

Can we stop democracy from eating our prosperity?

Election

Almost all parties see the economy as nature's bounty whose resources can be diverted to whoever seems most worthy, at no cost.



Alan Moran



The increase in the independents' Senate vote from 21 per cent to 35 per cent between 2013 and 2016 is quite remarkable. But this was not a revolt against the notion of government. Only the Liberal Democrats, who got less than 2 per cent of the vote, unambiguously favoured reducing the size of government. Even on the most generous reading, fewer than 10 per cent of Australians cast their votes for party manifestos promising smaller government.

The Coalition planned continued spending increases and a deficit that would remain at more than \$5 billion after five years, even with increased taxes on savings, and this was hostage to the Senate agreeing to proposed spending cuts.

For its part, Labor's 100 Positive Policies involved more money on education, health, welfare and childcare. To provide a fig leaf of fiscal responsibility, some of this was offset by higher taxes on business and personal incomes. While fostering the mirage of distant budget surpluses, Labor's projected deficits in the next few years are at least twice the size of the Coalition's, in addition to which they have off-budget outlays to promote carbon emission reductions.

Moreover, the costing of policies by Labor and the Coalition uses an accounting methodology that regards additional spending and taxes as having no consequential effect. Their forecasts assume that, notwithstanding greater cost penalties, firms and individuals will continue to operate just as before, and that increased welfare benefits will not attract more claimants.

Almost all political parties mistakenly see the economy as nature's bounty whose resources can be diverted to whoever seems most worthy (and offers most political support) without any impact upon



Independents, for example NXT's Rebekha Sharkie and Nick Xenophon, are gaining power as voters lose faith. PHOTO: JAMES ELSBY

productive capacity. Politicians scarcely acknowledge that deficits mean debt that has to be repaid, and seldom recognise that the repayment must come from an economy that is less productive as a result of the spending excesses.

Although some in the Coalition have argued that Malcolm Turnbull should have accentuated Labor's negatives on boats and unions, much of the internal criticism of the campaign has come from those like Andrew Hastie who saw a "disconnect" between what the Liberals were offering and what the voter wanted. He said he was unable to explain the benefits of a company tax cut to a family with five children.

Mr Hastie is clearly not alone in being unable to find a way of saying lower taxes on enterprise, which would still leave Australia with one of the highest rates in the world, means more growth and higher incomes all round. Like almost all other politicians, the choice was a naive one between giving

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money to the sick or to investors. In fact, Bill Shorten assailed the Coalition's proposal to reduce company tax as welfare to the rich and to foreign multinationals. Shadow treasurer Chris Bowen has followed this up by self-righteously asserting that Labor will reject any proposed cuts. "We will not sell out those people who rely on us to protect them."

Clearly, we have a political class that is either indifferent to or has no comprehension of the economic forces—

hard work, savings, enterprise—that have brought us the wealth we enjoy today. And our politicians certainly cannot contemplate how their actions might prejudice this in the future.

But politicians are simply meeting their customers' wishes in the market for votes. And because the Coalition was more serious than Labor in seeking savings, it was vulnerable to the "Mediscare" campaign, which tapped into voters' wishes to hold all existing benefits and build on them.

The fact is that all but a handful of voters favour looting the rich and future generations (via budget deficits) and most hold this view unconcerned about or oblivious to any effect on future productivity and income levels. Most people see little merit in balancing the budget and are certainly not prepared to vote for measures that involve personal sacrifice. Not only do voters favour maintaining or increasing the two-thirds of payments that go to health, education and welfare, they also insist on diverting incomes to wasteful spending on politically correct submarines and steel works. The latter have been made uncompetitive because of the very labour market and energy regulations politicians, in response to public pressure, have introduced.

We have reached a situation whereby democracy is consuming future prosperity, just as the ancient Greeks and the American revolutionaries thought it would unless it was constitutionally constrained. It is small comfort that Australia is better placed than some other countries. Venezuela is the nightmare outcome of people thinking the economy is a bottomless money pit capable of providing them with everything and voting accordingly.

In response to popular dissatisfaction against the failings of socialism, the Communist intellectual Bertolt Brecht suggested, tongue-in-cheek, dissolving the people and electing another. Absurdities aside, we have to find a way of repairing our own political system or watch our living standards fall.

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