

Labor promises will lead us to become another Greece

By Maurice Newman, The Australian, 24 August 2015

Senior Fairfax journalist Peter Hartcher writes of the Prime Minister: “In a desperate effort to hold on to his job, Abbott has turned increasingly to a reactionary stance to mollify the group he sees as his final bastion of support, the right of his party.”

Crikey correspondent Guy Rundle comments that “populist right” columnists such as Andrew Bolt, Miranda Devine and Rita Panahi “talk in a language no one understands anymore”. We get the picture.

Hartcher and Rundle see Australia’s political centre as having moved to the Left, with Tony Abbott’s appeal limited to a dwindling base of heartless, greedy, right-wing, racist, misogynistic, homophobic reactionaries who support inequality, lack compassion, deny climate change, oppose same-sex marriage and champion crazy ideals like free markets, smaller government and family values that no one understands anymore.

The reason Australia is in its current predicament

While there may be some embellishment and wishful thinking in what they write, there is truth as well. The reason Australia is in its current predicament is precisely because, over decades, the centre-right has too easily yielded to the language of the Left in handicapping the productive activities the free-enterprise system unleashes.

This thinking continues to weaken the economy, increases our dependence on debt and encourages speculation at the expense of long-term investment. According to George Orwell, “So much of left-wing thought is a kind of playing with fire by people who don’t even know that fire is hot.”

Well, a fire has been lit and the options for containing it are rapidly running out. If Fairfax journalists and their fellow travellers judge good governments by how many acts are passed each day, whenever the Coalition identifies excessive spending and red tape as the source of the flames it will struggle to find firefighters.

The real news is economic

In the meantime, while same-sex marriage and royal commissions dominate the headlines, the real news is economic.

The Reserve Bank reports the economy is now locked into a lower level of equilibrium. Capital expenditure is at recessionary levels and labour-force participation is declining, making unemployment rates look better than they are.

Moreover, wage growth is at a 17-year low which, given a 33 per cent drop in the Australian dollar in just four years, means living standards are falling. None of these developments bodes well for immediate government revenues.

But there is no give from the Left. We’re lectured that wage and penalty rates are irrelevant to employment and international competitiveness. Energy costs likewise.

Bad management, inferior products and a high Australian dollar

The failure of our auto manufacturers and aluminium and petroleum refiners is because of bad management, inferior products and a high Australian dollar.

We're told Labor's ambition to achieve 50 per cent of our energy from renewables by 2030, regardless of cost, will add to jobs, despite compelling international evidence that for every one created, three are lost elsewhere.

The Left has never conceded a budget crisis. Labor sees a revenue shortfall due to profligate Howard/Costello tax cuts, not a spending legacy from the Rudd/Gillard years. To cut the deficit, it advocates naming and shaming tax-minimising companies, taxing rich superannuants and collecting revenue from errant multinationals. Welfare spending will increase in keeping with Labor values of fairness. Economic growth will pay for it all.

Labor's promised land

To paraphrase *Alice in Wonderland*, in Labor's promised land, "everything would be nonsense. Nothing would be what it is, because everything would be what it isn't. And contrary wise, what is, it wouldn't be. And what it wouldn't be it would. You see?"

It is emblematic of the times that when a Coalition premier advocates a 50 per cent increase in the GST to meet rising health and education expenses without offering corresponding tax or spending cuts, rather than being jeered, he is cheered for having the courage to float the idea. There is no analysis of what this would do to the national economy, no reference to the Japanese experience, where a 60 per cent sales-tax hike ended in recession — just acquiescence. This is the Greek mindset. In five to 10 years, when a 15 per cent GST is rendered insufficient, someone will move a lift to 20 per cent.

Orwell cautions

Australia operates on narrow margins of safety, with diminishing buffers against external shocks. With the exception of NSW, federal and state governments have negative underlying cash balances, even after adopting creative accounting measures like drawing down Future Fund surpluses, suspending contributions to defined benefits plans, or bringing to revenue long-service-leave provisions. Of the states and territories, six report worsening prospects for 2015-16. While many remain optimistic, as Orwell cautions, "political language is designed ... to give the appearance of solidity to pure wind".

Respected US economist and fund manager John Hussman may have Australia in mind when he reminds us that "deficit spending is harmful when it is used for unproductive purposes".

He says when a country focuses "fiscal policy on boosting transfer payments to make up for lost income, without *at the same time* encouraging investment — both private and public — that could create new sources of income; that country is going to keep failing its people".

Hussman's recommendations essentially mirror Abbott government policy. Lower tax rates, accelerated depreciation for new private investment, encouraging education and job training and channelling new funds towards public infrastructure.

Reduce dependence on debt-financed consumption

“The promise of a better economic future is to reduce our dependence on debt-financed consumption,” Hussman says.

Yet the Hartchers, Rundles et al fail to learn from history. In their language, “compassion” means state largesse, and “fairness” state-sponsored confiscation of other people’s money. It’s what poor Greeks voted for. But now, having been seduced by the promises of a better life, they are living in misery.

As Milton Friedman warned, “A society that puts equality before freedom will get neither.”

So it’s time to relearn the language of smaller government, self-reliance and wealth creation. It has a brighter future than Greek.

Maurice Newman is chairman of the Prime Minister’s Business Advisory Council. The views expressed here are his own.

Two comments from the online website underlined the article’s thrust:

The Centre right have yielded the freedoms and wealth of the next generation through their silence. By doing nothing and saying nothing they expected nothing to change. Somehow they just expected the real views of the silent majority to magically be represented by a democracy that is being manipulated by a highly organised minority. The future is bleak when an ALP State government election campaign resorts to using Ambulance Medics and Firefighters to campaign emotively at polling booths in return for large post-election pay rises. Democracy has been lost and the silence of the majority meant it was lost without a fight. The Centre Right need to wake up and become just as well organised as the Far Left have become at manipulating the national conversation.

Our economy will, like Greece, become the victim of the politics of the left, in our case turbocharged by greedy and ambitious Unions who have been exposed by the Royal Commission with the result that they have decided to destroy this Government by whatever means are available before they are destroyed, Obviously we are approaching a serious political and financial crisis which Labor and the Greens are quite incapable of dealing competently with and in my opinion this will coincide with the next election. The Government has to keep its head and prepare for a long slog to the next election and beyond. There is no alternative. We can’t go on like this.