

## Australia's Entitlement Disease (Based on an address to the Young Liberal Movement of WA Policy Forum. Thursday, 13<sup>th</sup> August 2015)



By Ron Manners

I'm so excited that you are all here to talk about policy tonight.

Australia needs a policy rocket right up its backside.

Political parties, in Australia, talk about policies but inertia and the vested interests win out every time.

I want to talk about that and suggest a solution.

Did any of you learn about Public Choice Theory at university?

Does anyone want to describe it for me in two sentences?

Those of you who receive the concentrated benefits from any law or policy will work their guts out to protect their patch and they will distribute the costs widely, over as many people as possible, so that it is not life-threatening so the mob will not march in the streets.

That's Public Choice Theory and it explains most of the bad policies that afflict Australia. If you understand Public Choice Theory you will understand Australia's entitlement disease and how it has led to the mess we are in.

The entitlement disease is to be seen everywhere.

- In our schools.
- In politics.
- In business.
- In families.

Talking about families, one growth industry in Western Australia, is specialist companies set up to run family businesses because the next generation feel they are simply entitled to the proceeds, without having to work for it.

An international speaker is in Perth, next week, talking on how the next generation can graduate from being, as he puts it, "entitlement brats, to contributing leaders".

However, the good news is - the game is up for this entitlement disease in politics and in business - thanks to your generation and to social media.

There can be no clearer example of concentrated benefits than those going to Bronwyn Bishop and the politicians of all parties.

The benefits are extremely concentrated but the costs have been carefully spread over some millions of victims, but the game is up now, thanks to the internet.

The unfortunate rub-off is that 'respect' has been completely lost for all politicians, which makes it doubly difficult and unfair for those exemplary few who have moderated their behaviour.

The same story applies for business.

Social media is now delving into matters of corporate looting which has been going on, on a grand scale.

Social media is identifying companies who have forgotten how to make a profit yet still fly their teams, via business class, around the world.

Shareholders are now revolting and are simply walking away from investing in such companies and, in fact, walking away from investing generally.

It is easy to see how so much abuse of the system has been regarded as 'normal' over all these years. People say, 'that's politics' or 'that's business' but if respect is to be gained, over time, there is much hard work to be done.

For an explanation of how this has been going on for so long let's again point to Public Choice Theory, which explains everything you need to know.

Why isn't Public Choice Theory taught in the Australian universities anymore? (I do know that it is taught at ANU but I have yet to find examples of other universities teaching it).

Could it be that Public Choice Theory may indicate that universities themselves are an example in that they may be run with the concentrated benefits going to the administration and the academics and the diffused costs spread over many thousands of students and parents? I'm not sure but think about it.

Now let me give you a classic W.A. example of how Public Choice Theory permits bad policy to linger. An example could be our Potato Marketing Corporation of Western Australia.

I understand that we used to have Onion Boards, Egg Boards and all manner of Boards but they have been abolished and I think Potato Boards have been abolished in all other States.

Nearly all the experts agree that Potato Boards are a really bad idea and should be scrapped.

Here we have a policy which is very good for possibly 0.1% of our population. They, the potato growers, gain financial advantages through the existence of this policy.

What about the 99.9% not engaged in growing potatoes?

Most people, in this room, when they go to the supermarket pay more for their potatoes and, in addition, they pay higher taxes to pay for the Potato Board itself.

In other words the vast majority of us are getting screwed at both ends.

Now, we live in a democracy. Here is the policy which is good for say 0.1% and bad for say, 99.9%.

Obviously in a democracy that policy would disappear. It would be abolished. Yet, every time there is an attempt to abolish the Potato Board it keeps coming back. Now, how to explain this!

Public Choice Theory explains it as being the 0.1% who benefit from the policy, they really care about it because their income and wealth is tied up with the policy so they vote for and contribute to political candidates who support the policy. They campaign for candidates who will continue with this and might even throw potato peel over candidates who don't support such policies.

What about us 99.9%? We don't think about the policy much and even if we did we'd say, well it's probably only costing us an extra \$5 a week so we are certainly not going to march in the streets or hold placards up in front of TV cameras.

There are examples everywhere of the problems caused by concentrated benefits and dispersed costs with small groups holding the rest of us to ransom.

At least with the Potato Board there is an element of humour. I understand that the Barnett Government has promised to get rid of the Potato Board, around next election time. However, I noticed in last week's *Business News*, that a new "leadership team has taken the helm at the Potato Marketing Corporation, as the industry moves towards deregulation."

Deregulation doesn't have to be managed.

You deregulate by simply abolishing the Potato Board.

(History is full of deregulation success stories; start with the West German Economic Miracle following WWII)

Meanwhile, W.A.'s potato statesman, Tony Galati, speaks for W.A.'s many consumers, who have been carrying these dispersed costs for many years, when he

says, "The current stringent licensing system has pushed up prices for consumers for the benefit of a small number of farmers."

You can see that we, the consumers, have been screwed again but the other interesting touch now is that those who have benefited, for so long, are now suggesting that the government should compensate them as their licences, issued by the Potato Board, are in danger of losing value.

Doesn't all this sound a little like Uber and our over-protected taxi industry?



### **Digressing for a moment:**

As an interested observer, and not a member of the Liberal Party, I'm amazed at how the State Liberal Government is acting as a government that desperately does not wish to win the next State election.

Look no further than the disgusting treatment of their own tenants at Elizabeth Quay.

Nobody treats their clients like that and remains in business.

Now, while we are searching for examples of bad policies that fit the Public Choice mould of concentrated benefits versus dispersed costs we can look at why residential building blocks in W.A. are three times the cost that they should be.

I personally have my own gripe with the State Government, which caused me to write a letter to the Premier (June 17, 2015), which I titled, "Barnett Government Trashes W.A. Property Rights."

The letter and follow up responses have been copied to all State MPs and I've received an amazing amount of support from both Liberal and Labor MPs.

As a matter of fact one Labor MP actually rang and asked if they could steal my heading from the letter and use it as an election poster for the forthcoming State Election. That heading of course was, "Barnett Government Trashes W.A. Property Rights".

Governments could get away with this sort of thing before the internet and before we were empowered to communicate directly ourselves. So, again, the game is up.

No need to go into the details of my complaint tonight but the correspondence is available on our website.

<http://www.mannkal.org/downloads/links/TheBarnettGovernmentTrashesPropertyRights.pdf>

The basis of my complaint is simply that I'm not interested in what cosy deal may have been done between the Premier and Alcoa.

I'm just interested in the fact that, under our State Constitution, the Premier cannot destroy my Property Rights. To reinforce my thinking let me quote the exact words of Judge Andrew Napolitano —

"The greatest losses of our freedom have come not from someone attacking us, but from the government ignoring the Constitution and the majority letting them get away with it."

Something the politicians have forgotten is that the two most portable things on earth are people and capital. If either is not made to feel welcome, people can be on the next plane and capital can be transferred elsewhere at the click of a button.

Australia is not a welcoming business environment, as I described in Greece and Hungary recently.

They didn't believe me when I explained that our State Governments fine employers for creating jobs and the more jobs you create the higher the fine - we call it Payroll Tax.

That, along with red tape, green tape and black tape, has driven 85% of Australia's exploration dollars offshore, probably never to return again.

That's why your deliberations on policy are important.

Enough complaining!

We live in a great State and there is work to be done — particularly on policy.

Let's finish on a high note and explain why you folk will win and why you must win, if you are to have an exciting future.

At Mannkal Foundation we develop curiosity in the minds of young people to go in search of good strategies and to explain the dire outcomes of bad policies (we collect examples of both).

If you see or hear a business leader or politician, who says something sensible, stand up and cheer them! They are doers and achievers and should be recognized as such.

One example is Indian Prime Minister Modi, when he said recently —

"The problems of public administration will end if politicians learn how to say 'no' and if bureaucrats know how to say 'yes'.

Learn from leaders who have earned respect. Another example, the former Czech Leader, Vaclav Havel, who was described with these words:

"When Vaclav Havel died in 2011, tens of thousands of Czech citizens paid their respects. It is rare for a politician to be so loved. Havel was a man of great integrity who spent his life 'living the truth' in a society that was 'living a lie'."

Mannkal Foundation focuses on youth and I saw similarities in Greece for this reason.

In Greece, as in Australia, change will not come from people over 40 years of age.

By then, they have usually found their way around the many rules and regulations (or transferred capital elsewhere). However, our young people, like the young people in Greece, have more to lose.

They have been screwed and left with the debt.

So there are two reasons to succeed with reactivating policies.

1. You have the tools that previous generations didn't have:-

- ❖ Project Western Australia. <http://www.mannkal.org/projectwa.php>
- ❖ Books that clearly show which policies will work.
- ❖ The N.Z. example – where their recent successful reforms have been described as “Being designed by Hayekians, run by pragmatists and populated by socialists.”

and the second reason;

2. You will succeed because your own future depends on you, yourselves.

So, work on your policies and ensure that the concentrated benefits go directly to you and future generations, with the dispersed costs spread widely, but this time, over the many 'enemies of industry'.