

For economic progress, lean to the right

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Julia Gillard's concern for social justice would be well served by rationalism.

THERE is no great difference in ideological disposition between Julia Gillard and the man she has replaced as prime minister.

Even as her sex and greater political skills and networks will engender enthusiasm and may be the basis for revived prospects of Labor success at the next election, Gillard will need to understand that the policy orientation she shared with Kevin Rudd was the ultimate source of his failure.

Let me explain the challenge Gillard faces.

In the breast of each person lies a struggle between the liberal individual who believes in the power of personal agency and the social structuralist who believes there are forces in the world that are stronger than the power of one.

Which is more decisive: individual agency or structural forces? The different ways in which this question is answered divides people when they construct their personal political philosophies.

Most people may not hold a formal philosophical view but they will have a general disposition or undefined belief that corresponds with one.

The liberal and the socialist divide along this axis.

There are probably no pure liberals and no pure socialists: we all harbour this dialectical tension or struggle.

Whether we end up with a typical liberal or social democratic disposition is more a question of degree and emphasis than the essential purity of one of them. Even Margaret Thatcher's famous words that "there is no such thing as society" were not a repudiation of our social connections but an attempt to correct the emphasis in the relationship between individuals and families and their neighbours and government.

Of course, Ayn Rand and Joseph Stalin represent extreme examples at either end, but the rest of us give harbour to varying proportions of our inner liberal and socialist.

In politics, elected representatives in contemporary Western democracies congregate near the dead centre of the socialist-liberal spectrum.

If 1-49 per cent is the left side and 51-100 per cent the right, then the modern Australian politician seeking to govern state or nation is permitted to operate only between, say, 48 and 58.

In Australia today you are allowed to be more liberal than socialist. There is less scope for socialists than in the past.

Minor parties such as the Greens and independents are often further back on the socialist spectrum, but we are concerned here with what is an acceptable range for Australian voters to give politicians executive power.

Modern social democrats such as those in the Labor Party have to present themselves as close to 50 as possible in their philosophical disposition, or even on the other side. I believe that no one can sit perfectly dead centre: we all fall on one side of the line, even if ever so subtly.

It is important to note the difference between where individuals actually sit on this spectrum and where they present themselves as sitting.

In the lead-up to the 2007 federal election, Rudd presented himself as an "economic conservative", claiming a position on the top side of 50. But the question was obvious in hindsight: Was he one at heart?

The four people at the centre of power in the Rudd Labor government were really 48 percenters seeking to present themselves as 50 percenters.

Rudd is not an economic rationalist. He is a special case because, unlike his three colleagues, he is an acute technocratic rationalist but, strangely, not when it comes to economic policy.

His polemics against neo-liberalism testified that he did not possess the same disposition as Paul Keating or Bob Hawke.

Gillard has a strong native orientation towards socialism but, with Wayne Swan, the consensus around economic policy of the past 2 1/2 decades in Australia has pushed them further towards the centre than was their natural equilibrium.

If they were not intellectually persuaded of the case for moving to the centre of economic policy, then the politics nevertheless demanded it.

With his industrial background, closely connected to the material circumstances of workers in the real economy, Lindsay Tanner is probably the one case of genuine intellectual persuasion close to the centre.

But the only real economic rationalist that I know of in the Labor government is Small Business Minister Craig Emerson. He is at heart an economic liberal, and I suspect he had to trim his policy enthusiasms back from his natural 51 per cent position to present himself as not too far out of step with his colleagues in power.

Compare the orientation of central figures in the Rudd government with a similar analysis of the Hawke and Keating governments. There was a clutch of economic liberals around Hawke and Keating, some with a native disposition – Peter Walsh, Ralph Willis and others - and others who became intellectually persuaded, including John Dawkins and John Button.

I think Hawke was a native 49 percenter who became a 51 percenter through intellectual persuasion: his industrial history also influenced him.

I think Keating was a 51 percenter because of his native orientation who became a 52 percenter by virtue of his intellectual convictions.

Let me explain why.

There are three things that determine what disposition we end up with.

As I have argued, most of us hover around the centre but we end up falling on one side of the philosophical line.

And what side one falls is critical for one's fundamental outlook and how one is likely to act.

The first factor influencing our philosophical disposition is our parents. If our parents were small-business owners, then we will likely fall on the liberal side of the line, whereas if our parents were workers we will likely fall on the socialist side of the line.

Plainly, family and parental orientation is the first influence.

This is why John Howard, as the son of a service station owner in the lower middle class, ended up a liberal.

This is why Keating, as the son of a medium-sized manufacturing business owner, understood economic liberalism, even if his political loyalties were to the Left.

As Keating observed, his family background predisposed him to being a liberal more than Howard.

That the Hawke and Keating cabinets were populated with ministers whose backgrounds included experience in the real economy - described by Button in his compelling 2002 Quarterly Essay - explains why there were more economic liberals in these former Labor governments than there are in the present one.

The second factor is whether one has gone through some traumatic or Damascene experience in one's formative years that has driven one to adopt a particular take on philosophy. Rand was obviously traumatised by her family's experiences under the tyranny of Russian Bolshevism, which she fled for the US.

The clues to Rudd's strong convictions about social justice lie in the family hardships of his youth. Gillard's similarly strong orientation to social justice seems to have its roots in her perceptions of injustice in her formative years. Putting aside her natural ambitions, social justice is her *raison d'être* for public life.

The third factor is whether one has studied economics. This is why centre-left politicians such as Hawke and Emerson are economic liberals. This is why an industrial leader such as Bill Kelty

understood the arguments of the economic liberals, although he never abandoned his loyalties to the lower classes: he had read economics.

And though he undertook no formal studies, Keating's copious reading of politics, philosophy and economics armed him with better knowledge than a score of doctorates. It is why he was the intellectual powerhouse of the Labor reform years.

Which brings me to an analysis of Tony Abbott, who, like Rudd, is also a particular case. My single-dimension schema does not factor in conservatism, because the Opposition Leader is really more conservative than liberal.

People assume he bears a close resemblance to Howard because of their shared conservatism, but Howard was a dyed-in-the-wool economic liberal.

The ambiguity in this aspect of Abbott's persona is the reason why Labor accuses him of being not interested in economics.

His religion offers some clues, given the close association between Catholicism and social justice, as might his family background in a profession rather than business.

Though they would not admit it, Abbott and Gillard share with Rudd a commitment to social justice, though that it is not what Abbott would feel comfortable to call it, given his formal liberalism.

The problem lay not in what Rudd hoped for the country but in how he thought those hopes might be realised.

If she is to avoid the policy and implementation failures that resulted in her predecessor's extraordinary demise, my humble advice to the new Prime Minister is this: many of the social ends you seek require liberal means, and what you want for the country will not transpire unless you harness the power of liberal answers to the social questions you hold dear.

This is what it means to marry a 51 per cent policy with a 49 per cent loyalty.

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