

What the Economic Rationalists (Dries) Really Believed

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ALMOST 20 years after the election of the Hawke Government, with the economy bowling along despite world-wide tendencies, the economic reforms of the 1980s and early 1990s are being forgotten and dry economic-rationalist beliefs misrepresented. First, let us remind ourselves of just how successful the Australian economy has in fact been since the 'recession we had to have' at the beginning of the 1990s.

Despite the 'Asian meltdown' and recent world-wide economic sluggishness, it has grown at 3 to 4 per cent annually, year after year. During the whole of the 1990s, annual multifactor productivity gains averaged around 2 per cent (2.4 per cent in the final six years) compared with a historical average of 1.5 per cent. Over the decade, that half of one percent added 5.8 per cent to average incomes. Admittedly, it was a time when most economies did well, but we did particularly well. Comparing Australia with all of Western Europe, the US, Canada, New Zealand, Japan and itself: its per capita GDP declined from 132.3 per cent of the average in 1950 to 99.9 in 1975 and to 88.6 by the time of 1992 recession. But, reversing a 40-year trend, it then rose to 95.5 per cent by 1999.¹ Unemployment has now been reduced from around 11 per cent to around 6.3 per cent.

Of course, the Howard Government, elected in 1996, claims the

credit—what administration would not? It shouldn't claim too much, however. Reforms that improve productivity have long lags because they depend so much on new investments in capital and skills. Before Howard, there had been a sharp change in the approach to governing, most notably, but not only, by the Hawke Governments in Canberra and the Kennett Governments in Victoria. This tendency, too, had been part of a world-wide trend. Australia had started late, but then did more, more quickly, to deregulate and privatize than did most countries. Advocates of economic

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freedom had predicted the nature and, less accurately, the extent of the benefits achieved. Surely the changed policies explain the reversal of Australia's long downward trend.

The beliefs that drove the changes have been referred to as 'dry' and, sometimes in pejorative contexts, 'economic rationalist'. As I understand core dry belief, it calls for less intrusive but stronger Government that concentrates on protecting the 'institutions' by which individuals co-operate and compete voluntarily. The ideal is thus not an end but a way to an optimistically viewed future.

For a while, much conventional wisdom had it that the ideological struggle between liberalism and collectivism ended in liberal victory in 1989 with the fall of the Berlin Wall. In Australia, however, except in a few universities, it had ended well before the 1980s. Collectivism was still practised, but its defence was by then conducted mainly by vested interests which defended tariffs, tax breaks, regulations, occupational licences, etc., by minimizing the costs and asserting spurious community benefits. In the intellectual tradition of Adam Smith, Dries attacked their tortured logic.

They adhered to the modern political convention among Western nations, but honoured in the breach at some point by probably them all, that citizens should be of one class only—that is, that the law should be blind to at least race, religion, sex, and wealth. But why stop there? The powers of the Crown are held in trust and, by the criterion of equal status in law, apartheid, ethnic subsidies and in-

dustry protection are all unsatisfactory.

In the intellectual tradition of John Locke, Dries accorded moral status to individuals who are, therefore, entitled to choice but cannot escape the consequences of their choices. They respected a spontaneous non-political order, a community of self-motivated free citizens; that is, 'civil society'.

They could be distinguished from their opponents by the greater trust they had in the institutions of civil society. Order has many sources beside Government. Embracing all, there is that sense of right and wrong we once called morality. There is also sympathy for other people once referred to as charity or simply kindness. Without these virtues, families would be impossible, commerce would be impossible, sport would be impossible, Government would be impossible and social living would be impossible. Beneath the 'moral umbrella' there are the written and unwritten codes of various markets; the written laws of cricket; the rules of courtship and so on and on. They have all evolved by trial and the rejection of error and are not easily rewritten. Nor is Government the only mediating organization. There are families, friendships, schools and universities, clubs and associations, trade unions and companies, to name only some others.

Dries, nevertheless, did not question Hobbes' observation that without effective authority 'the life of man [would be] solitary, poor, nasty, brutish and short'. They were not anarchists, but people who fought the misuse of legitimate authority—an authority which they preferred to be limited and circumscribed by 'checks and balances'. They urged Governments to restrict their legislative enthusiasms to their protective roles and to laws that were even-handed. Only weak Governments gave in to the ever-present demands that they protect people from competition, or impose socially

or politically correct behaviour in matters best left to civil society.

Society itself was, they believed, beyond the wit of man to comprehend, let alone design. Attempts to create Utopias have an appalling record. Nevertheless, while remarkably resilient, societies can be reduced to unsatisfactory conditions, as in Bosnia, Chechnya and Afghanistan, and Dries believed that

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judicious use of authority should preserve them from destabilizing forces. To be safe, however, social engineering should be only piecemeal, with each piece tested by experience, abandoning that which did not work. Many people who claim to believe as much are, nevertheless, remarkably tolerant of destabilizing forces such as inflation and the privileges granted to industries, professions, races, geographic regions, trade unions and so on. It may be that not everyone associates inflation and privilege with poor economic growth, social immobility and resentment. A more compelling reason for government's willingness to degrade the currency and favour the powerful is the ability, under any system of government, including democracy, for concentrated and organized interests to prevail over dispersed and unorganized interests.

Dries' world-views did not include men and women of such su-

perior understanding, morality and wisdom that they could be trusted even to identify, let alone to run, the ideal society. They were not given to hero worship!

These beliefs determined their attitudes to specific government policies, of which it is possible here to make only some very general observations.

They certainly did not think, as they are often accused, that unfettered market forces should or could be the sole determinant of resource allocation. They instead asked whether market failure or government failure presented the bigger problems in particular cases. They never doubted that serious market imperfections provide sufficient reasons for imperfect governments to intervene. No economic rationalist denies that governments should, for instance, ration common property, such as wild fish stocks, and finance the provision of true public goods, such as defence and streetlights. However, they noted that while action by collective agreement can choose between already-recognized possibilities, it is poor at discovering new ones.

They asked governments to maintain property rights, in some cases establishing these, to maintain the rules of the marketplace, and to punish malfeasance. Private property is a necessary condition of saving and market exchange. Further, its several rights identify private domains from which the state is excluded and it is from within these that resistance—in the courts and ballot boxes or even by revolution—can be organized and financed. Remarkably, Australian labour market law takes rights from the most basic of all property: that which a person has in his own labour. The awards and picket lines that deny people the right to sell their own labour are affronts to civil liberty.

More recently, the growth of second- and third-generation welfare dependency and the high incidence of anti-social and self-destructive

behaviour among a welfare-dependent underclass have concerned Dries. Although those people who fall by life's wayside should be picked up, no good comes of pretending that welfare payments do not change incentives—note the huge increases in the numbers drawing sickness or single parents' benefits.

Gratuitous insult is objectionable but, if opinion is to progress and bounds are to be placed upon the arrogance of governing elites, people must be able to express opinions that other people believe to be wrong. Dries therefore fell out with the politically correct.

Becoming tired of being presented with unexplained changes in the rates and even directions of environmental trends leading always to disaster, they also clashed with Green activists. They suspected that these doomsayers were not, like the boy who cried 'Wolf!', merely seeking attention, but that they wanted the powers that only crises can justify.

Favouritism that is of the very nature of commerce, where customers and staff are protected by their ability to walk away, is, in politics, where citizens cannot walk away, corruption. Australian politicians don't accept personal bribes. They are, nevertheless, corrupted when they extend privileges to those who are so organized or merely so concentrated that they can deliver blocks of votes or resort to politically-damaging lies. Dries may most readily be identified by their efforts to bring impartiality to law-making and administration; in short, by their opposition to privilege. They, however, advocated a way, not a destination.

NOTE

1. I am indebted to Ian Castles, the former Australian Statistician, for this calculation.

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Education Agenda

KEVIN DONNELLY

Wide Open Guide to Teaching

How do Australian teachers and schools decide what should be taught during the school year? Better still, how do Australian teachers decide whether their teaching is effective as demonstrated by improvements in student learning?

Those countries, such as the Czech Republic, the Netherlands, Singapore and Korea (who achieve the best results in international tests such as the 1995 Third International Maths and Science Study) answer the foregoing questions by relatively straightforward means.

Teachers have a syllabus for each subject which maps out what should be taught over the year, there is regular testing to establish whether students are up to the required standard and those students who fall behind are given particular attention.

The result is that teacher training and school textbooks reinforce what should be taught, teachers and parents have a clear idea of what students should learn, and test results are available to measure school effectiveness.

Better still, instead of teachers trying to devise a curriculum for each school (something that most are incapable of doing), all their energy and resources are directed at ensuring that classroom teaching and learning are successful.

As always, Australian education is different. Whereas older parents and teachers will remember the days of centrally devised syllabuses, regular testing and classroom inspection,

since the late 1970s our schools have embarked on a far more radical and uncertain alternative.

Heralded by the then Keating Government's national statements and profiles, all States and Territories have embraced what is termed an 'outcomes-based' approach to education (OBE). Instead of stating what should be *taught at the start of the year*, teachers are given a series of outcome-statements detailing *what students should know or be able to do by the end of a level or year*.

Instead of clearly and succinctly detailing important knowledge, understanding and skills related to particular disciplines, as does a syllabus, outcome statements are, on the whole, vague, general and imprecise.

History disappears to be replaced by hybrids such as Study of Society and the Environment (SOSE), for example, and instead of stating that students should learn about the origins of the First World War, an outcomes statement would say that students should 'demonstrate knowledge and understanding of important historical events that have shaped Australia'.

In English, for example, instead of stating that students should be able to identify and use present perfect, past perfect and future perfect tenses, an outcomes statement would say that students 'should identify and use the conventions, structures and language features of different texts'.

The style of teaching and learning associated with OBE is also quite unlike the pedagogy associated with a syllabus approach. Instead of teachers taking charge and 'teaching', they are called 'facilitators' and the em-

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