

FIVE WAYS GARDEN STATE CAN RIP OUT ITS ECONOMIC WEEDS

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They say that what is right is wrong and what is wrong is right; that black is white, and white is black; bitter is sweet, and sweet is bitter.

Woe to those who are wise and shrewd in their own eyes!

Isaiah 5: 20-21

The Victorian economy and its policy leadership are really struggling. In 2010 (after the Global Financial Crisis), Victoria had the highest average per capita living standards compared with the rest of Australia, the US, all the G7 nations and the entire OECD put together. Remarkably, this was near the end of the China boom, which never benefited the state economy directly.

So, what went wrong?

Successive governments commenced a property, construction and population Ponzi scheme, which abandoned basic respect for the rule of law, sound governance, good planning and consultation, respect for property rights, efficient government size and effective public governance and financial management.

Then the Andrews/Allan Labor government got soft on crime, reluctant to address grey corruption (see, for example, statements by Robert Redlich, now retired commissioner of the Victorian Independent Broad-based Anti-Corruption Commission), and has been incompetent in its public - administration.

All this mismanagement has produced an appalling record of productivity and private investment.

That Victoria now is a net “taker” in the GST carve-up confirms the loss of its economic leadership.

But all is not lost. There are some very straightforward steps that Victoria could take to turn the ship around.

Premier Allan might consider taking a leaf out of the book of Victoria's principled and technologically astute Cain government from the 1980s, which combined a focus on family-friendly values, cheap and reliable energy, affordable housing, and encouragement for value-added manufacturing.

This was true of the Cain government at least up to 1988, before lax supervision of the State Bank (especially by the Reserve Bank) began its political death spiral.

So, what tangible steps could Allan take to set the state back on the right footing?

1 Uphold the law and private property rights

Streets and shopping precincts must be free from crime. Political promises must be kept. Decisions and government-funded initiatives, inquiries and the like must be made transparent to the public. Planning and administrative powers must be respected and not used to override the rights of householders and small business owners. That is simply theft.

For example, during the Covid emergency, several legislative changes were made with little or no visibility to the Victorian public, which skewed the balance between planning democracy and property rights on the one hand, and the powers of authorities regarding undertaking major projects on the other.

That same heavy-handed and clandestine approach has now been applied to overrule the democratic planning processes of local councils – the apparent justification being to speed up housing construction in Victoria.

The Victorian Labor government's little known or understood amendments to planning powers also trample upon the property rights of existing landowners to obtain adequate compensation for their losses upon so-called voluntary acquisition of property.

Effectively, the state government is coercing small landholders to release their property rights. This is intended to avoid "just terms" compensation under Section 51 of the Australian Constitution.

Another example, in June, the Allan government introduced a bill to parliament that would give VicGrid the power to access private farmland if deemed necessary to build transmission towers up to 85m high.

Individuals who resist on their property face fines of up to \$12,000, while body corporates could be hit with penalties of up to \$48,000.

Would these legal and statutory manoeuvres survive legal review by an appropriate legal authority?

2 Abolish the unholy construction cartel that has “farmed” subsidy to political allies

Here the participants have been political advisers, the big four accounting firms, (an oligopoly of foreign-owned) major builders, their local contractors, the disgraced and “in administration” CFMEU, and key superannuation funds, especially via their property development arms.

3 Establish a royal commission into major projects

Albeit that the role, if any, of the current Premier herself could come under scrutiny.

But if the Victorian government expects to restore the public’s trust in the political class, then a royal commission must be called to investigate abnormalities relating to certain key infrastructure projects based on irregularities in their origination; land purchases anticipating eventual routes; business acquisitions anticipating policy announcements; planning corridors benefiting vested interests; advance notice of public announcements and “grants” paid to contractors, sporting clubs and educational facilities etc in return for project support; and the role of and relationship between the Victorian government and the CFMEU in undertaking the Big Build program.

Also, it might be appropriate for all current and past office holders within the effected institutions to disclose everything they know about these matters, if anything.

It might be worth considering whether a blanket ban should be placed on all current or former consultants, ministerial staff, and especially, politicians joining the executive ranks and boards of public corporations, superannuation funds and other not-for-profit financial institutions. The idea is to prohibit anyone from benefiting financially for their policy work with Victorian Labor etc.

4 Prioritise restoring low-cost and reliable energy supply

An electricity grid based mainly on renewable energy is far less productive than a centralised one based on a small number of large plants. Not only is there a need for a massive overbuild of renewable kit, but there is also an inherent redundancy in the system because of the need to back up intermittent power.

The case for transforming the electricity grid has nothing to do with productivity, quite the reverse. So, the Allan government must fix regulation to encourage the entry of new grid-supporting technologies into the energy markets.

It must also investigate all the feasible energy transition technology options.

An independent study like the one we conducted for Industry Super Australia should be undertaken to consider options to retain the existing value embodied in the infrastructure (the existing transmission grid and thermal power plant equipment such as boilers and steam turbines) associated with the Yallourn power stations.

5 Reduce public debt via curtailing spending

Victoria's finances are in tatters. It must return to the principles of prudent public financial management.

In terms of recurrent spending, Victoria must reprioritise and cut back on all non-essential outlays through some intelligent DOGE-like process.

The process could usefully start with targeting non-core commitments, ideologically "fashionable" programs lacking firm policy foundations and other clearly unproductive elements. This must not be slash and burn.

In terms of capital spending, the state must rationalise and reprioritise capital spending. In particular, the Big Build program that has underpinned Victoria's industry strategy since at least 2016. Funding for the capital budget must return to something like the long-run share of annual GSP.

John Cain, like Jacinta Allan, was a builder. But he was also a principles-based politician, a Fabian socialist intellectual, just like the legendary Race Matthews and Jim Cairns.

Cain wanted a better life in every sense for working people in Victoria. He rejected the sinecures of political life and was content with a modest academic role after his political career ended.

Regardless of your politics, if only there were more people of this calibre in state politics on both sides of the aisle, we would not be in the parlous state we are in and might have cause for real optimism for the future. As it is, optimism is in short supply.

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