

# Lots of talk but not much sense on reform

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IF THERE'S one word that is overused but underdelivered in Australian politics, it is the word "reform". Everyone wants reform. There's economic reform, welfare reform, education reform, tax reform. You name it, it has got to be reformed.

And every political reform has got to be dressed up in big and dramatic terms. When Joe Hockey announced, in the 2014 Budget, that universities would be allowed to set their own fees, he described it as "once-in-a-generation reform".

When Wayne Swan announced the mining tax he said "... if you think about reforms of our economy and the economic system in our lifetime, this is more significant than any I can think of".

You think once-in-a generation is big? Mine is bigger than anything in your lifetime!

Of course neither of those reforms ever came to anything. The university reforms never became law because Labor wouldn't vote for them. The mining tax didn't raise any money and was repealed by the Coalition.



**PETER COSTELLO**

That's because one man's step forward is another man's step back.

One man's "reform" is another man's regression. That's why I am sick of newspapers, industry lobbyists and professional-conference-goers calling for "reform". Reform means improving something. Yes, we are all in favour of improving things.

That's not the question. The question is what problem do you want to fix?

If you ask the wrong question you will never get the right answer.

What is the problem in our tax system? Here's the main one — our top tax rates are too high and they cut in at income levels that are too low. In his farewell speech last

week, Joe Hockey said the top tax rate should be 40 per cent. In the 2007 election campaign the Coalition laid out a plan to reduce it in stages to 40 per cent by 2012.

Kevin Rudd adopted the plan, but said that rather than step down year by year he would do it in one hit in his second term (ending 2013). So the last three governments all agreed that was a problem to fix. What actually happened? The top tax rate didn't come down, it went up to 49 per cent. For the past seven years average wage earners have not had their tax thresholds adjusted, they are facing higher average tax year by year. The problem is worse now than it was when people started promising to fix it.

So let's analyse the current proposals dressed up as "reform" to see if they would fix this problem. Would higher superannuation taxes do it? No. Would changes to property investment? No. There is no hope in Hell they could fund income tax reform. In fact the proponents don't even want to use the money to cut income taxes.



They want the Government to either spend the extra revenue or to narrow the Budget deficit. Spending might go up, the deficit might come down, but one thing is certain: overall taxes would rise.

That is why I call this movement the High Tax Cheer Squad. It's an honest description. For marketing reasons they prefer to call their ideas tax "reform" rather than tax "increases".

But that's only debating the meaning of reform.

**B**Y THE way, I am sick of hearing well-off people say they would like to pay more tax. They can do that any time they like. They don't need any change to the law. They can send a cheque to the Government.

They can bequeath money to the Government in their wills. They can refuse to claim deductions, or franking credits, or whatever they like. But generally when you hear people say they would like to pay more tax, they are saying they would like other people to pay more tax as well.

That doesn't count as selfless behaviour. So too with economic reform. Everyone wants economic "reform". We should all be happy and get on with it. But sorry to be a party pooper. Shouldn't we ask the right question?

Before we rush into reform shouldn't we be clear about the economic problem we want to fix?

Our economic growth is too low, our unemployment is too high and the Government is spending money it doesn't have. That's a simple statement of our predicament. Now don't talk in clichés about "reform". Tell me what will get growth up, unemployment down and cut spending borrowed money.

In last year's Budget the Government announced a \$5 billion fund to build infrastructure in Northern Australia. You think that is good?

This month the Opposition announced a \$10 billion infrastructure fund. Get it? Twice as good. Both proposals involve the Government borrowing more money to lend to worthy projects.

This is a good idea if you think Governments are better at this kind of thing than banks, superannuation funds, infrastructure funds or private equity investors.

But if you think the Government is going to get the most risky projects that all the others don't want, then this is very risky business. Was nothing learned from the NBN fiasco?

The NBN was built out of borrowed money and dressed up as an investment to make a commercial profit. It has not and it never will. The profit disappeared but the debt didn't. The NBN was hailed at the time as "Nation-building", a truly great economic reform. But that's only because the Government was asking the wrong question. It was asking how to win votes in marginal seats.

Ask the wrong question and you will never get the right answer. Before we start fixing things can we please be clear about the problems?

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