OPINION

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EDITORIAL

Parliament needs to act to regain the public's respect

There was much enthusiastic talk about a "new paradigm" when Australia ended up with a hung Parliament in which the independents decided who would govern. There was going to be a new, more transparent and gentler kind of political system relying on negotiation rather than simply the brute power of a majority.

The role of the Speaker was going to be enhanced and be truly independent. A code of conduct would be introduced for members of the House and the Senate, overseen by a privileges committee and an independent integrity commissioner.

Independent Rob Oakeshott declared that it was going to be a "cracking" Parliament — it was going to be ugly but "beautiful in its ugliness". The new paradigm didn't last long, turning out to be much more ugly than beautiful, marred by grubby wheeling and dealing as politics was played as hard as ever.

We now have the spectacle of a Parliament with a Speaker who was embraced by Labor only to stand down to face allegations of sexual harassment. As that case proceeds, the Parliament is preparing to hear an explanation from an MP whose vote is crucial to the survival of the Government and is alleged to have misused union funds on prostitutes and getting elected.

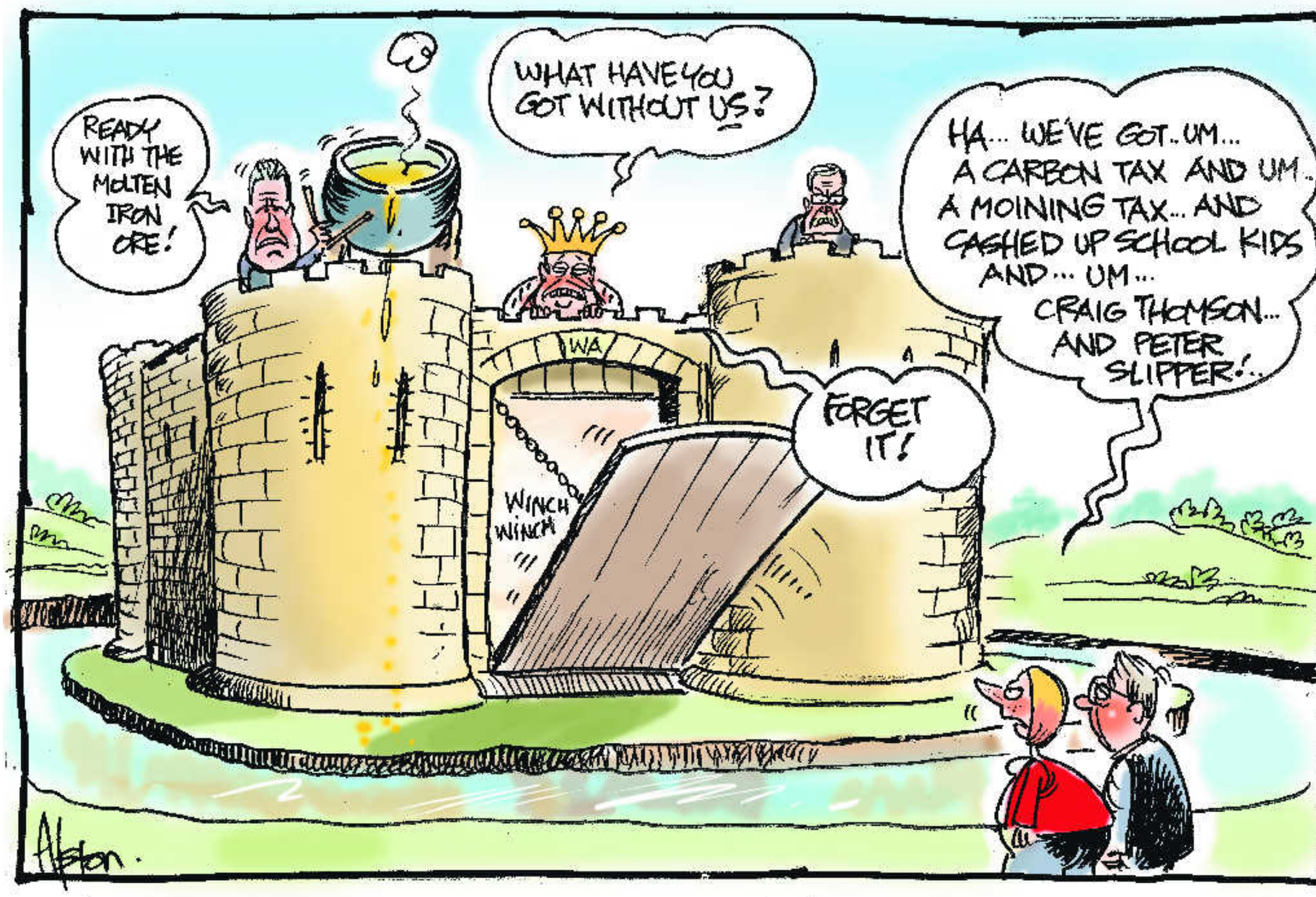
Meanwhile, a code of conduct is still discussed but is nowhere near being introduced. Prime Minister Julia Gillard says she is "very open" to such a code and that she wants to see parliamentarians doing the right thing. In that she would not be alone, there are few of us who would not like to see the same thing.

Some politicians make the point that parliamentarians should know how to act without having a code of conduct to tell them. But as independent Senator Nick Xenophon has noted, the present system is broken, with politicians broadly held in low regard. And while it is true that they should not need a code to tell them how to behave, it seems that clearly they are having trouble doing that to the public's satisfaction.

The Greens say public confidence in the Parliament is now so low that they will move to set up a national anti-corruption body. Their leader Christine Milne says a simple code of conduct will not go far enough and she is planning to reintroduce a Bill for a national integrity commission when Parliament resumes. Senator Milne cites anti-corruption bodies already existing in several States as an example and wants a national body to oversee politicians, their staff and the public service.

The idea has merit, but there would have to be careful thought given as to how much power it would have and how much it would cost the taxpayers. It would also have to have broad parliamentary support for it to work, and it is doubtful that this is yet the case.

However, the public is entitled to believe that parliamentarians are acting in the national interest and are prepared to take any steps they can to bring respect back to the Parliament, from a code of conduct to an independent body which can oversee it.



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There are better ways to ensure State's future

Putting $4.7 billion into a WA Future Fund, as announced last week, is not the best policy, says **Stephen Kirchner**

Boom: How should we make the most of it?

The WA Future Fund announced in the State Budget last week is based on two related but fundamentally flawed ideas. The first is that the State's mineral resources are finite and will one day be exhausted. The second idea, which is seen to follow from the first, is that the revenue currently accruing to the State Government from the mining sector should be hoarded in financial assets for the benefit of future generations.

The State's mineral resources are not finite in any economically meaningful sense. We can always improve the efficiency with which we extract and consume resources. This means that the future availability of a given resource is limited only by our ingenuity. Since our ingenuity is unlimited, our resources should also be inexhaustible.

Long before any given resource could be exhausted, price signals from global commodity markets will have induced both consumers and producers to substitute out of that resource, rendering it economically unimportant. This process occurs over very long periods of time, allowing plenty of time for an economy to adjust.

Commodity prices go through cycles that can last many years, if not decades. The recent boom in Australia's commodity export prices is unprecedented but so was the preceding slump in the late 1990s.

Managing the budgetary implications of commodity price cycles is made difficult by the uncertainty about future developments in these prices. State governments should run Budget surpluses in good times and ensure that the State has a strong balance sheet to withstand future economic adversity.

This requires a disciplined approach to fiscal policy but a Future Fund is neither a necessary nor sufficient condition for fiscal discipline.

The State Government expects to earn about $230 million a year from the $4.7 billion it expects to accumulate in the fund by 2031-32.

The Government argues that these earnings can then be used for "industrial infrastructure, technology infrastructure, science and education infrastructure, health or research infrastructure — whatever is in the best interests of the State at the time".

But there is no guarantee that future governments will take a similar view of the "best interests of the State" and spend the income from the fund responsibly.

Also, if these things are good enough for future generations, why doesn't the Government spend more on these investment priorities today?

Spending on high-quality infrastructure that yields a stream of future public services is an equally effective way of sharing the proceeds from the recent boom in commodity prices with future generations, while also benefiting West Australians today.

It also prevents future governments from spending the revenue accumulated in the fund irresponsibly.

West Australians might also question whether proceeds from the mining boom couldn't be used to help fund a reduction or abolition of inefficient State taxes.

The future growth dividend from such tax reform is another way of sharing the proceeds of high commodity prices with future generations.

Productivity growth and technical progress mean that West Australians 20 years hence will already enjoy a higher standard of living than today.

They may wonder why people in 2012 thought it was necessary to put aside $4.7 billion in funds that could have been put to better use.

On the positive side, the WA Government has avoided some of the mistakes former Federal treasurer Peter Costello made in setting up the Federal Future Fund in 2004.

The WA Future Fund will be managed by State Treasury and WA Treasury Corporation rather than establishing another expensive government agency that would duplicate existing capabilities. As the State Budget papers note, the Federal Future Fund incurred management costs of $444 million in 2010-11.

Yet the Future Fund duplicates portfolio and reserve asset management infrastructure that already existed in the Australian Office of Financial Management and the Reserve Bank.

The WA Fund will invest in cash and government bonds, from which it expects a similar rate of return to that targeted by the Federal Future Fund, which has riskier investments in equities, venture capital and hedge funds.

Whether the fund can achieve a similar rate of return with a lower level of risk remains to be seen.

In any event, the prospective returns on the State Future Fund would seem poor compensation for the opportunities being forgone today to invest in the State's future.

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