

Modern democracy is soft-headed, wimpy, sly socialism

By Nick Cater, The Australian, 26 September 2017

There were two paths the government could take, Kevin Rudd said in 2009 before explaining to the ABC's Kerry O'Brien why he'd decided to take the wrong one.

The first was to build the National Broadband Network, a nation-building project said to be as bold as the Snowy Mountain Scheme or the Sydney Harbour Bridge.

"The alternative," said Rudd, "is to sit back and do nothing."

The information superhighway, as Rudd called it, would have been built by now if his bullish predictions had come true.

As it is, more than half the country is still waiting, though not exactly clamouring, since other technology seems to be working just fine.

The Akamai 2017 State of the Internet report found mobile broadband to be 41 per cent faster on average than fixed broadband in Australia, and improving twice as quickly.

The decision to plunge the commonwealth into a high-risk, low-return, capital-intensive business it knew nothing about was made in the anxious days of the global financial crisis when Labor convinced itself that capitalism was broken and it was the state's job to fix it.

Today Labor appears incapable of shaking off that thought, let alone admitting there was anything unseemly in its post-crash embrace of Keynesianism.

"What the last 10 years confirmed," Wayne Swan told the National Press Club last month, "is that government intervention worked."

Not everyone would agree. They might argue Labor's interventionist tendencies emboldened by the financial crisis led to some of the worst policy decisions in Australian history for which we continue to pay the price. Labor's legacy is a broadband network that is well behind schedule, slower than its competitors and that has suffered a \$10.7 billion loss in the past four years.

Labor's intervention in the energy market, forcing the construction of unreliable wind and solar generation, together with state government injunctions on the exploitation of gas, has doubled the price of electricity.

The list of government bumbles is extensive. The National Disability Insurance Scheme's failings are too extensive to be regarded as mere teething problems.

We spent three-quarters of a billion dollars on developing a personally controlled electronic health record and there's hardly anything to show for it; ditto the \$700 million Carbon Capture and Storage Institute; \$1.2bn invested in halving homelessness by 2020; the Education Revolution, the Digital Education Revolution and the Building the Education Revolution; triple cash grants to first-home buyers; and so on.

The inescapable conclusion is that, however well-intentioned, governments are blundering, lame and unimaginative beasts without the sense to recognise their failures, let alone learn from

them. The little they achieve comes cheaply and it is frequently outweighed by unintended consequences.

The present weaknesses of the Western world are not rooted in capitalism but in fundamental weaknesses of the state, in its structural fiscal deficits, burdensome regulation and world-trailing public services. As Niall Ferguson said in a recent interview: “State failure is not capitalism’s fault but the fault of inadequate politicians, ineffective public administrators and public sector unions that are too powerful.”

Ferguson’s 2013 book, *The Great Degeneration*, is a convincing rebuttal of the fairy story, embraced by social democrats as fact, that the financial crisis was caused by deregulation.

On the contrary; the crash occurred because the regulations were so complex that the banks were able to game them, calculating that if anything went amiss they were too big for the state to let them fail.

The present fashion for regulation is, at best, “beside the point”, says Ferguson and at worst encourages moral hazard.

That the most fervent support for the neo-interventionist left should be among voters under 35 should come as little surprise.

Millennials have no memory of the economic troubles of the 1970s and 80s and are unlikely to have been taught about them in school. Economics has become unfashionable, and economic history even more so.

What’s worse, the deregulatory reforms of the 80s that put Australia back on track are demonised in universities and increasingly by mainstream politicians of what was once the centre-left.

The consequences of “the teetering edifice of neoliberalism”, Swan told the press club, were “falling real wages for more than a generation; mass blue-collar unemployment; drug epidemics; rising working-class mortality rates; and ongoing political crises”.

This unexacting argument underpins his call for an “activist fiscal policy” to promote what he and other progressive would-be intellectuals like to call “inclusive growth”.

If the consequences of Swan’s last spell of fiscal activism were not enough to expose the flaw in his argument, we could always look to Venezuela, where fiscal activism was enthusiastically embraced by Hugo Chavez’s Fifth Republic as part of the socialist “pink tide” sweeping Latin America. Chavez, like Swan, believed in ending inequality and warned that horrible things would happen if his country took “the American road”.

But we digress, for after various experiments in central planning across two centuries the case surely has been made that light regulation, low taxes and economic freedom have a far higher success rate.

An early 19th-century political scientist, Alexis de Tocqueville (1805-59), once described the dispiriting consequences of an interventionist state that “covers its surface with a network of small, complicated, painstaking, uniform rules through which the most original minds and the most vigorous souls cannot clear a way to surpass the crowd”.

This is not outright socialism as practised in the communist bloc: it is soft-headed, wimpy, sly socialism, the socialism advocated by socialists who prefer not to use the S-word if they can possibly help it.

“It does not break wills, but it softens them, bends them, and directs them. It does not tyrannise, it hinders, compromises, enervates, extinguishes, dazes, and finally reduces each nation to being nothing more than a herd of timid and industrious animals of which the government is the shepherd.”

It’s a perturbing picture but, then, what would a neoliberal trickle-down crackpot like de Tocqueville know?

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