FINANCIAL REVIEW

Opinion

Australia has forgotten what the good life means

The country is now asking whether the rising cost of living, falling productivity and competitiveness have been worsened by the people in charge. The simple answer is yes.

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Most of the problem with our current economic debate and relative economic decline is that we have lost the ability to speak plainly, clearly and with compassion about the actual causes.

Too many are afraid to call out the prevailing mediocrity. This was not the approach of Aristotle or Confucius. The former said a city exists so that people can live well, not merely so that they can live.

Multifactor productivity under Anthony Albanese's government has been near flat. **Alex Ellinghausen**

Population settings and tax policy are tools. They are not the point. Political office is a trust [https://www.afr.com/policy/economy/productivity-commission-urges-fix-for-bad-government-spending-20261014-p615dt]. It is corrupted when it is used as a tool.

Confucius said all work begins with names. If the name is wrong, the words do not match the thing, and the thing cannot be done. Australia has grown the tools, given them the wrong names, and called the result prosperity. Living standards per person say otherwise.

Australians are now asking whether the rising cost of living, falling productivity [https://www.afr.com/politics/federal/only-productivity-not-populism-will-rescue-australia-cormann-20261016-p6161x] and competitiveness have been worsened by the people in charge. The simple answer is yes. They mistook a larger stock of people for a better life, and they would not say so.
Take the contribution of population growth out of measured gross domestic product growth over the past 20 years, and it disappears. The reason is that migration has run far above the projection in the 2002-03 *Intergenerational Report*.

Yes, the country is larger than expected. But output per person is not.

“Good policy is good politics, and it faces home truths. Bad policy can yield political gains, but usually that program ends in a memorable electoral wipeout.”

Meanwhile, multifactor productivity fell 0.5 per cent in 2024–25. It was 1.6 per cent a year from the mid-1990s to the mid-2000s. In the 2020s, especially under the current government, it has sat near zero.

Temporary visa migration has long been standing in for homegrown productivity, for better skills among the native-born, and for a birth rate that replaces itself. That is the wrong name. A skills policy that does not select for skills is a population policy.

Inflation is the same failure, and it is homegrown. Productivity is falling in education, health, energy and public administration. The public sector uses more labour and returns less.

The fix is not an interest rate. The fix is the people who make the rules and their failure to speak the truth about the source of the problem.

Childcare, schools, housing and energy

Poorly targeted migration is the first cause. Other policies have contributed.

Childcare: subsidised care for two-income households is now the default, and for most families the rule. Aristotle put the household before the program, because the child is the reason the city continues and the parent is the first teacher.

A parent at home has been made a luxury rather than the normal choice, for babies and toddlers, let alone a primary-school child. We have never spent more on the care of children, and got less back, from a subsidy that separates children from parents.

Schools: reading, writing and maths have fallen since testing began. In PISA maths, the weak share has about doubled, and the top share has roughly halved.

Part of that is teaching. Part is a migration program that does not select for skills and language, then asks the school to finish a job the selection refused. A child has a claim to be taught. The adults had the office. They did not do it.

Housing: the too-big-to-fail banks lend to residential investors, not to small business. Tax and migration settings pushed prices up, not new building. Owners took the capital gain. The banks took the interest. The household not yet formed inherited the price.

A dwelling is a tool. It was treated as the point.

Energy: families and small firms need heat and cold they can afford, not a ration. Since 2008, as weather-dependent power has risen, electricity has cost more.

Wind and solar with storage need more capital to produce less reliable power, and much more capital to match a coal or gas plant. At the limit, a standby fleet must cover demand when the wind drops and the batteries run out. Users are now being offered deals to switch off.

Admit that net zero is impossible unless China and the United States cut their emissions, which are still rising. What is available here is a higher bill. The target was given the name of necessity. It is a choice.

The fair go is part of the Australian ethos. Rightly named, it means equal rights and equal responsibilities under one law. It is not a headcount. Aristotle's justice is proportion. Treat equals equally. Treat unequals in line with the difference that matters for the case.

For a master and her apprentice, the difference that matters is judgment. Gender, sexual orientation, appearance, race, religion and ideology are not that difference. Michael Lewis made the same point in *Moneyball*: pick the person who gets on base, not the person who looks good being struck out.

So-called positive discrimination is now rampant. It is being used to hire people who are not up for the role. Sadly, sometimes it promotes people who preach hate in public institutions. It is no longer clear that anyone in the public sector is really being hired on merit. It seems everything but merit is more important. The same sort of hogwash applies to the vetting of consulting work.

Meanwhile, blatant discrimination is waved through. Earlier this month marked three years since the Hamas attack of October 7, 2023. So much antisemitism in this country now that the brave men fought and died to prevent in the Second World War. Old Europe is here.

Confucius would have said: elevate the worthy, and do not elevate the category.

For example, most of the Albanese government's senior bureaucratic appointments. They do not look to have raised competence, effectiveness or independence. They just leave the impression that the public sector agencies are too close to government, and too afraid to speak up.

The same wrong names run through the street, the campus, the media and sport. In government and in the corporations, directorships are stacked on a public salary and built on categories such as diversity, equity and inclusion.

That is a compliance culture. It is a form of counterfeit stewardship that interferes with individual agency, creativity, entrepreneurship and so productivity.

Governments have had the briefings. Senior public servants have chosen not to share the warnings. No one is resigning on principle. Officials who read the weather, a veritable economic gale, and decide to keep the salary have failed the office.

Lasting policy

Following Edmund Burke, we are accountable. A person is not a freestanding claim. He is someone who can answer for a household, a child, a job, and a law older than his preference. He owes the dead the inheritance he was given. He owes the unborn a capital stock, and a formation that will still work. A right asserted before that duty is a bill sent to someone else.

The boom years of the 2000s and the early 2010s allowed many Australians to feel that that bill can be handed to someone else.

It can, but not for long. Bad relationships turn poisonous. Undisciplined children become dysfunctional adults. Spendthrifts go broke. Mediocre and self-serving politicians permit corruption and spread misery.

More controversially – both Aristotle and Confucius would argue that a society that encourages abortion and assisted suicide cheapens the passing on of life, which is the oldest duty there is.

Good policy is good politics, and it faces home truths. Bad policy can yield political gains, but usually that program ends in a memorable electoral wipeout.

A government aimed at what it can announce, rather than at people, does not name its policies properly. It will produce a downward spiral of productivity and falling living standards. That is not the measure of what this generation owes the next, but it is what it is achieving.

Call things by their proper names. Elevate the worthy. Put the household and the child back before the program. Or keep paying the bill.

Good policy is still the only program that lasts. We must all speak plainly, clearly and with compassion.

Until very recently, that type of plain speaking was the foundation of the Australian ethos and underpinned our egalitarian growth model.

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