

Abbott's Politburo Propaganda

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Even a back-of-the-envelope look at the Coalition's leaked talking points document shows it's more like a 1960s Communist propaganda sheet than a coherent economic program, writes Ian McAuley.

On Thursday last week the document "Coalition Speaker's Notes" (sic) fell off the back of a truck into Crikey's hands. In its use of selective and fudged statistics its style is reminiscent of the propaganda pamphlets of the Communist governments from the 1960s.

It is peppered with emotive and unsubstantiated statements about "Labor's economic mismanagement" and the "massive government debt" Labor has bequeathed to young Australians, and like those old pamphlets, it is written for the most gullible.

For example, in its hagiography of John Howard it says "The former Coalition government increased higher education funding by 13 per cent in real terms", immediately followed by the statement "Between 1995 and 2005, the number of students in Australian universities increased by 58 per cent." If the number of students rises more than funding, what does this say about funding per capita?

In any event, anyone who takes the care to look up even the most basic economic data to put a context to that 13 per cent rise will see that over the 11 years of the Coalition government real GDP rose by 49 per cent. A little primary school algebra applied to these figures reveals that, as a proportion of GDP, higher education funding fell by a quarter.

Its most glaring abuse of statistics is its opening table of "Key economic indicators", comparing selective indicators for the Howard Government with those of the Rudd/Gillard Government. It's a straight take on the tables published in the old Soviet Union, comparing the achievements of the Party's Glorious Five Year Plan with the failures of the governments of the decadent western imperialists.

There's no mention of the Howard government's squandering of easy tax revenue on industry subsidies and middle-class welfare, while neglecting public infrastructure (a liability far worse than modest public debt), or of the massive housing price inflation and growth in private debt which it fostered. As Orwell would have said, "public debt bad, private debt good". Nor is there any acknowledgement that the present Government has had to cope with the global financial crisis and an associated collapse in public revenue.

Its strongest vitriol is reserved for the Greens, who are so evil as to "believe in legalising same sex marriages" and to "support holding a plebiscite for an Australian Republic". (Almost as threatening to our way of life as the Girl Guides.) Worse, it points out that the Greens are calling for "greater freedom of expression and association".

The document has Abbott's fingerprints all over it.

Absent from its 137 pages is any statement of broad principles or economic philosophy. There was a time when the Liberal Party could articulate broadly "right" values, such as support for individual autonomy, freedom of choice, and preference for markets over bureaucratic allocation. A party coalesced around a coherent set of principles would not need to force-feed its members with a detailed set of notes.

That time is a long way behind us. Abbott's main promises are about expanding the welfare state by restoring Howard's middle-class welfare system, and, indeed building on it with a generous paid parental leave scheme. These proposals are hard to reconcile with traditional "right" values.

Unlike Liberal Party statements of earlier years, the document carries no entrepreneurial vision for the private sector. Its economic vision is encapsulated in its image of "a five pillar economy", those pillars being "a capable manufacturing sector, a growing knowledge economy and a sophisticated services sector as well as strong resources and agricultural industries".

Note that the "knowledge economy" is separate from those other sectors, which presumably can limp along without any connection with the "knowledge economy" — a separate sector populated by engineers, scientists and programmers who believe in silly things like climate science and who foolishly believe we can modernise our industries to improve productivity.

It's a long way from an entrepreneurial vision which would see the application of human capital in all our spheres of economic activity, but it isn't far from Howard's vision of an economy which could provide more "dead end jobs". Rather than investing in our human capital so that Australians can become less dependent on welfare, the Coalition's vision is to use welfare transfers to compensate for poor economic performance.

With his hostility to a market mechanism for greenhouse gas emissions, Abbott has distanced the Coalition from those who see the wisdom of price signals as the default option for resource allocation. His "direct action" policy for carbon abatement he is more on side with the central planners than with the followers of Adam Smith.

His control mania doesn't stop there, for he would herd children into private schools and adults into private health insurance. It takes only a little basic arithmetic to see that he intends to run down our public education and health services to the extent that anyone who cares about health and education will be denied the choice of high quality public services.

That arithmetic is based on the manifesto's promise to increase welfare transfers, the statement that "taxes can responsibly come down" and the specific promises to abolish the resource rent tax ("Labor's great big new tax") and the carbon tax.

Never mind the fact that Australia is one of the OECD's most lightly taxed countries, or the editorial in the current Economist, a most conservative journal, which endorses the resource rent tax and carbon tax and suggests that "other governments would do well to emulate and improve on Australia's efforts to shift the tax burden from hard-earned wages and profits to unearned rents and uncompensated harms." Abbott obviously knows better than market-oriented economists.

In promising to abolish the carbon tax and the resource rent tax, the Coalition would reduce Commonwealth revenue by at least \$10 billion a year. Then there is the promise to increase social welfare spending, which already takes \$132 billion out of the Commonwealth's \$328 billion budget.

Logically, if that spending is to be increased, there would have to be deep cuts in all other government spending. It takes only a back-of-the envelope calculation to show that an increase of 5 per cent in social welfare spending, coupled with a cut of \$10 billion of tax revenue, requires a \$17 billion, or 9 per cent, cut in annual expenditure on all other purposes, to be shared across health care, education, defence and other services. And that's before we find the funds for the "direct action" economic interventions on climate change.

The document has vague, uncostered statements on roads and railroads in the eastern capitals, but there is no way these could be funded within the Coalition's framework. Its main word on infrastructure is to label the National Broadband Network as "a giant Government monopoly" (just like the highway network!) and to promise a "cost-benefit analysis to assess the quickest and most cost-effective means of upgrading fixed line broadband in all areas of Australia where services are currently sub-standard or unavailable."

These statements reveal a dismal ignorance of technology and of the economics of networks and natural monopolies. (Imagine if in the late 19th century, policymakers had decided that we should lock ourselves into the model of many small electricity systems, delivering low capacity services, on the basis that the only known use of electricity was for lighting.)

If this drivel is the best the Coalition can do, it is nowhere near fit to govern. That is not to give a wholesale endorsement to the present Government, which has failed to engage the public in policy processes. But if the Coalition is to be taken seriously, it has to present something more robust and more economically credible than a 1960s Politburo propaganda pamphlet.