

History as if policy mattered

On tariffs and immigration, party reputations don't match their records

Richard Allsop

Two of the most fundamental liberal freedoms are the free movement of people and goods across borders. In Australian politics, individuals of liberal persuasion have always struggled to find one side of politics that has reliably supported both increased immigration and lower tariffs at the same time. However, our two major political parties have had such a remarkably consistent record that one can confidently say:

- immigration will always be higher under a Liberal government and;
- tariffs will always be lower under a Labor government.

This may seem counter-intuitive, but the lesson of history is clear. When it comes to the movement of people and goods the Liberal Party is the party of social liberalism and the Labor Party is the party of economic liberalism. Of course there have been exceptions—most notably the post-war migration expansion commenced under the Chifley Labor government, but this was certainly an exception to the general rule.

After all, it was the early Australian Labor Party (ALP) that was one of the strongest advocates of the White Australia Policy and their opposition to coloured immigration extended, at many times, to all immigration. During the 1920s Labor branded the Bruce-Page Nationalist government's expansionist immigration policy as a capitalist device to flood the labour market, provide cheap labour to sweating employers, and reduce working class living standards.

Under Jim Scullin's Labor government, the number of assisted immigrants was slashed from 13,000 in 1929 to 175 in 1932, admittedly in the period of the depression. When, in 1938, the United Australia Party Prime Minister Joe Lyons announced the resumption of assisted British migration, the ALP was quick to voice its traditional opposition.

It is not only in increasing numbers that liberal politicians were better, but also in having a more tolerant attitude to non-white immigration. The early federal parliament's soundest free trader, Bruce Smith, was also a rare opponent of the White Australia Policy. Prime Minister Stanley Melbourne Bruce in the 1920s eased restrictions on the immigration of Indian wives, while the Lyons government eased restrictions on Chinese migration in 1934, allowing the migration of Chinese chefs and the introduction of assistants to other Chinese businesses.

Of course, it was a Labor government and its Immigration Minister, Arthur Calwell which instigated the major post-war immigration program. However, it should be noted that Calwell had to overcome significant opposition in cabinet, in particular to the inclusion of large numbers of eastern European refugees. Calwell himself remained a supporter of the White Australia Policy and was ruthless in prosecuting individual cases. While the Liberal opposition gave full support to expanding the immigration program, they also attacked Calwell for his inhumanity to post-war Asian refugees.

On coming to power in 1949, the Menzies government increased both the overall numbers of incoming migrants and the range of source countries, the latter by

negotiating assisted immigration agreements with many other countries. Broadening the range of countries from which migrants came was not something which appealed to Labor. Their 1950s leader 'Doc' Evatt campaigned for the proportion of British migrants to be raised from 50 to 60 per cent, claiming that Mediterranean migrants lacked skills and those from Eastern Europeans were right-wingers. All suffered in Evatt's eyes by being Catholic.

Indeed, it was a point of distinction between the ALP and the Democratic Labor Party that the supposedly more right wing party was the one which wished to get rid of the White Australia Policy. As abolition of the policy began to gain traction, the ALP went as far as expelling several party members in 1962 for supporting the Immigration Reform Association.

It was under the Holt government that the White Australia Policy was effectively ended and it was also the Liberal governments of the late 1960s that boosted immigration numbers to new record highs, peaking at 185,099 permanent settler arrivals in 1969-70.

While the Whitlam government is remembered for removing the last vestiges of the White Australia Policy, less readily recalled is the fact that one of their first acts was to cut the planned immigration intake for 1972-73 from 140,000 to 110,000. Then, when the government's economic policies began to see rises in unemployment, they had no compunction in further cutting the intake to a measly 50,000. And as if to emphasise just how anti-immigrant they were, the Whitlam government even abolished the Department of Immigration.

Immigration levels were rebuilt under

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Malcolm Fraser's Liberal government with both strong humanitarian intakes of Vietnamese boat people and, for at least a period in 1980-82, a boost in skilled migration. Immigration was back to almost 120,000 in 1981-82.

Gough Whitlam was a virulent opponent of letting Vietnamese refugees into Australia, only allowing in one thousand in 1975 (the year of the fall of Saigon) and continuing to criticise their arrival in opposition. There were some elements within the Labor Party who supported a more compassionate policy, but Whitlam rejected the refugees (in a similar manner to Evatt in the 1950s) largely it seems on the basis that they were likely to be Liberal voters. He was even wrong about that. Whitlam was not alone in holding this view in Labor circles—waterside workers in Darwin went on strike in protest at the arrival of the refugees.

Labor's next Prime Minister, Bob Hawke, proclaimed himself to be a high immigration man. Several years of low immigration in the first half of his Prime Ministership might have called this into question, but strong increases in the late 1980s probably justified his claims. Nevertheless, normal Labor form was re-established when Paul Keating succeeded Hawke in late 1991. It has been claimed that maverick right-winger, Graeme Campbell, changed his vote from Hawke to Keating in the leadership ballot largely because he thought Keating would cut immigration. He was not to be disappointed, with the reduction in incoming migrants of 31,000 in 1992-93—a thirty per cent decrease, and the largest cut since Whitlam.

The Howard government, like all its Liberal predecessors was a high immigration government, particularly in its latter stages, topping 140,000 in its final full year 2006-07. It was under Howard that, for the first time since federation, the overseas born proportion of the population exceeded 24 per cent and it was also under Howard that the non-European component of the over-

seas born went above 50 per cent for the first time. And as well as increasing overall numbers, the Howard government progressively increased the refugee intake from 3,802 in 1999-2000 to 6,022 in 2005-06.

As journalist George Megalogenis, sagely commented in his 2006 book *The Howard Factor* 'the former Hansonite belt... think Howard is keeping out all the foreigners, when he is bringing them here at a rate Paul Keating never contemplated'.

The past three coalition governments have had final (that is, their last full financial year in power) immigration numbers of 132,719 (McMahon), 118,031 (Fraser) and 140,148 (Howard); the last two Labor governments have had 89,147 (Whitlam) and 87,428 (Keating). The pattern is clear.

While its view on immigration was clear at the time of federation, the Labor Party vacillated between free trade and protectionism; its members tending to follow the prevailing orthodoxy in their home colonies. One of the key reasons for the triumph of protectionism in the first federal decade was the success the Protectionist Party had in co-opting Labor to its cause. This strategy triumphed in the New Protection of 1908, which saw a link established between industry protection and the payment of protected wages to the employees in those industries.

After the 1908 settlement of the tariff question, the first major increases to tariffs came during the Nationalist governments of Hughes and Bruce, with the average tariff level almost doubling during the 1920s. Indeed, it was under Hughes in 1921 that the Tariff Board was established, a body which for the first forty years of its existence was avowedly protectionist in nature. Of course, by the 1920s the Country Party had arrived on the political landscape, reinforcing the protectionist nature of the non-Labor parties.

Just as Calwell and Hawke presented a degree of Labor exceptionalism on immigration, so did Scullin on tariffs. Massive increases in tariffs were part of his failed

policy response to the Depression. The next Labor governments of Curtin and Chifley did not make major alterations to tariff policy and their 1945 White Paper on employment was quite moderate in tone on issues of protection for Australian industry.

Menzies is remembered as the founder of the current Liberal Party. He also left a legacy of protectionism that still has not been completely eradicated from his party. The 1950s and 1960s were generally decades of world trade liberalisation and so Australia's protectionism meant that by 1970 it had the second highest tariffs in the industrialised world—only behind New Zealand.

In 1952, general import restrictions were introduced, and an elaborate administrative scheme of import controls and quotas was established under the Department of Trade and Customs. This was meant to be a short term reaction to a balance of payments crisis, but as restrictions were gradually removed, and import licensing abolished in 1960, the demands for tariff protection continually increased.

While the 'protection all round' ethos of the time is most associated with Country Party leader John McEwen (to the extent of being known as McEwenism), the Liberal Party were generally willing colleagues. The one standout opponent was Bert Kelly, who tirelessly raised the arguments of why protection was actually harming the Australian economy. By the end of the 23 years of coalition rule, Prime Minister Billy McMahon had been showing some signs of agreeing with Kelly, but as Leon Glezer wrote in his 1982 survey *Tariff Politics: Australian Policy Making 1960-1980*, the next Liberal prime minister, Malcolm Fraser, had 'party and business links that nurtured the manufacturers' preferences within the party'.

The one bright spot in this protectionist era was the Whitlam government's across-the-board 25 per cent cut in tariffs in 1973. The political problems that this liberalisation created led to some back-sliding in the government's later days.



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Other than the brief Whitlam interlude, there were Liberal governments in Australia for 31 out of 34 years to 1983. They bequeathed an effective rate of protection for manufacturing that averaged 19 per cent, with the highest rates in clothing and footwear (192 per cent) and textiles (68 per cent). Remarkably, Australia was the only OECD country where the average tariff on imports increased between 1965 and 1985. In that same period, Finland, which like Australia in 1965 had an average tariff of around 10 per cent, had by 1985 reduced it to one per cent.

The Hawke and Keating governments ripped up the protectionist model that had been an inherent part of the Australian settlement since federation. The average rate of protection fell to six per cent in 1992 and further ambitious changes announced in their March 1991 industry policy saw it planned to fall to under three per cent in 2000.

Just as the Hawke government followed more liberal policies on immigration than its Labor predecessors, so the Howard government also was much more liberal on

trade policy than its coalition predecessors. It maintained the Labor tariff reductions on 1 July, 1996 and rarely moved in a more protectionist direction.

However, more true to historic form, the Howard government did delay the implementation of some further tariff reductions. In 2000, it vetoed the Productivity Commission recommendation to reduce the general tariff from five per cent to zero and also delayed—to what has proved to be beyond its own life—further cuts to motor vehicle and textile, clothing and footwear (TCF) tariffs. Under the current policy, passenger motor vehicle tariffs and some TCFs will fall to five per cent in 2010; the remaining TCFs will be reduced to five per cent in 2015.

The phenomenon of the 'unlikely' party initiating reform is not new. The greatest of all advocates of free trade, Richard Cobden, observed late in his life that it had been no coincidence that it had been under the unlikely stewardship of Robert Peel that the Corn Laws were repealed, as earlier the Duke of Wellington had overseen Catholic

Emancipation. Cobden believed that the 'unlikely' government had the advantage when implementing good reform of being sure of the support of the honest advocates of the policy they adopted, even though they were nominally in the ranks of their opponents.

This is much the role that the Liberal opposition played between 1983 and 1996 in supporting much of the economic reform (including lowering tariffs) of the Hawke and Keating governments. That period reinforced what now needs to be understood by every member of the new federal opposition—that supporting good policy is as much the obligation of an opposition as it is of a government.

One hopes that the Rudd Government can overturn a century of Labor history and continue our current high immigration intake. At the very least, it will hopefully maintain the tariff-cutting zest of the Whitlam and Hawke/Keating governments. It is perhaps just as important that the opposition supports them.

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