

What if the PM ended the climate wars for good?

Canberra Observed
If Labor's 2030 target is blocked by the Greens, most would expect Anthony Albanese to crab walk away. But what would a double dissolution mean for the Senate?



John Black

Anthony Albanese this week challenged the Greens to back Labor's target of 43 per cent emissions reductions by 2030, reminding senators that Labor had won a mandate for the policy and that if they didn't vote for it, then they would be "held accountable for it".

In laying down the challenge, Albanese reminded voters that it was the Greens party that in 2009 sabotaged the Carbon Pollution Reduction Scheme (CPRS) put forward by Labor's then-prime minister Kevin Rudd. The Greens voted against it twice, alleging that Labor's scheme wasn't ambitious enough, thus creating a double dissolution trigger in early 2010.

The blocking of the scheme by the Greens polarised the political debate between the major parties for the next 12 years. First, by precipitating the demise of centrist Liberal leader Malcolm Turnbull in favour of conservative Tony Abbott. Then by white-anting the moderate Rudd in favour of his left-wing deputy Julia Gillard, after Rudd declined to call a double dissolution when he had the chance. He did this largely on the advice of those who intended to depose him within months. Go figure.

So, the Greens started the climate war, but were not held accountable for it.

On the contrary, the Greens were rewarded for their obstruction after Gillard was returned narrowly to government in 2010 by drawing on the support of independents and the Greens. The latter secured a place in the House of Representatives through Adam Bandt's election to the seat of Melbourne that year, before he rose to become the party's leader.

Albanese was leader of the House at this time, and a first-hand witness to the Greens' sabotage of the CPRS and the subsequent fate of Rudd in not calling for a double dissolution. This is a blockade who every three years has to defend his seat against the Greens, not the Coalition. He knows how the minor party operates.

Despite promises to the contrary, Gillard and the Greens introduced a price on carbon emissions in 2012, which was abolished by Abbott when he won government in 2013. Since then, the parliament has been unable to come to any consensus policies on climate change or energy security.

Labor's new Defence Industry Minister,



Flushed with winning an extra three upper house and three lower house MPs, Adam Bandt is determined to push on with the climate wars. PHOTO: JAMILA TODERAS

Pat Conroy, was unkind enough to point out in 2019—the 10th anniversary of the Greens' blockage of the CPRS—that Australia's carbon emissions would be more than 200 million tonnes lower and electricity prices would be cheaper if the Greens had voted for the scheme.

Conroy argued that progressive forces and the Greens were to blame for the political stalemate over climate policy, along with "climate deniers, right-wing ideologues and vested interests who act as cheer squad for delay and inaction". Does any of this seem familiar?

Well, 13 years later, we're seeing the same script from the same Greens led by Bandt, flushed with winning an extra three upper house and three lower house MPs and now determined to push on with the climate wars, hand-in-hand with the climate deniers in the Coalition at the expense of the elected Labor government.

Bandt, blending the biblical with the rhetorical, says Labor's 43 per cent target would mean "worse floods, worse droughts and the death of the Great Barrier Reef. Labor's vote went backwards this election, and they don't have a majority in the Senate." So, there!

There is absolutely no acknowledgment by Bandt or the Greens that some of these

environmental disasters could be laid at the feet of its senators in 2009.

Joining the Greens in this parallel universe is new Opposition Leader Peter Dutton, licking his lips at the thought of continuing the climate wars and gleefully proposing to join Greens senators in blocking Labor's legislated target.

If the target is blocked in the Senate, most Canberra observers would expect the prime minister to crab walk away from the issue, leaving the implementation to non-legislated policy offerings from Climate Change Minister Chris Bowen.

But what if he meant what he said about holding the opposing senators to account? And what if the Climate 200 group agreed with him, and the long-suffering voters, and decided to take on the Greens in the Senate, to end the climate wars once and for all? What would a double dissolution in 2023 or 2024 mean for the current Senate?

In a double dissolution, there would be 12 senators elected from each state on a quota of 7.7 per cent, rather than the current 14.3 per cent for the usual half Senate ballots.

The Senate now contains 32 Coalition senators, 26 ALP, 12 Green, two One Nation, two Lambie Network, one bewildered UAP senator and one teal, meaning the ALP

needs the support of the Greens plus one other vote to secure a majority of 39 votes.

The most likely to back the 43 per cent emission legislation is independent ACT Senator David Pocock, an ex-rugby player backed by Climate 200, who ousted Liberal Zed Seselja by pulling 7.6 per cent of the primary vote from that party, 6 per cent above the ALP and 7.4 per cent from the Greens.

If the Climate 200 group promoted teal Senate candidate teams in each state—and they performed as well as Pocock in the ACT, at the expense of the Liberals, the ALP and the Greens—they could effectively take one sitting senator from each of these three groups to win three senators in all states.

There are a lot of "what ifs" there, just as there were for our model of the predicted first-time teal votes in the six lower house seats won by them in May. And our modelled votes were within an average of 1.2 per cent of the actual vote obtained.

The state average of these predicted teal lower house votes is consistently strong in all states, especially in South Australia, Tasmania and Victoria, even without preferences from Labor or the Greens.

Moreover, the sitting Climate 200-supported candidates in Clark, Mayo, Warringah and Indi performed 10 per cent above our 2022 model predictions—so the vote for six new sitting teals in the House of Representatives is likely to go up, further boosting their potential Senate primary vote.

This could mean a post-double dissolution Senate would contain as few as 21 Coalition senators (down 11), 20 ALP (down six), six Greens (down six), 19 teals (up 18), five One Nation (up three), two UAP (up one), one Lambie Network (down one), and two Legalise Cannabis (up two).

If the ALP were returned to government in the House of Representatives, it would have a majority in the Senate with the support of 19 teals, but could also rely on votes from assorted minor-party senators who were keen to keep their jobs, and from the surviving sadder and wiser Greens.

Over to you, Albo. I think I know what Rudd's advice would be.

John Black is a former Labor senator for Queensland. He is executive chairman of profiling company Australian Development Strategies. Phillip Coorey is on leave.

Fix the supply side if you want to escape the inflation trap

Economy
There is another way to fight inflationary pressures: lowering trade barriers to free up the global flow of goods and people.



Michael Spence

Central banks' efforts to contain high and rising inflation are fuelling growth headwinds and threatening to tip the global economy into recession. But the proximate cause of today's inflationary pressures is a large, broad-based and persistent imbalance between supply and demand.

Higher interest rates will dampen demand, but supply-side measures must also play a large role in inflation-taming strategies.

Over the past year or so, the rollback of pandemic-containment policies has spurred a simultaneous surge in demand and contraction in supply. While this was to be expected, supply has proved surprisingly inelastic.

In labour markets, for example, shortages have become the norm, leading to cancelled flights, disrupted supply chains, restaurant closures and challenges to healthcare delivery. These shortages appear to be at least partly the result of a pandemic-driven shift in preferences. Many types of workers are seeking greater flexibility—including hybrid or work-from-home options—or otherwise improved working conditions. Healthcare workers in particular report feeling burnt out by their jobs.

If this is true, the inflation picture must include an adjustment in relative labour costs. To bring markets back into balance, wage and income increases will be needed, even for jobs for which there was previously an ample supply of workers.

This transition will generate some

inflationary pressure. Yes, nominal prices and wages have limited downward flexibility. But at a time of excess demand, firms generally try to pass on higher costs via price increases—and they often get away with it, at least for a while.

Lingering blockages associated with the pandemic, especially in China, which remains committed to its zero-COVID policy, are also fuelling inflation. But these blockages will eventually subside, as will short- to medium-term capacity constraints caused by shifts in the composition of demand (in terms of both products and geography), though some will persist for a while. Capacity—whether in ports or semiconductor—takes time to build.

But today's inflation has deeper roots. Over the past several decades, the activation of massive amounts of underutilised labour and productive capacity in emerging economies has generated deflationary pressures. With those resources having now been significantly depleted, the relative prices of many goods are set to rise.

Moreover, there is a global push to diversify and, in some cases, localise demand and supply chains—a response to the increasing frequency of severe shocks and rising geopolitical tensions. A more resilient global economy is a more expensive one, and prices will reflect that.

The war in Ukraine has not only accelerated this supply chain transformation, it has also caused energy and food prices to rocket, further

exacerbating inflation, especially in lower-income countries. In the case of fossil fuels, a previous pattern of underinvestment in capacity at multiple points along the supply chain has compounded the problem.

But there is even more to the story. More than 75 per cent of the world's GDP is produced in countries with ageing populations. Old-age dependency ratios are rising, and in some countries the workforce is shrinking. Productivity gains could counter the contraction of labour supply relative to demand, but after nearly two decades of falling productivity growth, such gains are not forthcoming.

So, inflation is rising fast, and central banks are under pressure to take drastic action. But their only real option is to reduce demand, by raising interest rates and withdrawing liquidity. These measures have already spurred a massive repricing of assets, including currencies, and they threaten to push global growth below potential, with lower-income economies suffering disproportionately, and to reduce investment in the energy transition.

There is another way: supply-side measures. Trade and investment have long enabled supply to expand rapidly in response to growing global demand. But for nearly two decades—and especially in the past few years—proliferating trade barriers have been adding friction to this process.

Creeping protectionism must be reversed, with US President Joe Biden removing the tariffs imposed by his

predecessor, Donald Trump, and Europe accelerating the integration of its services markets.

At the same time, efforts must be made to improve productivity. Digital technologies will be crucial here. While the pandemic helped to accelerate the digital transformation, many sectors—including the public sector—are lagging, and concerns about the effects of automation on employment persist.

But in a supply-constrained world characterised by persistent labour shortages, productivity-boosting digital technologies, together with higher wages, would go a long way towards improving the balance between supply and demand.

For example, artificial intelligence-based tools can perform a wide range of functions, from screening luggage more efficiently at airports to analysing medical imaging to detect cancers. Beyond digital technologies, regulatory regimes can be streamlined and improved to reduce supply-side bottlenecks.

Such an agenda must be applied to both the public and private sectors. At the international level, efforts to facilitate trade, address supply-chain rigidities and close data gaps will be essential. Otherwise, central banks will be left to deal with inflation alone—with dire consequences for the global economy.

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