



ourcommunity.com.au

The Truth is Out There: Decoding econobabble to make room for good ideas

Communities in Control Conference
Melbourne, Monday, May 29, 2017

An address on economics by

Richard Denniss

Chief economist at
The Australia Institute
([Watch here](#) | [Listen here](#))

About the oration:

“When nonsense is repeated often enough – especially by well-paid lobbyists, commentators and businesspeople – it can start to seem as though everyone believes that black is white, or up is down,” Richard Denniss writes. “After enough exposure to econobabble, you might even come to think that the best way to help poor people is to give tax cuts to the rich.” Richard’s having none of it. His mission in life is to bust the myths peddled by people using mangled economic language to conceal the truth. There’s never been a better time to learn how to speak econobabble. Richard has the phrasebook.

1

If quoting from this speech, please acknowledge that it was presented to the 2017 Communities in Control Conference convened by Our Community, May 2017 | www.communitiesincontrol.com.au



Communities in Control
One of the 16 Knowledge Centres
of Our Community.



ourcommunity.com.au

Richard Denniss

I generally like to keep people's expectations low – and as an economist, that's not hard, usually. But let's see if I can change your life in some small way.

Yes, it's true, I am an economist. I apologise. I'm also from Canberra. Sorry again. But I hope I can avoid the econobabble and speak to you today about not just the economy, which, let's face it, is a rather secondary concern – and you heard that from an economist – but more importantly, about the shape – not the size, but the shape – of the country we want to build. What kind of country do we want to live in? What kind of things do we want more of, what kind of things do we want less of? Because those questions are interesting questions that typically people feel not just able, but eager, to participate in.

But we don't ask citizens in opinion polls, or every three years at an election, “What is it you want? What is it you want for your country, what is it you want for your kids? How might we pursue that?” For reasons that I don't quite understand – reasons we may interrogate in question time — we've actually replaced that fascinating democratic conversation about what shape you want your country to be with a rather banal, rather anodyne, and I would suggest deliberately tedious conversation about the best way to maximise the rate of GDP growth. Because most people don't actually know what that means. Now, I'm not talking about you. I know you're smart. But the person sitting next to you worries me! I don't trust them at all!

And that is the econobabbler's trick. It's to silence large numbers of people by making everybody feel that everybody else understands something that they themselves do not.



So let me start with a definition. For me, “econobabble” is the use of economic jargon with intent.

Jargon is fine. Jargon is what people with a shared interest or a shared passion develop to speed up a conversation between fellow football fans, or fellow Game of Thrones fans, or fellow medical practitioners. Jargon, used between consenting adults, is a way to speed a conversation up. But for me, econobabble is jargon with intent. The purpose of the jargon is not to speed a conversation up, but to shut one down. The purpose of the jargon is to keep most people out of important debates about what would we, as citizens of one of the richest countries in the world at the richest point in world history, like to do with this incredible wealth? Indeed, perhaps we should even ask the question “How come, as one of the richest countries the world has ever seen, we feel poor?” Because that’s a pretty good trick.

Now, I’m not saying there aren’t poor people in Australia. I’m saying that, on average, the income of Australians dwarfs that of nearly everybody in the world. And that, on average, the income in Australia dwarfs that of an Australian 40 years ago. But do we feel richer than we felt 40 years ago? Or instead, do we now find it hard to fund the simple public services that 40 years ago we found it easy to provide? Making that many people feel so stressed, and so poor, that we don’t even ask ourselves how this came to be, is a pretty good trick. So econobabble is not just the use of economic jargon, which is fine – I can jargon all day. But I wouldn’t jargon at someone that had no idea what the shorthand meant.

Now, economists didn’t invent this trick. Catholic priests preached to the working class in Latin for centuries. It wasn’t to help! It wasn’t to help open up a debate about ethics or morality or anything else.

3

If quoting from this speech, please acknowledge that it was presented to the 2017 Communities in Control Conference convened by Our Community, May 2017 | www.communitiesincontrol.com.au



Communities in Control
One of the 16 Knowledge Centres
of Our Community.



ourcommunity.com.au

It was designed to make sure that the bloke – and it was a bloke – up on the podium did a good job of making everybody else stay in their place. But democracy is different from that. Our political leaders need your vote. Our political leaders need your support. Yet were you to tune in to *Q&A* (a task I spare myself) you would every week hear elected politicians (almost none of whom are economists) speaking to an audience (nearly all of whom are not economists) and speaking to each other in the strangest language. A language that neither speaker nor listener speaks. And that is econobabble.

This is not an accident. Because were the questioner to stand up and say: “Well, my son’s disabled and I can’t believe that in a country like Australia we can’t provide better quality care for him, and I can’t believe that five years ago they actually were getting better care – why is that, minister?” the answer would be “Well, you know, we live in these straitened times, and certainly because of the liquidity constraints that followed the global financial crisis, what we’ve all seen – not just in Australia but globally, is a tightening in the capacity of the Federal Government.” What he actually meant to say was: “It’s not a priority. We don’t want to. We’re spending money on other things,” or “We think cutting taxes and having less revenue is more important than looking after your son.” That’s it! There’s nothing more to it than that.

We can spend 50 billion dollars to build 12 new submarines to replace the six we haven’t used yet. And you’ve never heard about the “defence spending funding gap” – but the NDIS has blown out, and there’s an NDIS funding gap! Well, have you ever heard of a defence procurement project that didn’t blow out? It’s okay. We’re a democracy. We don’t have to spend money on disabled people.

4

If quoting from this speech, please acknowledge that it was presented to the 2017 Communities in Control Conference convened by Our Community, May 2017 | www.communitiesincontrol.com.au



Communities in Control
One of the 16 Knowledge Centres
of Our Community.



ourcommunity.com.au

We don't have to spend money on domestic violence shelters for women. We don't have to spend money on looking after kids from disadvantaged backgrounds and making sure they have a good education – there is no constitutional requirement to do any of those things. But if we wanted to, we would collect the revenue that we wanted, and we would spend it on those things. And if we don't want to, then we should look ourselves in the face and say we don't want to.

We had a budget less than a month ago, and not many people watched, because – budgets, economics and stuff. Blah, blah, blah. You know what I call budget night? “Who gets the 400 billion?” That's what happens on budget night. Because every year, the Commonwealth government spends 400 billion dollars on stuff. Did you get the stuff you wanted? No? Well, you should have watched the budget! And then you could have seen who did get the stuff. Because someone's getting the stuff – we're one of the richest countries in the world. There's plenty of stuff. There's plenty of money. There's just not enough money for you. And I blame the person sitting next to you! Because the money doesn't get flushed down the toilet. It gets flushed into somebody's pocket, and if it's not yours, it's someone else's.

So not only don't we worry about the 50 billion dollar cost of building 12 new submarines – and by the way, I don't care about submarines. Build 15, if you like. They're not even dear; I'll come back in a minute to how little 50 billion dollars is. That is not a large amount of money (only an economist can tell you that). Not only are we buying submarines, we're also about to drop 50 billion dollars on tax cuts for big business. That's got nothing to do with fixing the budget deficit. It's going to make the deficit bigger. But that's okay. Because that's part of the plan as well.

5

If quoting from this speech, please acknowledge that it was presented to the 2017 Communities in Control Conference convened by Our Community, May 2017 | www.communitiesincontrol.com.au



Communities in Control
One of the 16 Knowledge Centres
of Our Community.



ourcommunity.com.au

Because it's actually hard to get a large group of people, certainly hard to get 24 million people, to agree to cut spending on health and education. Because people overwhelmingly like it.

Do you know the best way to get people to agree to cut, to spend less money, on essential services? What's the easy way to get people to agree to do something they don't want to do? Fear? What are they affeared of? Pain? You're getting the hang of it. Tell them they're broke! You know what the best way to cause a budget deficit is? Cause a budget deficit! Cut taxes! You cut taxes for enough years, you'll get deficits, then you turn around and go: "Oh, I've got a deficit! Going to have to cut spending!"

You think that conservatives hate budget deficits. Conservatives love budget deficits! Budget deficits are the stick with which to beat your expectations down. That is the purpose of a budget deficit. "Look! We've got more going out than coming in! We have to cut spending on popular important things" (don't mention the submarines!) "We have no choice but to cut spending on the disabled and the poor and the old," (but not the submarines) "We have no choice – the budget is in deficit (because we cut taxes massively)."

It's not hard. You don't have to be an economist to ask simple questions like: "If we're broke, why don't we collect some more tax?" But if you ask: "Why don't we collect some more tax?" the answer will be a great big dose of econobabble, I guarantee you. "Oh, well, that would destroy incentive, and foreign firms wouldn't invest in Australia, and then what we'd find is the productivity would fall and in the long run, the cake would wind up smaller, and that's why your kid can't get help." It doesn't mean anything.



We've been told for so long in Australia that we're a high tax country, that even though the internet exists, we still believe it. There's this communist group, what's it called – ah, yes, the IMF, that's right! The International Monetary Fund. And they've got something called a website that no-one in the parliamentary press gallery has access to. And what it shows is that Australia is what we call a "low tax country". But if we call ourselves a "high tax country" for long enough, and call people like me lefties when I point to the IMF website, we might be able to convince a lot of people that the reason we can't afford to spend money is because we're poor, rather than because we don't want to.

Now, to be clear, lying is a good strategy, sometimes. I lie to my children when I don't want to do things. So for my example – my six year old says "Dad, why don't we go to Disneyland for a holiday?" (a thought that shocks me). I might say "It's a great idea, son, but we can't afford to do." Well, I'm comfortably middle class, and if I wanted to waste money and go without things I do think are important, we probably *could* go to Disneyland. But rather than say "Son, your priorities differ from mine," I just lie and say we can't afford to.

But my son doesn't get a vote in whether I'm his dad. And you do get a vote as to whether the people that say "We can't afford to spend money on [*insert your priority here*]" will get into government. And when they say that "We can't afford to do it" they're lying to you.



Now, because we've been told that we're a high tax country and our high taxes are already burdening us so much that we've become uncompetitive, and it's our high taxes that make us uncompetitive, and that's why we can't afford to produce anything, especially manufacturing, because we're so high tax and uncompetitive, I usually say "Has anyone here ever seen a Volvo?" Anyone here ever seen a Volvo? How about a BMW?

See, I can't get my head around this. Because Volvos come from this strange mystical country called "Sweden", that has much higher taxes than us. And BMWs and Mercedes come from this weird hypothetical thing called "a Germany". And what you find about this hypothetical Germany is that it, too, has higher taxes than us, yet somehow still seems to manage to make things. Yet we've been telling ourselves for decades now that we can't make anything here because our taxes are so high.

Now, there are lots of reasons we might not make as much stuff here as we used to, but I assure you that one of them is *not* the tax rate. If it was, it would be hard to explain how the highest tax countries in the world – let's call them Northern Europe – are doing so well. Has anyone here been to this mystical land? I assure you, I'm not making it up. It does exist – I know you've seen at least one Volvo in your life. If it was true that high taxes were the reason we couldn't make anything, you would think that there could be no country with even higher taxes than ours that made something. But there is. So the answer can't be centrally related to tax. That's why econobabble is so important. Econobabble is designed to keep you out of the public debate.

How am I going for time? Ten more minutes. Good. See, I don't use PowerPoint. I think power corrupts, and PowerPoint corrupts absolutely. Which allows me to always finish on time.



At some point, Denis [Moriarty, ed] will say “Richard, it’s time to stop”, and I’ll say “Well, that’s exactly where I wanted to finish – I was just about to wrap up!” Keep that in mind.

How has it come to be that we, some of the richest people in the world, are feeling so poor? How has it come to be that we believe things like: “The reason that the manufacturing industry left Australia was tax rates”, even though the manufacturing industry is thriving in countries with much higher tax rates than ours? How could this be? Well, central to this paradox is the way we’ve stripped away simple questions – about what kind of country we’d like to have, what we’d like to have more of, what we’d like to have less of – where we could judge politicians by their ability to deliver those things for us. We’ve replaced that whole fascinating, important, and usually interesting democratic conversation with a boring conversation about econobabble and statistics that almost no-one understands.

I know you yourself are probably right across this – put up your hand if you’re worried that no-one *else* in the room actually knows what the Hang Sen or the Nikkei Dow really is – if you’re worried about other people. Okay – most people think everyone else in here is pretty smart!

Well, you can tune into the news each night and learn about what happened to the markets. Indeed, you can tune in at five o’clock, or six o’clock, and there it is on the news. Because people that have a lot of money invested in shares, wouldn’t track the Hang Sen or the Nikkei on something like a smartphone app through the day, would they? They’d all be rushing home to watch the five o’clock news.

We get a *lot* of news on the stock market.



But anyone here who's ever tried to get a story up on the news about – I don't know, the complete fundamental spectacular failure of our society to invest in quality care for people who need it? – will know how hard it is to get a minute or two on the six o'clock news. That's some expensive real estate.

So why, every night on the news, are we getting information that has almost no bearing on the life of anyone in this room, given that anyone who actually did care about it probably isn't hanging out to find out from Channel Ten how their portfolio performed throughout the day. So what's that there for – all that talk about how the market's doing? Who's listening to that?

Next time you hear a journalist say: "Let's turn now to the markets", just ask yourself "Who in the world gives a [insert preferred word here]!" Because the news is full of that conversation about the markets, and how the markets are doing, and more importantly, and more bizarrely, how the markets are feeling – *feeling*? The markets are anxious. The markets were nervous. Maybe the markets were upbeat! Let's just break down this most important piece of econobabble. When we hear that the markets were feeling angry, or the markets responded negatively, what on earth are we talking about? Let me just help you.

Has anyone here ever been to a fish market? Okay – I want you to picture a fish market. Big shed, probably tin. Cold. Smells like fish. The beautiful thing about a fish market is there's people there that want to buy fish. There's people there that want to sell fish. They come together. That's what a market is. A market is a place where buyers and sellers come together. So imagine you're in the fish market. Smelling the fish. Wishing you wore a jumper. Now ask yourself the following question; "I wonder how the fish market feels?"

10

If quoting from this speech, please acknowledge that it was presented to the 2017 Communities in Control Conference convened by Our Community, May 2017 | www.communitiesincontrol.com.au



Communities in Control
One of the 16 Knowledge Centres
of Our Community.



ourcommunity.com.au

I wonder what the fish market wants?” Now, don’t get me wrong. I reckon I know what the people in the fish market want. They want to sell some fish (or buy some fish). But it makes no sense to even consider the question “What does the *fish market* want?”

Now pull the word “fish” out, and insert the word “share”. Let’s ask ourselves – what does the share market want? Lower taxes. Lower wages. Wants the government to cut spending. Does it? Can I talk to the share market? Where I would find him or her? Does he or she type out heir feelings? Where exactly does the share market make their feelings known? Oh, through rich people who own a lot of shares.

What’s a fish market? A place where people buy and sell fish. What’s a share market? A place where people buy and sell shares.

When we hear that the share market reacted negatively, it’s as if Zeus and Apollo are about to chuck some lightning bolts at us for offending them. Seriously, the whole point of talking about “the market” is to take out the most important words of all – “some people”. If you heard that a bunch of people who own a lot of shares reacted angrily at suggestions that they pay more tax, that’s probably a sentiment you can understand. It might be a sentiment you’re sympathetic to. It might be a sentiment you couldn’t give a rat’s about.

But hearing that “some people who own a lot of shares are angry” sounds a bit different from “the market reacted angrily”, doesn’t it? It’s not an accident we talk about what “the market” wants. It allows us to never have a conversation about what *you* want. It’s designed to keep you out of the conversation.



What scares me is that a lot of our politicians don't even know this. They actually talk about it as if they're talking about the Greek gods, or someone else. Maybe Sweden does exist. Maybe they do have higher taxes than ours, and still make cars. But *the market* would mark us down if we were to increase taxes.

It would be fine if we just admitted it. We don't want to increase taxes because we don't want to spend more money on the sick, or the poor, or the disabled. We don't want to. That's fine, it's a democracy. Sweden's got tax to GDP ratio of nearly 50 per cent. We're at 24. We're not a high tax country. And there are countries with much smaller public sectors than ours – there are countries with 12. It's a democracy. We get a choice. But, as I said at the beginning, if we can keep all of you out of that democratic choice then it's much easier for those that *do* feel they get listened to get away with it.

I was here for the previous session. Someone was talking about “How do you change peoples' minds? How do you influence a politician?”

I think it's really simple. There are only two things that politicians respond to; pain, and the threat of pain. That's it. Everything else is just pretending to listen. Now, get me right; that's okay. It's a democracy. The politician's job is to represent people. Their job is to make decisions on our collective behalf.

Their job is to say “No, we can't go to Disneyland every year,” because we can't. We're one of the richest countries in the world – we can do anything we want. But we can't do *everything* we want.



We have to make hard choices. And if some groups in the community are really, really good at making a lot of noise and complaining and switching their votes every time they don't get heard, and there's another group in the community that are really, really good at going "Oh, it's terrible isn't it, I know, but there's no point in complaining, there's nothing we can do about it" – well, if you were a politician, who would you respond to?

People often tell me there's no point writing a letter to a politician or going to see them, they never listen. And if you do see them you should say something like: "I hate you, and I've always hated you, and you're crap, and after that thing you did yesterday I hate you even more." Well, that's one approach!

Try this one. Why not start with: "I love you! You're great! I've always voted for you, and so has my whole family. But on this one issue, you lost me. And if you don't change your mind, I'm going to have to change my vote." You'll get another meeting. It's a politician's job to listen to people – people who don't just say "I hate you, and I wish the world was different." It's their job to change their mind before you change your vote. That's how democracy works.

So, to conclude, you're not all going to get everything you want. In fact, I reckon the people on this side of the room probably don't always agree with the people on this side of the room about what the priorities should be. But it's the job of a politician, and it's the job of a government, to cobble together the best we think we can come up with. And the reason that we find it so hard to come up with anything any good in Australia any more is because for so long we've been told that it's just not on the menu to collect more resources so that we can spend more money. It is on the menu.



Whether we choose it or not is a democratic thing. But there's no way you're going to have Sweden's level of health and education on Taiwan's tax rates. Okay? That does not add up. That's not econobabble – that's just honesty. That's just priorities.

But if, and it's a big if, we were willing to collect about the average amount of tax collected by OECD countries, then I reckon we could spend enough money to make nearly everyone in this room think that their organisation could do a better job of helping people who really need it.

ENDS

