Anyone who asked Julia would hear it: she always wanted to be a good mother. Her daughters had their own families and Julia loved them both. Maybe Barb just a little more, but this was understandable because Nicole, the older one, was so much better off. Julia didn’t even feel guilty passing some of the money Nicole gave her each month to Barb. After all, Barb didn’t have the determination to work as hard as Nicole did and she wasn’t appreciated at work anyway. It was Nicole’s choice to work long hours; she wanted to have her own business and obviously didn’t mind the extra effort.

Some two years ago things started to unravel for Julia. Barb got pregnant, changed her job to part time and continued asking Julia for more money, which Julia didn’t have. When the child was born, things got worse—Barb decided to stop working altogether and started to demand more from her mother. Julia asked Nicole for extra money, but Nicole replied that the economy was in recession and she couldn’t give Julia as much as she wanted. Julia thought that it was unfair when Nicole got angry after being called ‘greedy’. After all Nicole had a nice car and a large house so why couldn’t she share more with her younger sister?

In the end, continually pushed by Barb, Julia decided to borrow money. She took a loan against her house and gave the money to Barb. The money lasted for a few months, but now Julia needs to borrow again. Unfortunately, the bank refuses to lend her more, as there is not enough equity left in her house. It looks like Julia will have to sell the house, and in her eyes Nicole has proven to be heartless because she refused to bail her mother out.

By trying to appease Barb, who was unwilling to take care of herself, Julia lost her house and badly damaged her relationship with Nicole. Barb isn’t happy with her mother either, as she can’t get more money out of her. Needless to say, Barb also hates Nicole, the wealthy sister who doesn’t want to share and only offers useless advice to get a job and spend less.

How did it come to this? It was Julia’s lack of courage to act honestly. She didn’t tell Barb the truth: that Nicole’s advice was the only way to go, and she didn’t tell Nicole that her money had been siphoned off to support her sister. She just kept asking Nicole for additional cash, trying to make her feel guilty for not ‘sharing’ more.

If this story sounds strangely similar to what has happened in Greece on a national scale and is gradually happening in Australia, this is no coincidence. The principles of economics are the same, regardless whether applied to a family or a nation. Unless the amount of expenditure is less than income, at some stage major financial and emotional
upheaval will come. If those who produce wealth are discouraged or penalized, whilst those who don’t are rewarded, the long term fate of the nation is sealed.

When a government takes money from those who have it and gives it to those worse off, they are trying to placate the latter, hopefully without angering the former. This is how elections can be won but not how long term national prosperity is built. The moment the redistributed wealth becomes insufficient to placate those who benefit from government handouts and concessions, problems begin. Further squeezing of those who produce wealth has limits: it can cause some businesses to go bankrupt, be taken over by foreign interests, or move to other countries like almost all of our clothing manufacturing did\(^1\). So, this is why the governments usually resort to borrowing in order to cover the gap. However, as was the case with Julia, this very act exposes the government as lacking the courage to be honest. Let me elucidate upon this observation.

When it becomes necessary to spend more than the government collects from taxes and other sources of income, the honest thing to do is to tell those who benefit that they cannot get more. This may mean loss of votes and ultimately the loss of the next election, but if a government cannot satisfy a large portion of their electorate then they should be voted out. This is the essence of democracy.

Another honest thing to do when country finances are in trouble is to admit the difficulties and engage more with those who pay the most (in Australia 15% of people pay 55% of taxes). Rather than denying them all the benefits available to most Australians and continually adding more regulations, which complicate their lives\(^2\), it would be better to get out of their way and let them produce more wealth. This would be an easier way to collect more taxes - rather than expanding the tax net and insulting the wealth producers with comments such as: ‘they need to pay their fair share of taxes’.

The worst thing a government can do - instead of acting with financial prudence and being honest with the electorate - is to try to **buy the loyalty of their electorate with banker’s money**. As it happened to Julia, sooner or later the whole nation will have to pay a terrible price: those who benefited from government money will get much less,  

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1 The events are moving faster than I can write: just on the 2\(^{nd}\) January 2012 Heinz announced the closure of one of its plants with production moving to New Zealand. Another 100+ jobs gone...

2 One of the key characteristics of the totalitarian ‘socialist’ states in Eastern Europe was chronic shortage of all consumer goods, including food. It was not that the totalitarian governments couldn’t produce enough – they had a deliberate policy of making everything scarce, so most people had to queue for many hours each day to buy the necessities. This left no time for thinking or trying to get organised to oppose the government. Maslow’s triangle shows clearly that when survival is at stake, higher needs (such as freedom) become less important to us. Is this what the Australian government is trying to do? Keep adding laws and regulations until people in business will only have enough time to work and sleep?
and those who subsidised them will go out of business, retire, or repatriate their assets and businesses to other countries, making the government even poorer. Those who work the hardest and pay the majority of taxes are no fools; they understand that when the time comes to pay off the government debts it will be them again who will be paying it off – there is no one else who has the necessary means. This is why they may choose to relocate. Apparently over the last few months the most active buyers in the UK real estate market have been well-off Greeks...

All such pain could have been avoided if governments, including the Australian government, started living within their means, avoiding white elephants such as the ‘National Broadband Network’, and decided to be honest with their electorate about what they can and cannot do for the nation.

This is why the level of national budget deficit is a good gauge of government truthfulness and a measure how well it is fit to lead the nation. The moment this gauge moves into the red, we should all be alarmed: we are being cheated. When the gauge is in the red, the government is no longer serving the nation’s long term interests; it is now sabotaging the nation for its short-term, selfish benefit. This is as true about governments as it was about Julia: if you keep borrowing to appease others, sooner or later you and everyone around you will suffer - badly.