

WORKING TITLE: Brexit divides conflicting conservative values

AUTHOR: Richard Denniss

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Britain will now decide which Germans can invest in, or travel to, the UK and the circumstances in which they can do so.

The Brexit decision provides clear evidence of the tension within conservative politics between strident nationalism and economic rationalism. And as the business community is discovering, there are enormous economic risks when conservatives are asked to choose between the two.

While Malcolm Turnbull is campaigning as a 'safe pair of hand' in 'troubled times', the reality nationalism divides his Coalition as much as his British counterparts. Writing in favour of Brexit for the Institute of Public Affairs, aspiring Liberal politician Georgina Downer (daughter of Alexander) wrote:

"Australia, as a former British colony, has inherited and developed the very best of Britain. The English language, British institutions, the values of Western Civilization (sic) - the rule of law, personal liberty and representative government - and the common law. The decline of the British nation state and the sovereignty of its Parliament under EU overlords should be something that we, in Australia, mourn."

John Howard also supports Brexit as he thinks the EU is a 'fundamentally flawed concept'. Pre-election discipline prevents us from hearing Peter Dutton and Eric Abetz thoughts about the UK's isolationism, but it's a safe bet that they too support the decision to cast off the European 'overlords'.

According to the cliché's of Australian political debate, it's the Left that is obsessed with symbolism while the Right is supposedly obsessed with the economy. But cliché's conceal as much as they reveal.

No economists really believed that switching taxes on labour and capital for a tax on pollution would be a 'wrecking ball for the economy', but the IPA and conservative politicians succeeded in presenting their symbolic battle with environmentalists as a battle about economics.

Similarly, no economists really believe that significant public investment in submarines will come close to solving South Australia's unemployment problem. But given that the public investment takes the symbolically important form of defence spending there are plenty of conservatives willing

to turn a blind eye to the increase in public spending while pretending to believe it will create significant 'jobs and growth'.

Symbolic battles not only help politicians divide communities into 'us' and 'them', they also help conceal genuine economic problems. Like the voters in the north of England who voted for Brexit, voters in regional Australia rightly believe their living standards are falling further behind residents of the capitals. But rather than provide regional Australia with better health, education or communications infrastructure, or admit that they have no desire to do so, it is simpler for conservatives to blame immigrants, or environmentalists, for the growing divide.

Pauline Hanson, Donald Trump and Nigel Farage have all demonstrated the short term political benefits for conservatives embracing nationalism, but the question for the global business community is whether the benefit of conservative governments are worth the long run economic risk of isolationism.

The unemployment rate in George Christensen's Northern Queensland electorate of Dawson is 8.4%, while in Turnbull's seat of Wentworth it's 2.1%. The gap between the minimum wage and the average wage is growing, and the gap between that average wage at the top 1% is surging. Ramping up the rhetoric about refugees and same sex marriage might help conservatives hold onto regional voters for a few more years, but, as Brexit shows, ignoring the underlying economics of inequality is not just risky for conservative political parties, but for the business community that instinctively back them.

It is not inevitable that Australia will always be a safe and stable place to invest. Our political stability flows from our historic willingness to give all adults the vote, give all workers a living wage and ensure that those who couldn't look after themselves were looked after by society. While there is money to be made cutting taxes, demeaning the poor and blaming refugees for the consequences of Austerity, the Brexit vote clearly shows there are significant risks as well.

The economic modelling used to argue the case for \$50 billion in corporate tax cuts assumes government spending can be cut without imposing any costs on citizens. The modelling also assumes there is no link between growing inequality and lower rates of economic growth. The IMF, on the other hand, now argues that rising inequality leads to slower economic growth. One of them must be wrong, and neither of them consider the link between income inequality and political instability. The Brexit Vote suggests they both should.

Richard Denniss is the Chief Economist for The Australia Institute [@RDNS_TAI](#)