

'Rent-seekers' have too much power, says dean

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Unimpressed ... Former head of the Productivity Commission and current head of the Australia and New Zealand School of Government speaking in Melbourne Thursday night. **Photo: Jesse Marlow**

Pressure groups

Geoff Winestock

Both political parties are caving in to “rent-seekers” and this poses a bigger threat to prosperity than volatility in global financial markets or the ageing of the population, according to Gary Banks, former head of the Productivity Commission.

In a speech to the Economic Society of Australia in Melbourne on Thursday, Dr Banks slammed both sides of politics for returning to the protectionist “bad old” days of the 1960s before the Keating reforms. The parties were giving in to special interest groups, such as manufacturers, submarine builders and renewable energy suppliers, rather than submitting policy to rational and transparent analysis.

He said both Kevin Rudd and Tony Abbott had created a political atmosphere where manufacturers and other insider groups expected to receive handouts. “A Prime Minister who publicly declares that he does not want be the leader of a nation that ‘does not make things’ emits a signal that manufacturing interests would fully comprehend,” said Professor Banks, now dean of the Australia and New Zealand School of Government (ANZSOG).

“An Opposition Leader who declares that his party ‘says no to the carbon tax because we say yes to manufacturing’ conveys a similar message, one likely to be reinforced by the promise of stricter anti-dumping rules.”

He attacked the Labor government’s February industry and innovation package as a disguised form of protectionism, especially for car makers, which did little to promote innovation.

But Professor Banks backed the government’s recent decision to scrap some fringe benefits tax concessions for cars. “That FBT concessions have played their own part [in protecting local car makers] is apparent from the outcry following the recent tightening of these and the subsequent offer of an extra \$200 million in compensation.”

Rise of policy to-ing and fro-ing

Minority government had given disproportionate policy leverage to independents and minority parties, “who have

particular interests of their own". He said this was most apparent in the twists and reversals of carbon policy.

He said that as long as there was a price on carbon, the renewable energy target – mandating 20 per cent of power to come from wind and solar by 2020 – offered little additional benefit. He said there was also no justification for the federal government's \$10 billion Clean Energy Finance Corporation, which had very little it could invest in except solar, one of the costliest ways to cut greenhouse gas emissions.

Professor Banks said the global financial crisis had changed attitudes to rent-seekers for the worse. The fiscal stimulus had "inured" the public to the idea of multibillion-dollar policy announcements. Moreover, he said, while it may have been "inevitable" that some of the measures during the GFC had been approved quickly without the usual policy scrutiny, it had set a precedent for short cuts in decision making.

The industrial relations system had slipped back to many bad habits even though union membership had fallen to a fraction of what it was 50 years ago, he said. He called for changes to laws on penalty rates, union right of entry to worksites for recruitment and the limits on employing non-union labour at greenfield sites.

Governments had recently followed rather than led public opinion, he said, citing the success of the Australian Council of Trade Unions' media campaign against Work Choices and the mining industry's fight against the resources tax.

"The arrival of around-the-clock electronic media has greatly favoured special interest groups," Dr Banks said.

The Australian Financial Review



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