

The party's (nearly) over. By Vern Gowdie, the Daily Reckoning – www.dailyreckoning.com.au .

Please spare a thought for us Queenslanders. We're in the midst of an election campaign. I know Victoria recently endured this torture, but it's much more painful when it affects you.

Here's a short synopsis of the campaign: *'Promises, promises, promises. Lies, lies, lies. We promise blah, blah, blah. The other side is useless because of blah, blah, blah. Trust us more than the others.'*

We are told it's all about jobs, jobs, jobs. Yeah? Well, what if the global economy is contracting? What is a politician in little ol' Queensland to do?

Queensland, like every other state and country, has a debt problem. The current Premier, to his credit, had a crack at reducing debt levels early in his tenure. The backlash to the debt reduction measures was severe. Friends of mine were fearful of their jobs, and others actually lost theirs. These folks and their families are none too happy with the current government. The wounds have not healed, and the chance to express this pain at the ballot box can't come quickly enough for them.

No amount of rational argument from yours truly about having to live within our means, cutting back on waste, etc. seems to cut through when the issue is so personal.

There's a lot of truth in that old saying, 'A recession is when your friend loses their job, and a depression is when you lose yours.'

Some of these people have suffered nervous breakdowns from the stress of financial uncertainty and unemployment. I empathise with them.

Understandably, neither major party campaigns on the platform of 'debt reduction'. From a pragmatic point of view, more's the pity.

Governments the world over lack the intestinal fortitude to tell their citizens it's over. 40 years of living beyond our means in a world ruled by credit peddlers has created an embedded attitude of entitlement. We deserve more, more and more. Why? Well, because we do...because that's how it has always been (for as long as we can remember anyway). We have built lives based on the concept of more. To deliver anything less means living with less.

There was once a time before credit cards...before home equity loans, lo-doc loans, 60-month interest free loans...a time when people saved and paid in cash. Shocking, yes, but true — and not long ago.

But now, unscrambling the credit and entitlement egg is too hard.

It's quite possible the Syriza party will win the Greek elections. Syriza's slogan is 'Hope is Coming'.

If you want to know why Syriza's is leading the polls, look at what they're promising...all fully costed, of course:

1. Free electricity to households that cannot pay their bills
2. Food allowances to 300,000 people
3. Free healthcare
4. A Christmas bonus to low-income pensioners
5. Free transport for the poor
6. Reducing heating oil costs.

And they intend to tell the European Central Bank to forget about those loans.

These imbeciles shouldn't even have a voice, let alone lead the polls.

That they are leading tells you everything you need to know about our reluctance to take responsibility for past decisions — e.g. wholesale tax avoidance, fudging figures to gain access to European bond rates, overly generous welfare schemes...

If the majority of Greek people are gullible enough to believe this claptrap, they deserve what's coming to them...and it won't be pretty.

To a lesser degree, it's the same in Queensland: Politicians are making impossible, unaffordable promises to get votes. In Queensland and Greece, our votes are for sale to the highest bidder.

Because of the distance, we can view the situation in Greece objectively and see it for what it is...stupidity.

But what about when Australia's debt situation worsens? We'll lose our objectivity because it then becomes personal. Will we also see the rise of a Syriza type party?

In the mid-1990s, Pauline Hanson tapped into a vein of discontent, so the probability of a populist politician doing the same again in Australia (when society is under financial pressure) is reasonably high.

History reminds us over and over again, there is no new way to go broke. It's always too much debt. My conclusion is we are either slow learners or have long term memory issues.

The world is awash with more debt (as a percentage of GDP) than at any other time in history. There's simply not enough money (dollars, yen, pounds, euros) in circulation to ever repay this debt.

What happens if the world is on the cusp of a prolonged period of deflation (due to excess capacity to manufacture 'things' meeting a shrinking demand for 'things') and in due course people start to realise debt is expensive in a deflationary world?

There won't be enough money in circulation for everyone to pay down debt — governments included. What happens then? Default.

Bond markets and the banking system rely on confidence. Defaults do not instill confidence.

While the Greeks might want the political equivalent of 'cake and eat it too', on a practical level, the withdrawal of 3 billion euro from their banks in December does not imply confidence. Official January withdrawal figures are not yet available, but my guess is bank tellers have been busy handing over wads of euros to anxious clients. Better to have euros than drachmas.

The so-called economic growth we've experienced in recent decades has been a fraud.

But it was a great party while it lasted.

'Feeling' prosperous beats the hell out of poverty.

But like all good parties, it must come to an end, and everyone needs to sober up.

However, our politicians, central bankers and financiers want to keep the liquor flowing. 'There's plenty more where that came from', you can hear them say, 'just ask Janet or Mario.'

The ones who are supposed to encourage responsibility are actually the worst enablers.

I know making tough decisions can have a cost. Not every kid can be a winner. But the longer the day of reckoning is delayed, the more losers there will be.

The party that declares it's going to end the party would get my vote every time. Of course, that party does not exist. So who to vote for? How about the one that lies the least? Which one is that? The one that opens its mouth the least.