

## The four horsemen of the economic apocalypse

[Alan Moran](#)



Getty Images

6 January 2022

The appearance of Covid brought a resurgence of fears of Armageddon.

Conscious of mankind's imperfections, ancient settled societies envisaged a destructive reckoning that could only be averted by the people's acceptance of and subservience to a warrior god. Jews, Christians, and Muslims have their own versions, as does Marxist Leninism.

The Christian version features the Four Horsemen of the Apocalypse, each one soothing personal unhappiness with measures that carry seeds that worsen it.

A modern, non-Marxist version might see the first three Horsemen in the context of political structures that emerged three or four centuries ago. Those three Horsemen brought palliative help for the weak and unfortunate in the form of redistribution of income from rich to poor by

government taxation and spending; regulating business to prevent ‘exploitation’ of the weak and latterly of the ‘environment’; and rejection of the legitimacy of the living standard gains current generations have inherited.

By the end of the nineteenth century, the First Horseman was progressing through modern societies as the state took on roles in health care, education, and old-age pensions that had previously been left to individuals and their families. Even so, governments comprised under 20 per cent of GDP in most countries in 1920 but took off to reach the 35-50 per cent prevalent today in the western world.

Enduring damage stems from the increased level of spending to combat Covid. Australian state and federal government share of national spending is at 43 per cent this year (falling, if the projections are to be believed, to 36 per cent five years hence). In the course of just a few years, it has resulted in the nation paying itself for things that have not been produced and racking up debt of \$26,000 for every man, woman, and child.

Almost all of this spending is for consumption – very little is on the capital investment or skill formations that contribute to growing the national pie.

Unfortunately, modern politicians have a misplaced belief that their expenditures from money they disgorge from taxpayers brings net benefits. The dozens of daily media releases on new spending testify to this.

Politicians rarely imagine that their spending decisions will yield less value than the decisions of the people whose money they take. In this they are guided by the asinine nature of government advisers’ understanding of the economy. This is illustrated in the Reserve Bank’s (RBA) explanation of the effect of government spending on a [wind farm](#). The RBA says that a \$10 million investment in such an asset where its workers spend 80 per cent of the income they receive will, through a multiplier, generate national income of \$50 million. On the RBA’s logic, if the workers spend 95 per cent the investment generates \$200 million and, if they spend 99 per cent of their income, it’s worth a cool \$1 billion. Politicians anxious to buy votes treasure erroneous advice like this.

The RBA’s selection of a wind farm as an example of supposedly beneficial effects of new spending is consistent with the message of the Second Horseman of the Apocalypse.

Modern affluence originated three centuries ago as a result of individuals interacting freely within a known legal framework economically administered by governments that took only 10 to 20 per cent of income. Regulation of commerce and business activity generally in some ways (with tariffs) preceded the growth of government as a tax and spending agent. But the real upsurge in regulation within first world economies took place after the second world war (not long after that, the process of deregulation commenced in China, India, and other previously economically backward economies, sparking the surge in their living standards).

An early feature of regulatory damage was government restraint of land use through ‘planning’ to prevent landowners and prospective buyers from using land in ways they would prefer. This induced a scarcity of housing land on the periphery of cities and towns, driving up the cost of an Australian house-ready block of land from around \$150,000 to \$400,000 with knock-on effects across all property. It is a tax on those not owning a home that,

however, for developing economies brought serendipitous benefits – unaffordable housing diverted savings into productive investment.

The most important and pernicious current regulatory agendas are interventions and direct subsidies to high-cost forms of energy (wind, solar, and now hydrogen). In Australia, these amount to some \$7 billion a year. This is money extracted from us as both energy consumers and taxpayers, and directed to forms of energy that are intrinsically high cost and unreliable. The rationale is prevention dangerous global warming from CO2 emissions. But, even if this were not a myth, it would be unaffected by Australia's puny one per cent of global emissions in the context of China, India, and others in the developing world, with 70 per cent of emissions, adopting no substantive restraint.

The contemporary Apocalypse's Third Horseman is the contempt and animosity felt by many, especially in Anglo nations, towards the historical developments that have brought modern prosperity. Felling of statues and the hysteria of Black Lives Matter in the US have their counterparts in Australia – an extreme example of which involved Aboriginal activists and their supporters attempting to burn down the old Parliament House. Loathing of one's own nation legitimises non-cooperation and destructive activity adding further fragilities.

Advanced nations are being weakened economically and philosophically by the First Three Horsemen of the modern Apocalypse: extravagant government spending, excessive regulation and national self-hatred. If economies do not crumble from these three forces, they would be ill-equipped to counter a Fourth Horseman, should it appear.