



Growth is Good

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Growth is good. Growth works. True: 'growth works' doesn't sound as catchy as the first. But it's quite hard to argue against either position. Liberal governments, state and federal, are forgetting these basic truths.

Since the global financial crisis struck in 2008, capitalist liberal democracy has faced a crisis of legitimacy—a crisis exploited in full by its enemies.

In Australia, the global mood and blunders by Coalition parties have permitted the opponents of liberty to turn back the clocks. And that is dangerous.

Julia Gillard's *Fair Work Act* of 2009 not only repealed the blunder that was *Work Choices*, but overrode the industrial relations regime established by Peter Reith and the Australian Democrats eleven years before, and repealed even earlier reforms put in place by the Keating government.

An emboldened band of academics, unionists, commentators, and the usual activists of the

left—fervently waving their copies of Thomas Piketty—are now arguing against reforms passed decades ago (and long since accepted as necessary).

It is a double crisis in which economics and politics have become even more closely linked than usual.

In an opinion piece of 7 February 2015, *The Australian's* Greg Sheridan summarised the situation. 'All around the Western world', he wrote, 'there is a crisis of governance':

It is particularly affecting centre right parties ... All Western governments need to undertake fiscal consolidation. This is proving deeply unpopular and is more naturally associated with centre right than centre-left parties.

At the same time, the standing of free enterprise has taken a blow. 'Once being pro-business was the same as being pro the economy,' Sheridan wrote.

Voters understood that they benefited, mainly via more jobs, if business benefited. Now business has no political authority and little ability to move public opinion.

Sheridan concluded that this further hurts centre-right parties. There is nothing to argue with in his assessment.

In Australia, however, we are dealing with different degrees of scale to the rest of the Western world.

Yes: our economy is fragile and the budget needs repair. But our banks did not fail. We did not produce pantomime villains like 'Fred the Shred' Goodwin of the Royal Bank of Scotland, let alone outright crooks like Bernie Madoff. Labor has been forced to chase dodgy insurance salesmen in its search for corporate scapegoats.

We remain far better off, 'the envy of the world', as Wayne Swan used to love to say—even despite his best efforts. The enemies of free enterprise and free markets, however, are determined not to let a crisis go to waste.

So determined have they been that *The Age's* Waleed Aly has been able to allege the Coalition's 'philosophy of pain is simply that it should be visited upon people it doesn't like: poor people, sick people, young people.'

Economist John Quiggan can assert that 'everything worthwhile' in the reform agenda that began in the 1980s has been implemented.

Talk of this kind is not just hyperbole. It is utter nonsense. But it is also the product of political failure, of bungling by the Coalition in both governing and presenting its case.

The period since March 2014 has seen disaster after disaster for the Coalition at both the state



and federal levels. In South Australia, it failed to defeat a tired third-term Labor government presiding over a moribund economy. A premier in New South Wales has gone and a string of parliamentarians have become ensnared in financial crisis.

The situation in the Northern Territory has made Italian politics look like a model of stability. First-term governments in Victoria and Queensland have suffered humiliating defeats.

There are excuses. South Australian Coalition supporters will say that they won a majority of the votes, but that they were the victims of unfair electoral boundaries. Victorians can claim they had an accidental government voted in as a backlash against the hung parliament elected in Canberra just months before—a government with the slimmest of margins held hostage to the whims of a maverick backbencher.

Queenslanders can claim that the election of the Newman government was, in part, a backlash against Labor, and that the government then spun out of control and then fell victim to a similarly irrational correction.

There's an element of truth in all of this, but the fact remains: they were all defeats. Political failures. And the greatest political failure of them all is in Canberra.

Tony Abbott's government of 'no surprises' and 'no excuses' has instead been one of no coherence.

This has wreaked enormous damage on the Coalition across the country. It has been an unforgiveable blunder at a time when the distorting effects of social media, the appetite for stories, the shorter attention spans and the blatant hostility of much of the media make substantive policy debate a near-impossibility.

Even before the budget debacle, the government was in confusion over school funding commitments.

The budget itself had something to offend everyone, from high income earners to welfare recipients. Voters were insufficiently warned about what it would contain, let alone told why. Despite its election being a near certainty, the Coalition failed to be frank with the Australian people over the state of the books ahead of the poll.

In the aftermath of its election, the Coalition failed to make the case for restraint. An attempt to wind back the most rapidly growing areas of expenditure accompanied by virtually no narrative infuriated voters and spooked the back bench to such an extent that the decision to award Prince Philip a knighthood— idiotic, but inconsequential— sparked a full-blown leadership crisis.

This put the government in Gillard territory, looking dishonest, unstable and self-obsessed. The Coalition's opponents have successfully portrayed Abbott and his state colleagues as the victims of a backlash against a cruel austerity.

The Coalition's supporters are reluctant to rally for almost the opposite the reasons. They see the



Coalition as insufficiency resolute, lacking a coherent strategy. They have been angered by its impost on high-income earners and its broken promise to reform 18C.

It is now believed that Abbott will stand or fall on the budget. There is a general feeling that Treasurer Joe Hockey should have gone, but a begrudging acknowledgement that his position and that of the prime minister's are inextricably linked.

Yet it is from Hockey—and his department—that the beginnings of a coherent case have come. The new head of Treasury, John Fraser, took a very different line to his most recent predecessors when he appeared before Senate Estimates in the last week of February 2015.

'I approach fiscal stimulus, in whatever circumstances, with a great deal of care,' he said. 'I don't like public debt.' Fraser offered a firm rebuke to Keynesians and others who say governments should be taking advantage of low interest rates to borrow:

Public debt leaves you liable to the vicissitudes of the market. So when interest rates go up as they did in the late 1980s we suddenly had public debt interest taking up a massive amount of outlays ... To my mind that's money that could have been spent on better things.

Fraser could not have been clearer when he told CEDA (Committee for Economic Development of Australia) in his first major address:

There is a real question as to where our future prosperity will come from as the growth dividend of past reforms fades and growth in demand for our natural resources eases, especially against the headwinds of a weak global economy and an ageing population.

The statement from the Treasurer that accompanied the *Inter-Generational Report* appeared to offer some broader sense of purpose. 'Today, Australians produce twice as much in goods and services for each hour they work compared with around 40 years ago', Joe Hockey said. 'Average incomes have doubled in real terms over the past 40 years and this increased wealth has been broadly shared across the community.'

This is precisely the ground the Coalition needs to be steering towards. It must talk not just about the policies that foster productivity, innovation and produce growth, but how its policies also increase wealth and lead to a better quality of life with a wider range of better, cheaper goods.

The 'growth is good' message is not just about self-interest. Instead, it has an immediate altruistic appeal.

Liberalising markets and freeing trade is transforming the world. If the left wants to talk about austerity, believers in economic liberty can respond by explaining how their policies lifted close to one billion people from extreme poverty in twenty years. They can tell how the Millennium Development Goal of halving poverty between 1990 and 2015 was met five years early.

Boris Johnson has spoken of ‘the intellectual failure to grasp that the profit motive can be good; that it can be necessary; that capitalism is not just compatible with satisfying the wants of the poorest and neediest in our country but essential if we are to meet the biggest challenges facing the human race.’

With typical audacity Johnson has proclaimed, ‘You need venture capital to cure cancer; you need people who are willing to wager huge stakes on the successes of these therapies.’

He is absolutely correct. And if the Coalition wants to capture and carry the electorate, it needs to be equally frank. It has made some tentative steps, but needs to do far more.

The Coalition cannot be all things to all people. It needs to apologise for and disown some of the rasher, sweeping statements made by Tony Abbott on the eve of the election and then strike off in its own direction.

From the experience of the Baillieu and Napthine episode in Victoria it should learn what happens to governments that offer political appeasement. And it should learn from what happened to Campbell Newman about the fate of governments that shout ‘Strength!’ like some demented dalek and offer next to nothing about their policy goals.

Peter Costello sometimes enjoys baiting his former colleagues a little too much in his *Herald Sun* columns. In his first effort for March 2015, he walked a fine line that is nonetheless all but impossible to disagree with.

‘Our political debate is currently dominated by various plans to increase tax’, he said.

No one seems to think it relevant that on their own none of these ideas will boost growth or create jobs ... How do we make our economy more productive? ... Higher taxes are not part of the answer ... It’s a while since we heard the case for keeping taxes low. It rewards effort, promotes initiative and maximises liberty. They are all core Liberal values. It’s just a pity we don’t hear more about them these days.

The government is framing the future around productivity for prosperity. Growth lies at the very heart of that. Just as Costello is ready to offer a little plain speaking when it is needed, so should the government.

The Coalition is not practising the politics of punishment. It does not stand for austerity. It wants more, not less. It wants to create the conditions to generate growth. Why? Because growth is good. Growth works.