

Once we led the world. Now we follow



LET'S look up for a moment from leadership speculation and ask a much bigger question, one that Tony Abbott, Malcolm Turnbull and Julie Bishop should all be asking themselves. It's a question that Bill Shorten should ask himself in his reflective moments.

Whoever leads the Liberal Party and whoever leads the country must address this question: "Where is our country heading and where do we want it to go?"

It's not the kind of question that journalists are likely to ask. They're too busy reporting the next leadership contest, real or imagined. It's much easier to report a personal contest than a policy or a program. A leadership spill has colour and movement and contestants. Eventually there will be a winner and a loser.

But the bigger question, depending on how we answer it, could make us all winners ... or all losers. The outcome will not be clear for quite some time. Because fixing the country is not just as simple as choosing someone in a



leadership ballot. Our economic growth is sluggish, stuck at about 2.5 per cent. That's similar to other English-speaking countries like Britain, New Zealand, Canada and a little lower than the United States. But we used to do much better than those countries.

Our unemployment is a little higher than those other countries, apart from Canada. Those other countries went into deep recession and unemployment spiked. They have emerged from recession and now their unemployment rate has fallen below ours. We were well in front of those countries. We avoided recession but they have made up ground on us.

The Australian economy is no longer leading the other developed economies. Our debt is not as bad since we had such a strong position

to start from. But we are rapidly running it up. Ten years ago our reforms were held up as a model for other countries to follow. No one would suggest Australia as a model today.

Our political debate is currently dominated by various plans to increase tax. Front and backbenchers in the Liberal Party have proposals to increase GST, the Treasury wants to increase superannuation taxes, the Financial System Inquiry recently suggested franking credits be removed or limited in some form.

No one seems to think it relevant that on their own, none of these ideas will boost growth or create jobs. We're having an argument about the wrong issue because we can't bear to think about the right one.

Is Australia's problem that we don't pay enough taxes? Well, go and have an argument about which ones to increase. Is our problem that the economy is not growing strongly enough to take people out of unemployment? Well, let's talk about the real issue. How do we make our economy more

productive? Higher taxes are not part of the answer.

There's a vacuum in our political debate at the moment and it is waiting for a low-tax Liberal to fill it. If the Liberal Party doesn't find someone to champion the cause, then senators Leyonhjelm and Day are likely to step in.

It's a while since we heard the case for keeping taxes low. It rewards effort, promotes initiative and maximises liberty. They are all core Liberal values. It's just a pity we don't hear more about them these days.

ABIG part of growing an economy is keeping it flexible. In an open flexible business environment people take new opportunities to produce new products for consumers and new products for other businesses that, in turn, make them more competitive. Competition lowers prices and drives innovation.

For a long time debate in Australia was dominated by competing proposals to promote flexibility, competition, productivity, innovation. You don't

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hear that debate any more. It seems to have been gobbled up by the campaign for tax rises.

The original *Intergenerational Report* warned that if we didn't get spending under control Australia would wallow around in ever-rising taxes. The IGR is supposed to warn us against going there. Some now want to use it to justify that course of action!

For two decades Australia worked hard on economic reform. Some commentators say the reform era is over, that the public won't support it any more. But the public never supported it. What they supported was the benefits that reform brought when it led to job creation, rising wages and living standards. But that did not happen overnight. Usually, there was some painful adjustment first.

It was always the case that on big reform, a government had to coax, cajole and caress the electorate through the tough part in order to get to the benefit. Delivering economic reform is a bit like childbirth. No one would go through it for the experience. It's the end result that makes it all worthwhile.

In the modern world, the attention span is shorter. People don't want to wait for the benefits. They want results and they want them sooner. That makes the reform task harder. But it will only ever be possible if we focus on the end result.

The goal is growing the economy with good jobs and rising wages, one that will finance the education and health services we all want. We should aim again to lead the world. Let's flip the political debate and get back to the reform we need to deliver that outcome. Especially, let's get off this morbid fascination about increasing taxes.

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