

peter Sheehan, Crisis in Abundance, Penguin 1980, \$4,50 by Grant Elliott.

In the Introduction to Crisis in Abundance Peter Sheehan expresses the belief that "in an era when political and social developments are dominated by economic ones...economists must make a greater effort to present the issues and their suggestions clearly to the general public." He argues that despite the existence of a profound sense of gloom within Australia and a belief that there are no viable solutions to our economic and social problems, a coherent strategy for the 1980's can be distilled from the research and writing on public policy which went on in the seventies. Australia remains a favoured nation when seen in the global context and, since most of our problems derive from mistaken policies, new and more co-ordinated policies can bring about improvements.

For Sheehan the "crisis" has a number of dimensions. Between 1973 and 1979 Australia had lower growth rates, very much higher unemployment and somewhat higher inflation rates than the OECD average, and "far from engineering a recovery with low inflation, the policies of the second half of the 1970's have generally made things worse." (p.12). The rapid industrial expansion in South East Asia presents ongoing economic problems for Australia where the tendency has been to hold together a fixed industrial structure irrespective of its competitive position. Social problems have increased as unemployment "lengthens the snakes and decreases the ladders" for many. Poverty is increasing while others consolidate their wealth and privilege, and government policies deepen the divisions by limiting welfare spending and abolishing succession and gift duties.

Although he denies that class analysis is terribly useful, the increasing polarisation between the rich and the "disadvantaged" sectors of Australian society is of great concern to Sheehan. He wants a more harmonious and equitable community, but he cannot believe that this will arise as a natural outcome of the promised resources boom. Such a boom, he argues, will create further tensions because:-

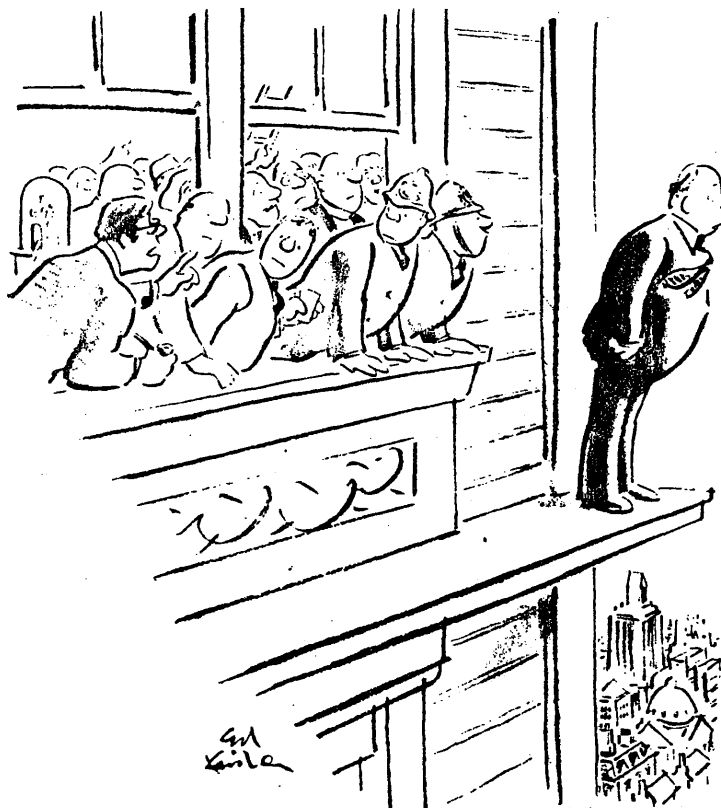
The present Fraser-Thatcher policies of holding down the economy in an attempt to reduce inflation are the worst possible during a resources boom, and they succeed only in translating growth in the resource industries into unemployment in ones competing with imports. (p.26).

The economic strategy which Sheehan advocates involves (1) an expansionary economic policy which at the same time reduces inflation, (2) an industry policy which leads to a more efficient business sector and one more consonant with the realities of Asia, (3) a tax reform which restores the progressivity of the system and eliminates present distortion and tax avoidance, (4) a renewed social policy which meets more adequately and rationally the needs of the poor and (5) a rethinking of our education and manpower policy. He devotes almost half the book to a detailed statement of these proposals and a defence of their practicability, and includes a warning that "if such policies are seen as impossibly ambitious by our present political leaders, the Australian community will

eventually resort to even more dramatic and hair-raising alternatives." (p.235).

He puts forward a list of price reducing measures (pp. 139-162) which he believes would reduce the pressure for wage increases, stimulate demand and reduce unemployment. Selected tariffs should be replaced by subsidies which would allow "spectacular reductions" in the price of clothing textiles and footwear and bring about a reduction of 3-3.5% in the Consumer Price Index (p.149). By reducing prices, expanding social welfare initiatives and increasing social welfare benefits (or ideally by replacing them with a guaranteed minimum income scheme (pp. 179-198).) Sheehan believes that a national government could create an environment within which an effective and equitable incomes policy could be introduced to serve as an ongoing control on cost inflation (pp. 163-178).

Sheehan's book deserves to be read both as a critique of present economic policy and as a programme for reform. His ideas will not find universal acceptance but they are stated in a precise enough way that they can be usefully debated. There is also fun to be had filling in the details of the political struggle which would have to be waged in order to implement the programme which he advocates - a struggle which Sheehan declines to deal with in this book. But for all the argument which should take place over Sheehan's ideas, one thing seems certain - that the Australia which he wishes to create would provide a more pleasant life than the majority of Australians "enjoy" under Fraser's policies.



"Let me through---I'm a Keynesian."

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