

# What next?

## Liberalism after the Howard government

Chris Berg: 'When you change the government,' argued John Howard in the last few days before the election, 'you *do* change the direction of the country.'

Paul Keating's clarion call proved to be just as ineffectual the second time round. That could perhaps be because it obviously isn't true. Despite the high level of state economic and social intervention in Australia, the nation isn't steered by Captain Government.

As Tim Wilson writes in this special section on liberalism after the Howard government, part of the problem that the Coalition faced in its final years was the unwillingness of the government to grapple with key demographic and social changes. Similarly, as Ken Phillips notes, in industrial relations the rise of independent contracting has been meteoric—to the extent that there are now far more self-employed people than there are members of a union—but the cause of this change was economic, not legislative.

Between 1996 and 2007 a lot of things happened, and very few of them were the consequence of Commonwealth legislation.

The 'change the country' line was doubly inappropriate because of the *status quo* strategy of the Rudd opposition. Federal Labor's big ticket items may have been climate change and broadband, but fibre optic networks and carbon trading don't win elections. Rather, it was Labor's mantra of 'economic conservatism' that was specifically designed to repudiate Howard's argument. To try to emphasise their credentials, Rudd and Gillard's repeatedly affirmed the independence of the Reserve Bank—as if that was ever up for grabs.

The message was simple: vote for the ALP, and they *won't* change the country. But if you vote for the Coalition, they will embark on another round of industrial relations reform, and the country certainly will change. The Howard government became alienated from its own record of conservative governance.

The 2007 election re-established the *status quo* brand in the minds of political strategists. It will likely go down as one of John

Howard's major legacies, and it is largely a positive legacy. With the government's extraordinarily flattering economic record, it is no wonder that voters prefer more of the same.

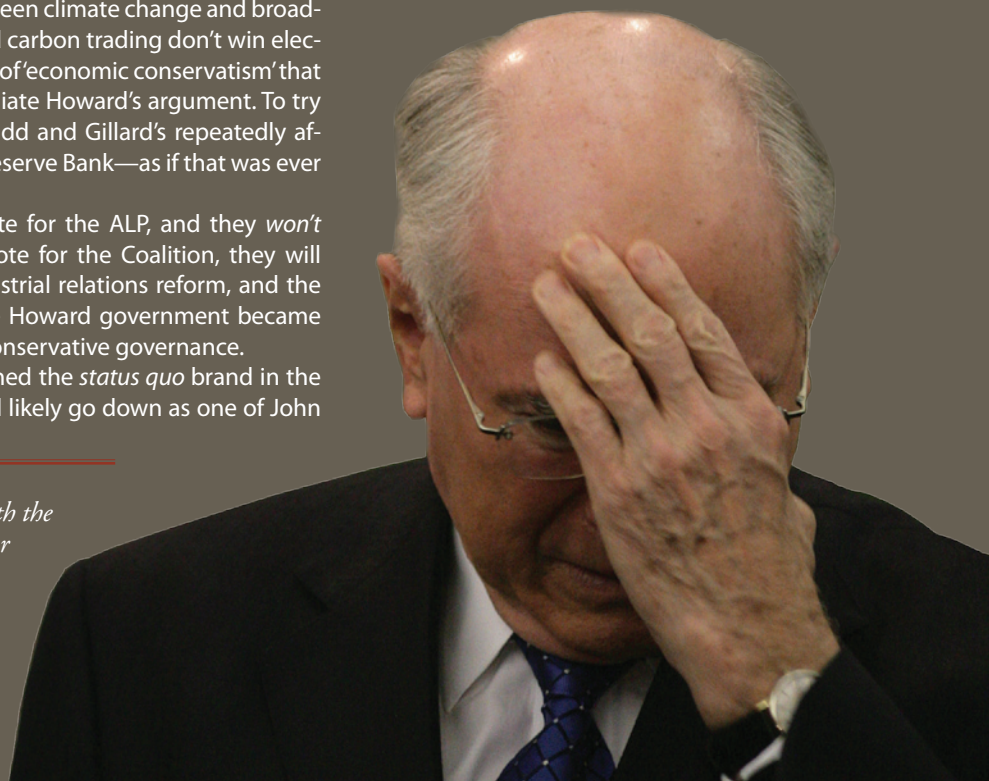
Unfortunately, brand *status quo* has applied to areas which advocates of liberal philosophy—that is, the ideological combination of limited government and the open society—would prefer it did not. As Des Moore shows in his piece on the Howard government's spending and taxing record, despite their professed sympathy with small government principles, the Coalition delivered no reduction in discretionary spending and its election promises foreshadowed no future reduction.

Along a wide range of public policy areas, the Howard government could have done more. Industrial relations reform was used as a federal power grab, rather than as a push towards common law contracts. Taxation reform drove yet another stake into the already terminal federal compact.

Other reforms were barely reforms at all—the

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2006 changes to media law did little to free up a stifled commercial media sector. It is hard to avoid concluding that the government's approach to reform was about quantity, not quality. Economic reform packages may have started out well-intentioned, but when they emerged from the meat-grinder of parliament, they too often represented steps backward.

This mixed record—the Howard government was extremely successful at managing the economy, but disappointing at reforming it—is reflected in this *IPA Review* issue by the conflicting, but not irreconcilable, accounts by Tom Switzer and Christian Kerr.

## Liberalism's dilemma

Nevertheless, elections are not won or lost on the size of government, weak media regulations, or eroding federalism. Elections are won on appeals to the *status quo*, issues such as immigration, or security fears. Federal seats are won on vacuous—and, as Richard Allsop points out, for federalists deeply concerning—issues such as graffiti, hoons and train lines. It isn't just that voters are not interested in liberal policies. In many cases it has proven far easier to win votes with an *illiberal* platform.

Part of this gulf between the policy preferences of voters and liberal policy preferences has been explained well by Bryan Caplan in his 2007 book, *The Myth of the Rational Voter: Why Democracies Choose Bad Policies*. In it, Caplan nominates four biases held by the average voter that are not empirically justifiable. The 'make-work bias' is a tendency to equate economic growth with jobs, rather than productivity; the 'anti-foreign' bias ignores the importance of foreign trade; the 'pessimistic bias' overplays contemporary economic problems; and the 'anti-market' bias underestimates the benefits of market exchange.

Caplan's four biases go most of the way to explaining the distance between liberal philosophy and Liberal Party policy. As a consequence, the Coalition's loss of government illuminates sharply a debilitating problem that liberalism faces in 2007.

What role can liberal philosophy have if it can't be successfully marketed to voters?

Certainly, ideology cannot be the sole guide to policy. This is the classic dilemma for libertarians seeking public office. As one American libertarian noted, 'There is no mass constituency for seven-year-old heroin dealers to be able to buy tanks with their profits from prostitution.'

Liberal political parties are unlikely to win future government on a platform of radical change, except in times of crisis. The four biases of the irrational voter mean that dramatic increases in immigration or a reduction in the minimum wage are hardly tickets to electoral success. In an era of *status quo* politics, it appears that ideology is, on net, an electoral negative rather than a positive.

But conversely, the final years of the Howard government demonstrated what can result when a political party has no philosophical base, lacks the fiscal restraint imposed by ideology, and simply purchases the votes it needs. Sooner or later, voters—or in the case of the 2007 election, the opposition—punish them for their directionless expedience.

Perhaps one reason why liberalism seems impossible to market to voters is because it hasn't yet been tried. No major party has gone to an election—from opposition or from government—with a full programme of social liberalism and economic liberalism.

In her piece, Louise Staley starts to examine what an array of liberal social policies might look like. Importantly, she argues that 'liberal' in this context is not merely a synonym of 'left', but neither is it 'conservative'. Instead, liberalism needs to develop its own approach if it is to break through the social policy impasse. But this is an area where modern liberal thought is conspicuously lacking, and filling that hole will need to be a part of any liberal revival.

There is the possibility, too, to develop an economically liberal message that may resonate with voters. The Howard government suffered from its abstract message—'economic growth' is far less concrete than fibre-to-the-node and the Kyoto Protocol. Voters may instead respond to campaigns targeting over-bureaucracy and regulation, particularly as they affect business and community life. The record levels of regulatory and legislative activity during the Howard government provide ample scope to do so. It is fair to say that such a campaign would be a direct repudiation of the Howard record.

Ronald Reagan campaigned along these lines, although it should be noted that Australia lacks the anti-statist political culture of the United States. But if the Rudd Labor government turns out to be anything like the governments of Tony Blair and Gordon Brown, this regulation is likely to increase exponentially—presenting possible policy targets such as privacy and bureaucratisation.

Nevertheless, again we reach a strategic bottleneck—campaigns against the Nanny State may swing voters towards liberal parties at the margins, but probably not deliver two dozen seats. Arguing that a consistently liberal message could win an election would be convenient, but doesn't seem to be true.

In this *IPA Review*, we have assembled a range of approaches to this challenge. What is not under question however is the need for liberalism in Australia, and the challenges which liberals face—limited government and the open society remain 'simple and obvious' goals regardless of their electoral popularity.

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