

The Albanese government has become a parody of itself

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Reprising Kevin Rudd's *Monthly* essay 14 years earlier, at the beginning of [2023](#), Treasurer Jim Chalmers outlined a new economic template that breaks away from the fusty models of the past. He talked of a 'wasted decade' of poor performance under Coalition rule, which he would turn around by replacing 'neoliberalism' with, 'reimagining and redesigning markets – seeking value and impact, strengthening safeguards and guardrails in areas of unchecked risk'. Along with coordination and co-

investment. He named the 'clean energy sector' as the perfect example of how this should work.

Imagine his disappointment when, having put in place his radical new approach, he was confronted with Australia's real national income per head declining in each of the latest four quarters. And imagine how this frustration would have been exacerbated by electricity and gas prices rising so fast that, far from the planned \$275 price reduction, the government is seeking to slow the price rise with a special subsidy.

Now Chalmers is casting about for the villains, the latest being the Reserve Bank which refuses to pour petrol on the conflagration his own policies have created by lowering interest rates.

Chalmers rightly identifies high and appropriately directed investment as the key to economic wellbeing.

One bookend of the spectrum of investment opportunities is identified by entrepreneurs marrying Australia's assets, especially its natural resources in minerals and agriculture, with market opportunities. Although Chalmers' 'wasted decade' characterisation has some merit, a massive surge in this investment (in mining) between 2002 and 2017 brought levels of productivity growth which he would now envy.

Residing at the second bookend of investment opportunities are those which the Treasurer and his colleagues are focused upon – these, they think, can drive the economy onto a new plane.

Hence the financial support for plans to produce wind turbine blades, solar panels, batteries, and 'green' hydrogen; the energy support morphs into ownership with the taxpayer funding the government's futuristic renewable energy fantasy through the \$68 billion Capacity Investment Scheme. In addition, wind and solar get regulatory favours, which include

no requirement for land remediation bonds and requirements on consumers to pay for the Renewable Energy Zones to connect the subsidy-induced wind and solar facilities to the grid. Now we have government fast-tracking planning approvals for renewable linked facilities – of course, someone's fast-track is another person's truncated rights.

These promoted activities divert capital into venues that are a cancer eating the low-cost energy facilities that have been vital to our present living standards. They are a large part of the maladministration causing the current income losses. And, as these projects are long-tailed, we have not yet experienced the worst of their damage.

Although Jim Chalmers has assumed the role of philosopher king in radically transforming government from setting the market rules into driving the nature and direction of the economy, his new paradigm has wide support – including from those who actually wrote his *Monthly* essay. It contains a hostility to investment that is outside of the favoured areas, and new regulatory impediments that prevent any resurrection of the 2002-17 mining boom.

Most politicians and officials – not only those of the green left – are attracted to the Chalmers activist role within the economy. It is the new form of socialism that the Albanese government has eagerly embraced which has actually built upon that of the post-Abbott Coalition governments.

The current political class takes a view that private investment decisions fail to incorporate all the merits and detriments of resource allocation. They see the best drivers as being themselves, detached from personal gain and with the skills to pull the levers and navigate 'holistically'.

Moreover, those with economics training are usually at the apex of government and tend to focus on the identity:

$$C+I+G = GDP$$

So, if C (consumption) or I (investment) is deficient, they can be supplemented by more G (government) and everything appears hunky-dory. The three arms of expenditure are regarded as interchangeable. The decline in the Australian economy has actually been accompanied by strong growth in government spending which the above identity falsely registers as having had a positive effect on GDP.

The reality is that real income depends on productivity, which is driven by market-oriented investment. This tends to be undermined by government spending on goods and services that can be supplied by private enterprise and without any government tilting of the table.

In the likely event that the detrimental effects of present government policies become widely recognised and the Coalition is returned to office, reversing direction will not be easy. Not only do many in the Coalition favour their own form of 'winner-picking' but governments have created institutional structures in the bureaucracy, the courts and the legislative framework that will impede reform to a market-based deregulated system.