

The Pendulum Swings

Robbing the Rich Pays Electoral Dividends

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AN article in *The Age* (16 April 2001) by Kenneth Davidson was titled 'How big business captured Premier Bracks'. The article contended that the Bracks Government has adopted many of the policy approaches of its Liberal predecessor. Davidson sought a reversal. He argued that the Bracks Government should distribute the \$200 million windfall from the GST to teachers and nurses rather than use it to attract business activity and private-sector jobs.

The article's conventional *Age* anti-business line is an important pointer to wider phenomena. The Bracks Government, like that of Carr in NSW and Beattie in Queensland, sees the road to longevity in promoting the form rather than the substance of policies that push more funds to social services. People have to be paid off for providing support—and, notwithstanding Davidson's views, nurses and teachers have been generously rewarded. But securing a new dynasty means making changes at the edges rather than radical restructuring. And although, in Victoria's case, many would like to dismantle the Kennett privatizations, the Labor Administration knows that this is both impossible and undesirable, except in marginal cases such as the ambulance service.

If the Victorian Labor Government can maintain this approach, it will avoid the excesses of its predecessors which have, in the past, invariably swept ALP governments from power.

Achieving and maintaining government requires tapping the huge

voter potential of opposition to the way things are. That opposition is founded on a feeling by many people that they are battling against the odds and that they merit some form of government support.

Philosophically, Labor succours that support more readily than the Liberals. Although the Liberals might spend and regulate excessively, the average Liberal politician started her or his career by objecting to the size of government and its intrusiveness. Some of this sticks—even after a life of deal-making and compromise.

The evidence of the electoral advantage which the Labor parties have can be seen in recent elections in Australia. WA's steadily performing Court Government was recently kicked out, and over the next year the Howard and the South Australian Olson Governments may be heading for the same fate. Even being an outstanding performer, as was the case with the Kennett Government, has not stopped the electoral demise of Liberal Governments once their Labor Opposition has provided evidence that they will be more 'caring' and will implement interventionary measures without this calling on the voters' pockets.

In contrast to their Liberal counterparts, incumbent Labor governments have fared well. The ALP in Canberra had 13 years, winning its last election despite solid evidence of poor management, and only narrowly failing to regain office in 1998, in spite of facing an apparently successful government. The steady-as-you-go Carr Government was returned effortlessly, while the Queens-

land Beattie Government won a sweeping victory despite the overwhelming stench of branch-stacking fraud. And let's not forget, Western Australian voters returned Peter Dowding although his predecessor, Brian Burke, was clearly guilty of scandalous fiscal mismanagement.

For many Labor politicians, manipulating markets, redistributing income and regulating behaviour provide their political definitions. But this is also the glass jaw that must be exposed sparingly if a knock-out is to be avoided.

Although Labor can comfortably appeal to the electorate's masses by diverting income from the better-off, such diversions can all too readily result in disincentives to work and to invest that backfire into economic underperformance. Labor has, in fact, only lost office when its actions were clearly shifting the economy backwards. In the case of the Keating Government, it was in having no backbone in the Finance Ministry so that a spendthrift administration resulted in budget problems. Other ALP Governments in Western Australia, South Australia, and Victoria lost office because they tried highly creative means of obtaining the finances for the sort of developments they wished to see, in some cases causing bankruptcy of State financial institutions.

Australia is not alone in this position of moderate leftish parties being voted into Government and remaining there as long as their policies are not disruptive. Blair looks secure in Britain, initially winning office against a well-performing government. The Tories' highly publicized

sex scandals in the John Major years have been matched by those of the Labour Party in government, but they have left Labour unscathed. In the US, Clinton's notorious philandering made no dent in his popularity.

Schroeder beat Helmut Kohl, who had united the two Germanies and was steward over a sound if lacklustre economy, although he had been involved in election-funding scandals. In France, a left-wing government has been voted into office against a solid, if unspectacular, conservative administration; that present government is sailing close to the wind, implementing policies which will shorten the working week and make it difficult for businesses to lay off employees.

All of this comes back to the head-start in public image that leftish governments enjoy. Although the militants at Seattle, and under the S11 and M1 banners, represent a minority, there is an audible echo of their voices from a huge mass of the population. The truth is that voters prefer a party that will offer them government support. Politics has shifted away from the objective of having the government in power 'hold the ring' while people transact their business and conduct their daily lives without disturbance.

Most political leaders understand that an economy not linked into that of the rest of the world is one doomed to the Burmese option of stagnation. Many voters are, however, under the impression that they can move much further in that direction and sacrifice nothing in terms of prosperity.

This public predilection for the Left may have increased in recent years. However, as *The Spectator* (28 April 2001) pointed out, even the outstandingly successful Thatcher government was only made possible by a hopeless Labour leadership (Michael Foot, Neil Kinnock) and a divided non-Labour opposition (David Owen, David Steel).

If the Left parties are now more electable and more enduring, then ironically, globalization is one reason

for this. Globalization puts all governments' policies under the microscope of world finance markets. As *New York Times* journalist Thomas Friedman illustrates in his book *The Lexus and the Olive Tree*, the actions of individual governments are now more circumscribed by financial markets than ever before. Whenever a government undertakes policy changes, Standard & Poor and other ratings houses scrutinize these. If they downgrade the country's debt rating, considerable cost-penalties will accompany this—hence, political action is constrained.

And this is a process that owes nothing to a global conspiracy. The discipline on governments results

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from ordinary people using ratings agencies they have never heard of. They use these agencies through their 'agents', that is, savings and pensions funds. This takes place because people want the best returns for their money and pick super funds and other savings vehicles with this in mind.

The General Agreement in Trade in Services will augment this impersonal process. It will place a panel of experts, in principle the equivalent of an impartial legal judge, as the ultimate determiner of whether a country has laws in place that are 'more burdensome than necessary'. Now those people hostile to capitalism will see this as another nail in the coffin of local control or even of democracy. But all it comprises is an agreement

that countries will play fair with the citizens of their own and other countries. In this respect it is little different from Merchant Law, a voluntary acceptance of fair treatment for all, which was the crucible of West European trade and development.

All this said, M1 and Seattle activity gives vent to political sentiments around the world that seem to be set against 'economic rationalism'. People are willing to grant the same high credibility they normally reserve for *The X-Files* to scare stories about global warming, genetically modified food, species extinction and deforestation.

Leftish parties can better play to this gallery. In Australia, Labor is mightily assisted by the preferential voting system where votes for the Greens and the Democrats are canalized to the ALP. One Nation represents a kindred brand of knee-jerk voter, albeit one that would naturally gravitate to the conservative parties. The Liberals have, however, been persuaded by some of their voters (aided and abetted by the ALP) to reject One Nation's preferences. This is a pity for them. They already face a major, perhaps insuperable, task in retaining power where they are presently in office and an almost impossible task of displacing reasonably-performing ALP Governments.

Do the liberal parties have an antidote? The preceding paragraph suggests that, in Australia at least, wooing rebel conservatives is a tactical change that could pay off. But this carries its own risk—it may shift the liberals from liberalism and free markets. In Italy, Berlusconi cobbled together a coalition based on law and order, tax reductions *and* major project spending. Even then, he won by only a hair's breadth. It seems that traditional liberalism remains as remote from electoral attraction as does socialistic intervention from a sound economy.

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