

# Flood tax a slap in the face for those who dug deep



Australians always rise to the occasion in a crisis. During the Queensland floods bystanders risked their lives to save people swept away by raging waters. Neighbour helped neighbour to move precious belongings to higher ground. In the aftermath, Thousands gathered on Brisbane streets to sweep away mud and rubbish. And people opened their hearts and wallets for those who were affected.

As usual, the federal government was unable to rise to the inspiring level of its citizens. It used the occasion to announce a new tax and dump several promises it should never have made such as “cash for clunkers” – a bizarre scheme to buy old cars and destroy them in the name of reducing greenhouse emissions.

The tax will raise a little under

\$2 billion. The government boasts that only the rich will pay, since it cuts in at \$50,000, with a higher rate for those earning more than \$100,000.

The Queensland Premier's Public Appeal (open to rich and poor) raised about \$200 million. The federal government has now demonstrated how that money was not needed. It can raise billions with the stroke of a legislative pen. It is proposing a \$2 billion tax increase. It could easily have made it \$2.2 billion and covered all the donations.

This demonstrates how the government can, and will, swamp private philanthropy. If tax is the answer to all our disasters, then there is no need for fund-raising. Charities such as the Red Cross can all be funded by tax revenue.

This is exactly the premise of the welfare state – the state manages welfare. As it grows bigger and bigger on its tax-and-spend powers, the room for philanthropy – for generosity and for voluntary activity – shrinks. Soon professionals manage all these things and replace motivated individuals who care and want to contribute but who lack the professional qualifications. The state supersedes the volunteer.

Some say the government needs the

tax to pay for reconstruction. So let us put this in perspective. Next financial year the budget is forecast to be \$12 billion in deficit. Would it make a difference if there was no tax and it was \$13 billion or \$14 billion in deficit? Not for a moment. After all, the government is currently running a \$40 billion deficit. It doesn't need the tax to rebuild. It could finance rebuilding just as it is financing the national

ack Obama, said: “Never let a serious crisis go to waste.” And flood is a serious crisis when you want to raise taxes.

The government will pull forward as much spending as possible into next financial year, which is when it will receive the proceeds of the flood tax. Moving expenditure forward will, it hopes, help to get the budget back into balance for the following year – 2012-13 – when the next election is due.

---

If tax is the answer to all our disasters then there is no need for fund-raising. Charities such as the Red Cross can all be funded by tax revenue.

broadband network or the wasteful school hall construction program – out of its borrowing.

It's just that a flood is a better justification for a new tax. The “national broadband network levy” or the “Julia Gillard memorial school hall tax” wouldn't have the same appeal. Yet a lot more has been spent on those projects than will ever be spent on flood reconstruction. As Rahm Emanuel, former chief-of-staff to the US President, Bar-

ack Obama, said: “Never let a serious crisis go to waste.” And flood is a serious crisis when you want to raise taxes. The government will pull forward as much spending as possible into next financial year, which is when it will receive the proceeds of the flood tax. Moving expenditure forward will, it hopes, help to get the budget back into balance for the following year – 2012-13 – when the next election is due.

ack Obama, said: “Never let a serious crisis go to waste.” And flood is a serious crisis when you want to raise taxes.

The government will pull forward as much spending as possible into next financial year, which is when it will receive the proceeds of the flood tax. Moving expenditure forward will, it hopes, help to get the budget back into balance for the following year – 2012-13 – when the next election is due.

like the failure to backburn forest fuel and planning regulations that inhibited firebreaks.

In Queensland, a judicial inquiry will examine how a flood mitigation dam was allowed to get so full that it had to release unusual amounts of water at the height of the flood. It is hoped it will look at whether planning regulations were right to allow building on flood-prone areas.

What always amazes me is how stoic people are in the face of tragedy – even when the tragedy could have been avoided or mitigated. Some political leaders show a lot less class, like the Greens leader, Bob Brown, when they appear at the scene of loss to advance their pet theories and wage war on their enemies as he did on the mining industry. There are others who are prepared to spend billions on pet projects that drive the budget into deep deficit, and then pretend it is a flood that makes a new tax necessary.

It is truly amazing that victims can show such grace while government can show such cynicism.

**Peter Costello is the former Liberal federal treasurer.**