



No place today for barriers to free trade

Australia's regime of free trade among its states should be our guide to international trade as well.



Scott Ryan

It was 113 years ago today that Queen Victoria's Royal Assent to the passage of the Australian constitution through the Westminster Parliament delivered Australia's birth certificate.

While not a date we celebrate or commemorate, this was the moment Australia legally came into being.

This is not just a moment of legal significance, it represents an important moment in Australia's economic history. The debates of the decade prior settled the financial compact underpinning the new nation and ensured free trade among the states. The ensuing decade would settle a policy of trade protection and labour market regulation. Yet the constitution also provides important guarantees of economic liberalism.

It was the constitutional guarantee of free trade among the states that stopped the nationalisation of banks by the Labor Party; prevented a government monopoly in domestic air travel; broke up the long-standing protections against competition for Queensland lawyers; and that has prevented trade barriers and preferences

within Australia. The constitution protects private property from arbitrary interference by the Commonwealth through the requirement that it only be acquired on "just terms".

Without these constitutional restraints on the Commonwealth, Australia would have headed down the path of British socialism. Banks, airlines, road transport and major manufacturing industries could all have been nationalised as the Commonwealth sought to create uniform economic regulation and controls. Businesses today clamouring for Canberra to intervene and end inconsistencies among states should be wary of history.

These lessons learnt a century ago are just as important today.

Before federation, there were Customs borders along the River Murray. Trade between NSW and Victoria was limited by the same trade barriers we see internationally. This may sound ludicrous today when free trade within Australia has improved the lot of everyone – consumer and producer alike. Victoria buys its tropical fruit from northern Australia, and



dairy products are exported from the southern states north. In days gone by, when cheap energy was rightly seen as an asset to nurture, energy-intensive activities focused on Victoria, powered by the Latrobe Valley. These decisions reflected the comparative advantage and costs of production in respective locations.

The same applies to nations today. Australia imports labour-intensive manufactured goods, such as clothes, from nations with lower relative wages. We export minerals and services that we produce more efficiently, the product of both natural endowment and financial, human and physical capital that has led to much higher productivity, albeit at higher nominal costs.

To those who are concerned about trade barriers and unfair competition among nations, consider the differences between some of the states. New South Wales has a much more expensive and inefficient workplace relations and occupational safety regime than Victoria; while Queensland has lower wages and tax rates

than both. Yet this is not used as an argument to prevent imports from Queensland. Just as Victorian weather that supports the dairy industry is not deemed an unfair advantage and not used to stop dairy exports north.

To attempt to limit domestic trade for any of these reasons would make no sense. Just as it makes no sense to use lower wages overseas as a reason to prohibit or restrict importing cars or clothes.

In every case above, there are cheaper prices for consumers as well as more jobs and opportunities for producers, simply by not interfering with what states or nations do best.

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Senator Scott Ryan is shadow parliamentary secretary for small business.

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