflation, pursued labour-market flexibility, improved waterfront productivity, privatized government businesses and implemented income and business tax reforms.

Still, economic nationalism haunts Australia, despite the fact that

the unwinding of the deadening hand of the 'Nanny State' has delivered significant and enduring benefits. These include a less inflation-prone economy, lower interest rates and a wider choice of goods and services at lower (real) prices.

As a result, the Australian economy is much better equipped to generate wealth and to weather external shocks than before the mid-1980s currency crisis. Indeed, it's no fluke that Australia weathered the economic turbulence out of Asia in 1997–98. Just think how the old Australia—the over-regulated, over-protected, fiscally weak and inflation-prone Australia—would have coped with the Asian financial crisis.

True, there has been painful adjustment for some rural residents, and traditional forms of regional employment have declined. But many of the problems in the bush are hardly the fault of private enterprise and globalization. They are often simply a result of technological and structural changes such as the decline in world commodity prices and technological advances in farming.

It would be misleading, however, to argue that the opponents of economic reform and globalization are limited to the extreme political Right and Left. Kim Beazley's Labor Party, for example, is significantly watering down proposals to reform the economy.

Indeed, with a few honourable exceptions, the Labor Opposition has thrown away its 1980s' claim to be leading the charge for policies that confront the reality of today's globalized economy. Mr Beazley and his deputy, Mr Simon Crean, are leading Labor backwards into the 1950s and '60s rather than into the twenty-first century.

While Mr Howard sought to get rid of our national shame and modernize our waterfront in April–May 1998, Mr Beazley supported the MUA dinosaur and spoke class-warfare language more suited to the classic labour–capital conflicts at the turn of the twentieth century. Indeed, it's fair

to say that Mr Beazley's Labor has turned backwards to seek to win back its traditional blue-collar constituency by resorting to pre-rationalist economics.

The Liberals paint Kim Beazley's Labor as a 'policy-free zone'. In fact, the policy framework for a Beazley Government is already in place. For example, the Beazley model is a step back to Australia's old IR Club, with its legal protections of union monopolies, prescription of pay and working conditions by awards, and interference by quasi-judicial tribunals. It is a false political promise to deliver 'income security' to an electorate that inevitably feels uneasy about the unavoidable realities of the global marketplace.

Rather than embrace the opportunities of a globalized, information-age economy, the Beazley agenda simply sets out to satisfy the ideological preferences of Labor comrades and to pick up alienated Howard voters by pretending that there is a free lunch on offer. Such a platform only adds uncertainty to already wary financial markets.

To be sure, Mr Howard and the Coalition are hardly true believers in the economic reform agenda these days. In pandering to the forces of economic nationalism, for example, the government's decision to reject Shell's takeover bid could be the harbinger of more policy reversals in an election year.

Our political leaders should recognize that while change and adjustment are not easy, it's a dangerous fantasy to suggest that Australia can insulate itself from global market forces. If Canberra thumbs its nose at free markets and resuscitates Big Government, then the world would rightly figure that Australians have lost the plot.

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