

Red Tape Committee
Department of the Senate
PO Box 6100
Canberra ACT 2600

Dear Committee,

At the Sydney public hearings on the Select Committee on Red Tape on 24 February 2017, Senator Dastyari asked me to take on notice a “large ideological question”:

“do we want socialism in one country or perpetual revolution?”

I am glad to supply an answer to this question.

Senator Dastyari’s question recalls a debate between Leon Trotsky and Joseph Stalin regarding the future direction of the socialist movement. I doubt a debate between two totalitarian mass murderers remains a major bone of contention within the Australian Labor Party in 2017. As the Senator would know, Lenin dismissed Labor as a “liberal-bourgeois party”.¹ But as Karl Marx and Friedrich Engels so compellingly pointed out in their *Communist Manifesto*, the bourgeois “has played a most revolutionary role in history”. They observed that “by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, [the bourgeoisie] draws all nations, even the most barbarian, into civilization”.²

Marx and Engels are spot on. The competitive marketplace, with the innovation and change brought about by free entrepreneurial activity, is itself a permanent revolution. The Labor Party, having presided over much of the economic reform of the last few decades, can rightly take credit for allowing the permanent revolution to be unleashed in Australia.

Contrast this revolution of the free market with socialism in one country. Countries that have experimented with the socialist model of economic control have stagnated. They have been forced to copy and counterfeit living standard-enhancing technologies rather than contribute towards that

¹ Vladimir Lenin, ‘In Australia’, Pravda No. 134, June 13, 1913, available at <https://www.marxists.org/archive/lenin/works/1913/jun/13.htm>

² Karl Marx and Friedrich Engels, *The Communist Manifesto*, available at <https://www.marxists.org/archive/marx/works/1848/communist-manifesto/ch01.htm>

technological development. Central planning has historically been deeply inefficient and corrupt. The economic problems of planning do not seem likely to be resolved any time soon. The necessity of centralised power in order for planning to function also creates serious problems of political authoritarianism. It could be said that socialism in one country is also a “permanent revolution”, but unlike the market revolution (which grows wealth, living standards, and the ability for individuals to live the lives they choose) the socialist revolution is a revolution against its own citizens.

It should be clear that I favour the permanent revolution of the market to a permanent revolution of socialist control. However, as recent political events have emphasised, the market revolution also entails disruption, as industries shift across borders and technological change undermines established business models. Furthermore, in our actually existing political-economic system, the heavy burden of regulation, red tape and taxation can make it hard to establish new firms to replace obsolete ones, prevent successful firms from expanding, and encourage rent-seeking and other prosperity-reducing behaviour.

I advise that the growth of the administrative state, with its network of unaccountable and anti-democratic independent regulatory agencies, and quasi-independent watchdogs and standards bodies, has failed to suppress the market’s permanent revolution, but has placed many obstacles for citizens and workers who have to try to adjust to those changes. If parliament wants to help workers adjust to the permanent revolution, it should be looking to repeal regulatory and red tape burdens that make it harder to find a job and grow a business.

Please do not hesitate to contact me further for more details.

Kind regards

A handwritten signature in black ink, appearing to read 'C. Berg', with a stylized, cursive flourish at the end.

Chris Berg

Postdoctoral Fellow, RMIT University

Senior Fellow, Institute of Public Affairs

+61 402 257 681

christopher.berg@rmit.edu.au