

# Leaders jostle in the race to rock bottom

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It is hard to decide whose idea was worse. First there was Kevin Rudd, who announced he wants 30 per cent of the states' GST so he can "fix" the hospital system. Then there was Tony Abbott, who announced he wants to increase company tax to "fix" parental leave.

First to Abbott. He proposes a government payment to new mothers who leave the workforce of six months' salary on full pay up to \$150,000.

It is billed as the most generous state scheme in the world after Sweden's which in itself should have set alarm bells ringing. For Liberals that alarm should have sounded like an air-raid siren once Bob Brown and the Greens lauded the scheme.

Companies that already operate maternity schemes will close them and encourage employees to go on the government entitlement. And why shouldn't they? Otherwise they would pay twice - directly to their own employees and indirectly through increased taxes. So private benefits will be socialised, spending will rise and taxes will increase.

I have been to a lot of Liberal Party meetings in my life and I can honestly say I have never heard a speech in favour of higher tax. Sure I have heard speeches in favour of replacing inefficient taxes with simpler ones (and indeed given a few of those myself) and I have heard people argue for better tax compliance as a way of reducing taxes for honest and enterprising folk. But the idea of increasing tax would be as foreign to the Liberal Party as voluntary unionism at the local ALP branch.

The Liberal Party is quite proud of the fact that in government it cut company tax from 36 per cent to 30 per cent and introduced full dividend imputation. It made Australia one of the most competitive tax jurisdictions in the developed world. Others are now catching and overtaking us. We cannot afford to go backwards.

Abbott undoubtedly thought he had to say something on International Women's Day - he keeps being told he needs to appeal more to female voters. So he adopts the Crocodile Dundee approach.

In the movie a New York mugger pulls a switchblade on Mick Dundee. Our hero laughs at the blade "That's not a knife, this is a knife," he says as he pulls out his 30-centimetre hunting blade. The terrified mugger disappears into the night.

The point of Abbott's proposal is to tell the public that Rudd does not have a maternity leave scheme. "This is a maternity leave scheme," he declares.

In this kind of politics if your opponent has a bad idea you try to outflank it. Your opponent has a mildly bad idea so you come up with a more extreme one and race him to the bottom.

Which brings me to Kevin Rudd. During the election campaign the Labor leader promised he would fix the hospital system or, if he couldn't, take it over. It turns out he will do neither.

Anyone familiar with politics knew from the moment he made his pledge that would be the outcome. He might have won some votes but only by creating false expectations - expectations that are now back to haunt him.

So Rudd has come up with the idea to take 30 per cent of the states' GST and allocate it to hospital boards. It does not put more money into the system. It just strips the states of responsibility for their finances.

When I introduced the GST all the revenue was allocated to the states to be spent as they directed. The idea was that competent states which delivered good services - such as good hospitals - would be voted back and incompetent ones would be voted out.

Under Rudd's plan they will lose control over 30 per cent of their revenue which will be administered by a new tier of bureaucracy.

If the states agree to that they may as well give up the lot. Why trust them with the balance?

The next step would be to put 20 per cent of GST into school boards to run schools, 10 per cent into police boards to run police, and the remainder into road boards to construct roads.

Actually I am surprised that this has not yet occurred to Abbott. Why not demand that the states' GST fund other worthy causes - like maternity leave schemes, for example?

Rudd has come up with a bad principle that will lend itself to no end of outflanking.

And all the time these bad tax ideas are running wild there is a report sitting in someone's desk drawer which, we are told, lays out a blueprint for a very much better tax system - the Henry Report.

We are not yet allowed to know what is in it, but I'll bet it has neither the Abbott nor the Rudd proposal. It couldn't be that silly!