

Gillard is no Hawke or Keating: in economic policy or market economics

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Julia Gillard has adopted a polar extreme policy approach to the Hawke-Keating Governments. The ALP regained power in 1983 on the back of Bob Hawke, who was catapulted to the party's leadership on the very day the election was announced. Having solid recognition and facing a haughty, unpopular Malcolm Fraser he sailed into office.

In contrast to the turmoil of the Whitlam period of office, Labor in 1983 courted solid performance as a key to parliamentary longevity. To assist its policy development it recruited a host of friendly economic rationalists into a government think tank: the Economic Planning and Advisory Commission (EPAC).

This, and Fraser's largely pro-regulatory stance (with a notable exception of the labour market), gave Hawke an opportunity. He could outflank the Tories from the right, in all areas except industrial relations, while he would use the Accord with the unions to harness their militancy. Imitating Benjamin Disraeli who as a Tory Prime Minister famously "dished the Whigs" by dressing in the leftish Liberal Party's clothes, after an initial socialistic spending spree Hawke and Keating adopted a deregulatory agenda.

Hawke announced his radical new approach in an address to the Business Council of Australia in September 1984. He said: I am convinced that after eighty-four years of federation, we have accumulated an excessive and often irrelevant and obstructive body of laws and regulations. We will examine critically the whole range of business regulation, most importantly with a view to assessing its contribution to long-term growth performance. We will maintain regulation, which upon careful analysis, clearly promotes economic efficiency, or which is clearly an effective means of achieving more equitable income distribution. And we will abandon regulation, which fails these tests.

The Hawke policy led to tariff reductions, freeing up financial regulations, and a culling of restraints on exports. Eventually it morphed into Competition policy, a huge part of which involved privatisation or its poor relation, corporatisation. As Craig Emerson has pointed out, this process did much to generate higher productivity that has underpinned increased living standards over recent years.

The Hawke-Keating approach almost from the outset was adopted by the Liberal Party but as the Howard year rolled on, Labor abandoned the regulation-light approach, especially under the affable but economically illiterate Kim Beasley. Kevin Rudd and Julia Gillard continued this course. Rudd, a hands-on apparatchik, outlined his view of the world in his two articles in *The Monthly*. While doffing his hat to the Hawke-Keating approach, Rudd argued: The social-democratic state offers the best guarantee of preserving the productive capacity of properly regulated competitive markets, while ensuring that *government* is the regulator, that *government* is the funder or provider of public goods and that *government* offsets the inevitable inequalities of the market with a commitment to fairness for all.

Although his often contradictory statements sometimes applauded a lighter governmental touch, all of Kevin Rudd's major decisions involved vast expenditures that were ostensibly designed to correct for an inadequate market - Building the Education Revolution (the BER), the cap and trade, the Green Car strategies, the NBN. Rudd eagerly seized on the ideas about the effectiveness of a Keynesian fiscal stimulus promoted by a Treasury that has lost its economics bearings.

Julia Gillard has intensified this movement and further weakened its market dimension. Her political philosophy, by her own acknowledgment, was inspired by the extreme left wing Welsh Labour Party MP Aneuren Bevan. She had no quibbles with any of the Rudd policy stances and was actually responsible for the maladministration of the BER. Undaunted she has shown every confidence in government as an efficient business machine.

Indeed, more regulation and controls appears to be the one thing she genuinely believes in. Thus, the legislative agenda she set herself late last year involved new bureaucracies: to set national safety and quality standards for Australia's hospitals and health services; to improve access to services and representation for university students; and a brand new body for National Preventative Health.

Her plans also include more bureaucratic controls over the ozone layer at a time when the danger this may have posed has diminished. Also envisaged is water efficiency labeling, more powers for bureaucracies regulating therapeutic goods and fighting corporate crime and parliamentary legislation to ensure consistency with the multifarious human rights constantly being invented by international agencies.

There was no area where she felt government could become smaller. Although her budgets forecast a balance in the future, even if this is achieved, it will be accomplished by higher personal taxation (through bracket creep). Higher taxation may well balance a budget in the near term but over the longer period it undermines investment and the rewards for risk taking in business that are the true drivers.

Meanwhile, whether it is energy issues, live cattle exports, refugee processing or almost any problem that arises, the reflex action is to feed more money into its resolution or into lessening the burden on those most directly affected.

The Gillard philosophy stems from an unerring faith in the ability of business to make adjustments and to innovate in the face of measures imposed by the government. And a view that economic production and productivity is impervious to the measures that government takes represents an optimism that is demonstrably false - failed states demonstrate the ability of governments to destroy economies and many Latin American economies show how interventionist politics has undermined prosperity.

While Hawke and Keating recognized the regulatory glue as an impediment to the forward motion of the economy, the Prime Minister calls this a reform agenda. With regard to the government's current legislative program she adds: "this legislation...step by step...will make a difference to the lives of families across Australia".

This vote of confidence in more control over the economy, flies in the face of evidence about the creation of prosperity.

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