

FLAT WHITE

West and East divide along the economic green line

Dismantling reliable power is crippling Australia

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Stung by criticism from the business community, Prime Minister Anthony Albanese suggested that he and they sought to address common concerns: housing, cost of living, the care economy, Net Zero, and skills. As a generalisation, Albanese has a point aside from Net Zero, which is finally losing its allure for a business community now less besotted with the

possibilities of cheap renewables. But for the rest, the Albanese plan is nothing but statements.

Indeed, rather than recognising a need to reduce consumption to make room for capital expenditure to propel productivity, the government simply renames its consumption expenditures on public servants, the NBN, childcare etc as 'investments'. This comes on top of other regulatory measures such as protracted approval processes that are loaded against new developments (other than those involving wind and solar facilities) including banning live sheep export and taking water from irrigation.

In addressing living costs, the government's approach is either to apply cosmetic subsidies to the housing market and electricity environment, or to counter-productively load the dice in favour of wages by preventing casual labour hire and otherwise enhancing bargaining power of employees against employers thereby diverting business income from profits. The outcome of this approach is five successive quarters of declining per capita living standards – the worst economic performance in the OECD.

While Australia's performance has been deplorable in the context of other OECD nations, taken as a whole, this group of wealthy nations has also under-performed over many years.

Former Italian Prime Minister, the economist [Mario Draghi](#), has produced a recent report on the sclerotic state of the European economy. He contrasts Europe with the US (which has income levels 30 per cent higher). He attributes this largely to lack of innovation (where is the European Google?) and expensive energy (the US gas price is less than one-third that of the EU and electricity costs are also much lower). Of course, the cheap energy in the US is notwithstanding the efforts of the Biden administration to replace coal and gas with wind and solar, which has resulted in new [drilling acreage](#) approvals falling to one twentieth of those under

Trump, a fall that if not soon reversed will bring about declining production.

In reality, the two contrasting economic management models are that of the Euro-US world and that of the Eurasian countries, principally China, India, Russia, and some countries adjacent to them.

The focus in the Western economies is on plans that seek to transform their economies by an approach that marries prospective new technologies with a restoration of the pre-industrial natural environment.

The policy approaches have their separate names like Build Back Better (US), Industrial Strategy (UK), Energiewende (Germany), and our own Future Made in Australia. At the heart of these measures designed to transform economies is the replacement of commercial carbon (and nuclear) based energy by wind and solar together with fanciful measures designed to migrate supply to the mirage of green hydrogen. The plans also involve a goal of reducing the impact on the environment from dams, agriculture, mining, and industrial developments – albeit, where there is conflict between land-extensive activities like wind and solar, regulatory arrangements are in place to ensure the latter will prevail.

Vast sums are to be spent on transforming energy. [Agora Energiewende](#), Europe's go-to establishment green think tank, estimates that 462 billion euros a year is needed to cut EU greenhouse gas emissions by 90 per cent by 2040. That is about 20 per cent of non-dwelling investment to be spent on *destroying* rather than augmenting income, which the think tank argues would help grow the EU economy by around two per cent. Similar sums are envisaged for the Future Made in Australia and other Western nations' signatory approaches.

The difference could not be starker with the non-Western Eurasian bloc of countries. With them, the pace of development is underpinned by using the

proven energy sources: coal, gas, and nuclear and using natural resources to further advance living standards – policies that have paid rich dividends in bringing higher levels of growth.

Thus, since 2020 China and India have added 1,588 GW of coal capacity compared to only 63 GW in the rest of the world (with only Poland building significant new supply in the EU-UK-US and Australasia Western nations).

With nuclear, China, Russia, and India have 36 new plants underway. The rest of the world has 23 with only 4 in the UK-EU-US. Although the US ostensibly has a bipartisan policy to reduce the onerous regulations that have priced nuclear out of contention, this will require a considerable turnaround as successive administrations since Carter in the late 1970s have turned their backs on nuclear.

Not coincidentally, as well as leading the world on a downward wealth trajectory, Australian policy has been among the most aggressive in dismantling reliable power, subsidising the industries that government regards as ‘winners’ and impeding the search for and utilisation of mineral and agricultural wealth. Characteristic of policies forcing land out of productive investment, is [Rio](#) being incentivised to buy 3,000 hectares of prime land to convert it from cattle raising to producing bio-oil, a product that is worthless in the absence of subsidies. Even more significant is the return of waters being used for agriculture to their natural state, particularly in the Murray-Darling, Australia’s only major irrigation province. A similar policy is followed in California. By contrast, China has a \$64 billion water diversion development called the [Move South Water North Project](#). This is to shift water from the underpopulated areas oversupplied with water to more heavily populated areas.

For those of us convinced of the merits of democracy the foregoing contrasting patterns of income growth offer little solace. Of the key

Eurasian bloc countries, only India is democratic, while the Western world's mostly failing economies are all democracies. Moreover, most Latin American voters (Argentina excepted) have – more or less democratically – elected left-wing governments in recent years, with predictable effects on their living standards.

While the Albanese government has proved so socialist and incompetent that it will not win the next election, unless a Trump government is elected in the US, any future Australian government is likely to feel obliged keep in harness with the Euro-US policies. And, whatever the outcome of the US election, even a Trump victory would not be an endorsement of electors in a democracy rejecting poor policy approaches since Vice President Harris is certain to win the popular vote.

Judging by growing impediments to free speech being enacted all over the world, democracy is not performing well as a guarantor of liberty. As Matt Canavan says, he would have been prosecuted for misinformation if the Australian government's proposed laws had been in place in 2021 for saying, 'We should pause the rollout of the AstraZeneca vaccine because almost every European country now has concerns over its safety. There is no imminent threat of coronavirus here so why would we blindly rush on when others are concerned?'

We have to find ways of reinvigorating democracy as a means of giving us government that both facilitates increases in living standards and protects liberty.