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TITLE: The right gets it very wrong

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The concepts of economic rationalism and market liberalism seem to have been abandoned by the Liberals, Richard Denniss writes.

Whatever happened to the term economic rationalist? It wasn't that long ago that the favourite insult hurled by the left was the badge of honour worn by the right. The arguments were hilarious. "You're nothing but a self-serving economic rationalist," sneered your average lefty. "I most certainly am," your average right-winger would retort. It was one of the few things the left and right could agree on.

Not anymore.

The political right in Australia has not just abandoned economic rationalism; it is on the verge of abandoning economics in its entirety. When challenged to find a single economist who endorsed his direct action climate change plan, Tony Abbott retorted that maybe Australian economists needed to lift their game.

When asked by another journalist why he was ignoring all the economic advice about his scheme, he responded that he would prefer to listen to the Australian public than to economists.

Of course, the right's rejection of economics goes much deeper than Abbott's determination to reject the role of market mechanisms in reducing greenhouse gas emissions. When it comes to water reform, transport policy, corporate tax and industrial relations, the right has abandoned its 30-year-long push for the use of market mechanisms, user pays and individual responsibility in the pursuit of the efficient use of scarce resources.

Take transport for example. The political right enthusiastically embraced the use of privately owned toll roads on the basis that they helped to reduce government debt and introduced the principle of user pays. It now seems that what they meant to say was that the users of new roads built for people who can only afford to live in new suburbs should pay. For those who use established roads from established suburbs to clog up the CBD, however, the use of congestion-based charging would be both inefficient and inequitable.

It's even worse when it comes to water. Economics 101 teaches us that when people have free access to a scarce resource, they will likely use more of it than if they had to pay.

It also teaches us that in deciding how much water to use, farmers will probably be unconcerned by the impact of their decisions on either downstream users or the natural environment.

The Murray River provides a textbook example of how the introduction of user pays would improve both the efficiency of agricultural water use and help protect the natural environment. However, the political right the folks who have been so keen to rely on market forces in health, education, aged care and prisons seems determined to pretend that water isn't a scarce resource because it rained heavily this year and that price signals are an inappropriate way to influence decisions in an industry like agriculture.

On tax reform, the Opposition Leader went to the last election proposing higher corporate tax rates than the ALP and even on the old battleground of industrial relations Abbott has refused to take up the reformist challenge thrown down by Peter Costello and Peter Reith. And on the mining tax the Opposition is again ignoring the overwhelming advice of economists that some sort of super profits tax is both fair and efficient for the sole reason of currying favour with the big mining companies.

So what does a Liberal Party that has abandoned market liberalism stand for? Who knows, but it certainly isn't libertarianism. Abbott may have abandoned the high priests of economics but the same does not appear to be the case for the high priests of his other church.

While he may prefer to listen to the Australian people rather than the Australian economics community on issues like the efficiency of a carbon price, the same cannot be said for his approach to euthanasia or same-sex marriage.

Just as the Tea Party is willing to put short-term political interests ahead of long-term national interest, so too is Abbott. His determination to roll back the carbon price, for example, means that Australian industry and consumers will face another five years of policy uncertainty.

Were he to deliver on his threat, Australia could face the prospect of a carbon price being introduced in 2012, removed in 2015 after a double-dissolution election, and then introduced again around 2020. Even the Opposition Climate spokesperson, Greg Hunt, has referred to the Coalitions direct action scheme as being an interim measure.

Similarly, by talking up the scare campaign on the carbon price the Opposition Leader is talking down the national economy at a time of unprecedented international nervousness. Comparing the decision to introduce a carbon price and a mining tax to the kind of sovereign risk associated with the potential debt defaults by the Greek Government is simply irresponsible.

The Tea Party and Pauline Hanson both provide clear evidence of the potential power of populism but historically what has distinguished mainstream conservative parties from far-right extremist parties is the reluctance of the former to cut themselves off from some of the unpopular realities that governing parties must ultimately confront.

In his tireless campaign to unseat the Gillard Government, Abbott has abandoned this principle. If all it takes to win office is to ignore Australia's scientists, economists or any other so-called experts spouting their book learning, then so be it.

The opinion polls suggest that in the age of the 24/7 media cycle, such an approach has obvious appeal, but as Kevin Rudd quickly discovered, there is a big difference between being popular and being effective.

Abbott rejected the public advice of former senator Nick Minchin to put good policy ahead of short-term politics, retorting that he would prefer to be pragmatic than pure. The long-term challenge for the Liberal Party, however, is that there is a difference between what is pragmatic to say in Opposition and what is pragmatic to do in government.

The shorter-term problem is that in order to press the Prime Minister on the carbon price, the Opposition Leader is willing to jettison the good economic manager reputation that the Liberals rely so heavily on. It is hard to imagine a campaign led by Abbott in 2013 being based on economic responsibility.

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