

Can't Afford Something? The Government Should Pay

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The pollsters can breathe a sigh of relief.

The French election is going to .

As predicted, Emmanuel Macron will contest the 7 May presidential run-off with Marine Le Pen.

If, as the polls suggest, Macron wins the second round comfortably, the European establishment will breathe a much bigger sigh of relief.

Macron is labelled a centrist — sitting in the middle. He will not rock the EU boat.

Whereas Le Pen is labelled a far-right leader who is anti-Euro, anti-Muslim and anti-immigration.

The alternative view is that she is pro-France, pro-Christian and pro-border protection. It all depends on how the media chooses to portray and influence the public in the way it frames things.

There's no question the EU boat would be rocked by a Le Pen victory. In fact, it is likely to capsize.

In the Netherlands, voters flirted with the Dutch Freedom Party's leader, Geert Wilders. But, in the end, voters didn't hand him the reins of power. It was a bridge too far.

However, populist (another label) parties are garnering support across Europe: Austria's Freedom Party; Belgium's Flemish Interest; Alternative for Germany; and the Italian Northern League.

This support, in my opinion, is likely to increase as the economic vice continues to tighten.

The ruling socialists are running out of other people's money. The populist parties are not preaching austerity, or that their nation should live within its means, or that the socialist model is a giant Ponzi scheme. No, the distilled message is that the financial discomfort being felt is a symptom caused by 'those who are not one of us'.

[Europe is a debt and demographic time bomb](#). It (dys)functions with a 'united' economic model. A model that favours the industrious Germans over the rest. It is fracturing. Resentment is building.

At some point, enough people will have had enough, and the populist parties will live up to their label.

The socialist system in Australia is only a step or two behind Europe.

KPMG reported on 18 April 2017 (emphasis is mine):

*'60 percent of households pay the same or lower amounts of income tax compared to the payments they receive from the government — in essence, **40 percent of households are subsidising income for 60 percent of households**, illustrating the **progressive** nature of Australia's tax system.'*

Before dealing with the main issue, 'progressive' is another label that is bandied about to evoke feelings of 'moving forward' or 'growing'...making progress.

Whereas the opposite of a progressive is the 'traditionalist'. Conjuring up images of an old-fuddy-duddy stuck in the past.

There's no doubt these non-traditional policies (wish-lists funded by the remaining few net taxpayers) are [growing our debt load](#).

But I digress on our progress.

How in the name of all things labelled 'common sense' did we get to the point where 40% of people are supporting the other 60%? If this trend continues, far too many will be chasing the 'rare cents' paid by the diehard traditionalist taxpayer...the uncommon breed that believes in the world not owing them a living.

The comforting thought traditionalists should hold on to is the logical statement by American economist Herbert Stein: *'If something cannot go on forever, it will stop.'*

The entitlement-heavy inverse pyramid will topple. There are no ifs, buts or maybes on that outcome.

Zero taxpayers and 100% tax recipients...I don't think so.

The only thing maintaining the illusion that this 'progressive' tax model actually works is the stupidity of people to a) Think it can not only continue, but should pay them more and b) Households going deeper into debt to fund the progressive life they believe they are entitled to.

Can't afford a house? The government needs to fix that.

Can't afford childcare? The government needs to fix that.

Can't afford to pay the gap to see a doctor? The government needs to fix that.

Whinge, bloody whinge. Nothing is more certain to get a politician's attention than the crocodile tears of the so-called progressives. We'll find another pocket to pick to soothe your concerns...there, there, you poor, hard-done-by progressive who wants more than they can personally afford.

Governments lack the intestinal fortitude to deliver the tough love needed. And while households are prepared to gear up, enough tax revenues flow into the Treasury's coffers to delay the need for some good old-fashioned — some would say, traditional — reform.

Well, I can tell you where we are progressing towards...the economic dark ages. Everything old will be new again.

If something cannot continue, then it won't. That's the traditional fate that awaits all debt bubbles, [entitlement bubbles](#), and bubbles of fantasy.

While Australian households are busy taking out another loan, buying more stuff they don't need on credit, *The Weekend Australian* (22–23 April 2017) published an article on James Packer and his new direction:

'The billionaire is bearish in an uncertain world and is now focusing on what he can control, cashing in investments and in the process booking some windfall profits such as on his investment in Asian casino group Melco Crown and Chinese employment website Zhaopin.'

'He wants his private company to be debt-free as soon as possible — even if it may take some years — after it took on substantial gearing 16 months ago to complete a billion-dollar division of the family empire with his sister.'

'Packer is said to have told friends he spent too much.'

'What is also remarkable about James Packer's past 12 months is that history has eerily repeated itself.'

'When selling out of media group Fairfax in July 2001, his late father Kerry Packer made it clear that cash was king, echoing his caution of the early 1990s when he also cashed up through a swath of asset sales.'

A quick recap is needed:

Bearish in an uncertain world. Cashing in investments. To be debt-free as soon as possible. He spent too much. Cash was king.

Hmmm, sound familiar?

The delusional progressives are making demands based on an economic model that is well past its use-by-date.

If you think 40% of people supporting 60% is a sustainable tax model, then all I can say is: Enjoy it while it lasts...but don't whinge when it comes crashing down and you're left high and dry.

The populist parties are not the solution either.

They are only going to make a bad situation worse. No politician (let me qualify that; no politician who is serious about being elected) is going to tell people to suck it up.

We have a mess that only the markets can resolve. And we know from history that markets, when allowed, deliver the toughest form of love.

Why do you think Packer is cashing up? He knows from his family's long history that there are times when debt can accelerate wealth, and times when it can detonate it.

He knows the only thing he can control in this uncertain world is his own actions.

Liquidate investments. Be debt-free. Cashed up waiting for another 'Alan Bond' opportunity.

Packer knows the signs and cycles.

Who are you going to follow? Aussie households tripping over themselves to pay less tax by gearing up overpriced properties or the contrarian who is literally taking his chips off the table?

Personally, I'm taking the old fuddy-duddy approach.

Regards,

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