

## **Australian Labor's amazing economic magic pudding**

By Nic Cater, The Australian, 21 June 2019

After half a century or more of plundering the proceeds of capitalism, the socialists are struggling to find plan B. The financial crisis was a moment of truth; once you've run out of other people's money to spend what the heck are you going to do next?

In Britain Labour leader Jeremy Corbyn says he'll ask the Bank of England to print money — “people's quantitative easing” he calls it — an idea beautiful in its simplicity but totally and utterly daft. Bernie Sanders was ready to tax rich Americans at up to 90 per cent to realise his somewhat implausible vision of an American welfare state.

Closer to home, Labor seems equally reluctant to forswear its spendthrift habits and has been driven to adopt an audacious new doctrine of its own. It's called “pre-distribution” or, put in layman's terms, spending money you haven't yet got.

Pre-distribution is not, as one might imagine, a term of abuse invented by the Right but a concept openly debated within Labor's pre-eminent think tank, the Chifley Research Centre. It is part of the thinking that led last year to the establishment of an Inclusive Prosperity Commission headed by elder statesman Wayne Swan.

Inclusive prosperity is what you get if you cross John Keynes and Norman Lindsay — the economics of the magic pudding.

“Slicing of the proverbial economic pie differently, towards a redistribution to the middle and the poor, can simultaneously increase the size of the pie,” argues Julia Gillard's former adviser Stephen Koukoulas — somewhat unconvincingly — in the inclusive prosperity manifesto.

He admits that the idea requires “a recasting of a lot of mainstream economic thinking which is more narrowly focused on the size of budget”. But as Bill Barnacle explained to Bunyip Bluegum, “That's where the Magic comes in. The more you eats the more you gets.”

Swan's thoughts on the topic were outlined in an article headlined “6 reasons ‘inclusive prosperity’ is conclusively awesome” published last year in the *Labor Herald*.

“Spreading the gain of wealth creation through inclusive prosperity and equity will give Australia a stronger economy,” he wrote. “Equity itself is a driving force for economic growth.”

Perhaps *Euromoney* magazine was right after all; Swan was indeed the World's Best Treasurer. His debt-laden budgets were not, as we supposed, impulsive fiscal vandalism but the early sketches of a novel type of socialism that will lead us to a bright new dawn, on a date yet to be decided, sometime beyond the forward estimates.

It is clear, too, that Labor's favourite new word — fairness — is more than just rhetoric; it is shorthand for a dangerous delusion that is driving the party's post financial crisis policy. As Bill Shorten put it when he launched his party's 10-year economic plan: "Fairness is not a dividend of prosperity — it is a foundation for sustainable growth."

Mark Latham, who has emerged unexpectedly as one of the more astute observers of public folly, dedicated his column in *The Daily Telegraph* last week to putting Shorten straight.

"Really?" he wrote. "Fairness, through more government spending on health, welfare benefits and social workers, makes the economy grow in a sustainable way? This is what they used to think in Greece."

Paul Keating tactfully kept his thoughts to himself at Sunday's campaign launch; the party's new doctrine repudiates just about everything he stood for as a leader who led Australia out of its last recession and into a period of unprecedented growth.

Something peculiar happened to the Left in 2007-08 when Europe plunged into recession. It was not for them the moment of truth for the overstretched, over-governed and over-leveraged state but confirmation of what they'd suspected all along about the dark side of capitalism.

Thus began an unhealthy obsession with the agenda of redistribution. Everything was the fault of the super-rich and big business, who must be made to pay.

The persuasive counter argument — that higher taxes on income and wealth reduce the appetite for risk and drain the economy of its entrepreneurial energy — was barely considered.

The concept of pre-distribution, first articulated by Jacob Hacker, a Yale University political scientist, was prompted by the realisation that the politics of tax and spend were getting harder.

"Excessive reliance on redistribution fosters backlash making taxes more salient and feeding into the conservative critique that government simply meddles with 'natural' market rewards," he wrote.

Labor's version of pre-distribution — pushing the burden of increased spending on things like schools and disability cover way into the future — is one way of separating the pain from the gain.

Another is the belief of Hacker and others that the union movement is not, as it appears, a belligerent set of self-serving institutions lining the pockets of a few, but an angelic host sent from heaven to bestow riches upon us all.

According to this theory, the current slow growth in wages is not the result of stagnant productivity and a sluggish economy but a symptom of the decline in union bargaining power. What we need are higher wages all around since, as Koukoulas explains, "there is an unambiguous correlation between income and happiness".

It seems that the absence in Shorten's campaign speech of any obvious measures to encourage economic growth was not an oversight after all, but an indication of the strange direction in which the postmodern Left is heading.

Budget deficits are little more than a political construct to be used in scare campaigns by the Neanderthal Right. Entrepreneurs are not the drivers of progress but its enemy. Why give tax breaks to the businesses that bake the pie? It's how you slice it that matters.

"There you are," said Bill. "There's nothing this Puddin' enjoys more than offering slices of himself to strangers."