

Economic epidemic: avoid American disease-like plague



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If economics were as precise as medicine, a smart economic “physician” would look at the hand-wringing here over “Dutch disease” and peg it as a short-term bug needing some care, a few aspirin and some commonsense.

They would dismiss it as a distraction from combating the “American disease”, which is a far greater threat to Australia.

Dutch disease, in brief, is the downside a boom can have on different industries because of the appreciation of a country’s currency. No doubt the high Australian dollar, driven principally by the mining boom, is hurting certain industries.

But the American disease spreads its hurt into every pore of society. Here is how I define it: an ideology based on a phantom idea called the “free market”, whose purity and virtue can only be realised by tearing down any regulation deemed “anti-business”, cutting every tax ever

conceived and shovelling most of the wealth created in society into the hands of a few.

The American disease has been wildly successful. It has killed the middle class, diverting 30 years of wealth growth from the people who created the value into the hands of the few. More people live in poverty in the US – 46 million – than at any time in the half-century the US government has measured that figure.

To be fair, the widening gap between rich and poor in the US does have benefits: a few billionaires can now afford, thanks to rulings by the conservative majority on the US Supreme Court, to spend unlimited amounts of money to buy elections, and to own pliant politicians of both major parties, who, in turn, show their gratitude by pimping for laws that hand even more wealth into the hands of the few.

The American disease is particularly adept at infecting the brain, spreading entirely discredited ideas that people assimilate despite the facts. Exhibit No. 1: high taxes discourage investment. Nonsense. In virtually every independent, honest survey of US business executives over the past 25 years, worries about tax rates rank far below, for example, access to an educated, skilled workforce, and good transport systems – all of which depend on a significant tax base.

Nobel laureate economist Paul Krugman told me recently that Mark Zuckerberg – who

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is about to become a billionaire many times over – never worried about the capital gains tax rate when he started Facebook. Yet the myth, entirely unsupported by facts, persists: cutting taxes is the chief elixir to spur innovation, job creation and investment.

About those “job creators”. Not one of them would have made a dime without investments by the government: roads, bridges, broadband, and schools. The outsized pay and fortunes the American disease awards the “job creators” has nothing to do with intelligence or creativity; most of the executives I’ve met are dull and mediocre. Their financial rewards are a product of cronyism and pay handed them by pliant boards stacked with their free-market sidekicks.

As for those regulations? Americans can thank 40 years of deregulation for higher injury rates at work, lower pay, non-existent pensions, higher airline fees, the savings and

loan crisis, healthcare costs and the 2008 financial crisis that wiped out trillions of dollars.

Which is why I shudder when I smell the American disease wafting from the mouths of many of Australia’s political leaders. Be clear: calls here for lower taxes, deregulation, “competitiveness” and smaller government have nothing to do with sound economics. They benefit either unpatriotic mining barons or cynical politicians who amass power on the backs of the fear of the people.

This is not an anti-business argument. The opposite: I am pro-business because we need good-paying jobs. Instead, we need to be clear that embracing the American disease is shackling an economy to a discredited philosophy that values greed, mismanagement, flimsy economic justifications and stupidity over building a sustainable economy that spreads the benefits of wealth broadly.

Australia should be proud of its history of setting a global standard of high wages, strong unions, real pensions, national healthcare, active government and, through all that, a relatively equitable society. Kill the American disease here before it undermines the country – and save the patient.

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