

Opportunity knocks: The economics of a Trump victory.

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There's ever reason to believe Donald Trump policies will hurt Australia. But there's some important differences and insulation, writes Ian McAuley.

Trump's election has energised Australia's far right. Abbott, Abetz, Bernardi, Canavan, Christiansen and Hanson have all said, in one way or another, that Trump's victory vindicates their own policies.

On the day after the election the Telegraph portrayed Trump as America's saviour, and blamed Obama for everything that has gone wrong in America over the last eight years.

In her New Matilda piece, Xiaoran Shi warns that in Australia we have the ingredients for a Trump-type phenomenon, and confirming her point, in a NSW by-election on the weekend the voters of Orange decided that even the National Party sitting member was too left-wing and cosmopolitan.

It seems that Scott Barrett of the Nationals has been bumped by Phil Donato of the Shooters Fishers and Farmers' Party.

Yet while we have the ingredients for a Trump-type outcome, they are generally in a more dilute form (for now at least), and some of the conditions that handed him power are uniquely American, particularly their weird electoral laws.

To start with those ingredients we have in common.

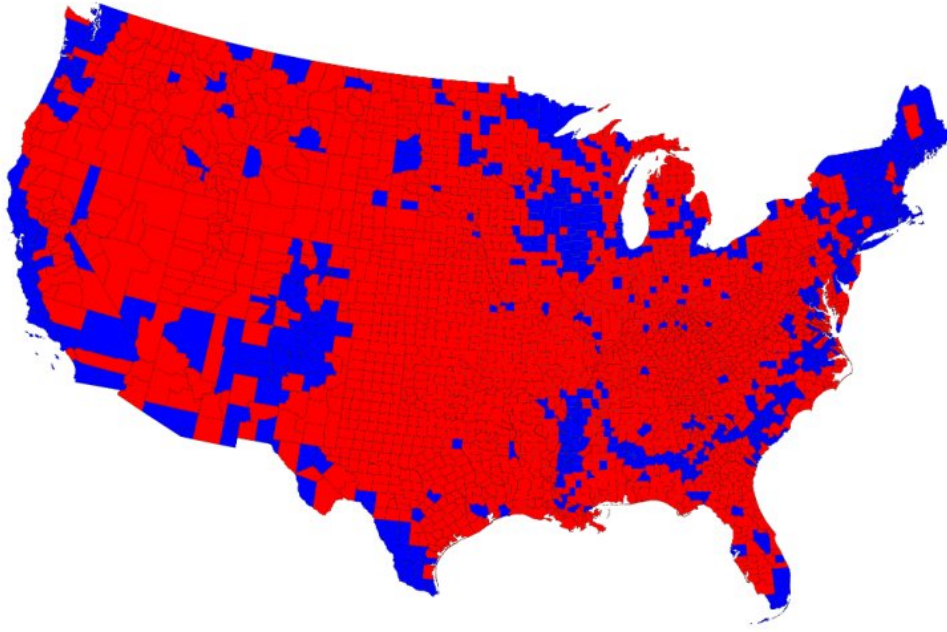
The first is a 35-year run of widening income and wealth inequality in both countries, giving lie to national myths of meritocracy in America and egalitarianism in Australia. The gains from market liberalisation, pursued with equal vigour by nominally "left" and "right" parties, have gone disproportionately to the educated professional classes (mainly urban elites) and even more disproportionately to the very rich.

But America's situation is far worse than ours. Until 2013 our mining boom delivered reasonably strong income growth for full-time workers, and we have had the backstop of an independently reviewed minimum wage. And as Labor politicians keep reminding us, we had a well-crafted response to the 2008 financial crisis.

By contrast, in America real wages at best have flatlined since 1970 – and by some measures have fallen. Minimum wages, set by state governments, are generally \$US7.25 an hour in the "red" states (\$5.15 in Georgia and Wyoming). They are significantly higher in the "blue" states, but even the highest minimum, California's at \$US10.00, is well short of ours at \$A17.70.

Second is the influence of the conservative rural vote, which both countries have in common. We have our hard-right regions, such as inland Queensland and the Eyre Peninsula in South Australia. But while our interior is sparsely populated, America has a much more settled inland and is far less urbanised than Australia. All our states have at least one large coastal city, connected to the rest of the world, and there is no state or territory in Australia that could be described as "solidly Labor" or "solidly Coalition".

To appreciate the influence of settlement on the American election, see the map below prepared by Max Newman of the University of Michigan, showing Democrat (Blue) or Republican (red) vote by county rather than the usual state-based presentation (Newman has a set of very informative election maps on his website).



Then overlay it mentally with this NASA map of America at night.



Third is the legacy of de-industrialisation, which has left skilled manufacturing and heavy industry workers unemployed or under-employed and has wrecked once-proud industrial communities. It's been happening in Australia, and may be yet to run its full course.

But even though places such as Whyalla, northwest Tasmania and the Yallourn Valley are badly knocked around, we have nothing on the scale of the industrial devastation of America's Great Lakes states. In a tradition that goes back to the War of Independence, America's national pride was based in large part on industrialisation.

The fourth factor is xenophobia. We have Pauline Hanson, of course, and who can forget John Howard's racial dog whistles?

But we don't have America's obsession with "racial" identity. Everyone there has to have an adjective added to their nationality: "Afro-American", "Asian-American". Until 1967 the former Confederate states actually forbade "interracial" marriages.

Although America's self-description is of a melting pot, it is perhaps more an assemblage of tribes. We're a more mongrel nation, hopefully with more hybrid vigour than the USA, and our racial politics is largely confined to issues concerning the First Peoples of this land.

Unscrupulous politicians, from Howard to Dutton, have whipped up xenophobia in relation to a trickle of undocumented boat arrivals, but as an island our border security problems are trivial compared with America's issues with a 3,000 km porous land border with Mexico.

To complicate matters for America, conservative rural lobbies quietly support illegal immigration as a means of keeping rural wages and conditions at third world levels.

The fifth factor is the influence of a religiously-inspired hard right. We have our church, mosque and temple goers, the dominant groups being mainstream Catholics, Anglicans and Protestants. But we don't have such a large band of religiously-inspired zealots, such as those who were directed by their preachers to vote for Trump because to do so is in fulfillment of the second coming prophecies in the Book of Revelation.

Then there are factors we don't share with America – factors that worked strongly in Trump's favour. It's ironic that their electoral college system, originally designed to protect against populism, has benefited Trump because of its manipulation by state Republican governments.

The main factor is voluntary voting, which has an inbuilt bias to motivate those who are most disaffected. It's harder to motivate those who are satisfied with the status quo, particularly when there is a consensus that the incumbent party will be re-elected (Message to Tony Abbott – compulsory voting means opinion polls in Australia are much more accurate than those in the US and the UK).

Also, there is America's first-past-the-post voting. Most countries have either preferential voting (as in Australia) or a system of runoffs when no candidate gets an absolute majority. And many countries have some form of proportional representation, as in our Senate.

All these systems support a plurality of parties, allowing the mainstream parties to be more centrist. It may be far better for democracy to have a party such as One Nation acting as a safety valve and a wake-up to the community, than to have extremists infiltrating major parties. While we seem to be evolving towards a mainland European-style multi-party democracy, America has locked itself into a two-party system.

Then there is Hillary Clinton herself. In voters' minds she is hard to separate from her husband, who, in his easy accommodation of Wall Street, forfeited any claim for the Democrats to be a party of the "left".

There was her ruthless suppression of Bernie Sanders and all he stood for through her use of "superdelegates". And her campaign message was to get Hilary Clinton into the White House, rather than to pursue any strong progressive platform. She didn't inspire liberals to vote for her.

Our Labor Party is hardly ideologically pure, but no-one could accuse it of being too close to the banks, and the shenanigans of its factions notwithstanding, its processes are comparatively open and it has never been taken over by family dynasties.

Perhaps the other factor in our favour is that in the spectacular rise and fall of Clive Palmer we have already had our own Trump-lite.

That's not to gainsay the gravity of Xioran Shi's warning. If (or when) economic conditions in Australia take another direction, we can expect many voters to feel a sense of betrayal and disillusionment, providing fertile ground for populists offering simple solutions and an opportunity for revenge at the ballot box.

Trump's success itself may trigger a chain of adverse economic events. If he goes through with his protectionist agenda we will suffer. If he goes through with his loose monetary and fiscal policies we can expect a knock-on of inflation and interest rate rises.

Even if we can stave off a residential property crash, the slightest interest rate rise will hit over-leveraged property investors hard. In failing to deal with “negative gearing” the Abbott-Turnbull Governments have set up many of their supporters for disillusionment.

The Trump phenomenon and the associated demise of Hilary Clinton have clear messages for all our political actors. But they are not a vindication of hard-right politics; if anything they open an opportunity for a progressive political movement pursuing a policy of inclusive globalism.