

**TITLE: GST Arguments are Really about Protection**

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The demise of the Australian car industry does not mark the end of taxpayer assistance in Australia, it marks only the end of highly visible assistance. The free marketeers didn't win, they only defeated the easy targets. The real rorters not only still grow fat on the public purse, they lead the cheer squad for 'free market principles'.

In the glory days of the 1980s economic policy, and economic policy debate was simple. There were the protectionists (boo) and the free marketeers (yay) and, as history records it, the free marketeers won. Yeah right.

As the back benchers floating the extension of the GST to fresh food quickly discovered this week, tax policy in Australia has as much to with protectionism and favouritism as it does with efficiency or equity.

The coalition of business groups and retired politicians pushing for the GST to be extended to fresh food have been relying heavily on free market economics to justify their position. 'Broaden the tax base, lower the tax rate, remove the distortions' goes their cry.

Until you mention that private schools are exempt from GST that is. Those who remember the economic debates of the 1980s will have no trouble predicting where the 'free marketeers' go next. private schools are special, they say. Helping private schools helps the community, helps the budget and ensures that consumers have choice. If you impose the GST on \$30,000 school fees people might change their spending patterns and buy fewer services from private schools. It will hurt poor people.

There could be merit in all of those arguments. They are, however, all of the arguments that were dismissed in the 1980s by the free marketeers who were pushing for the GST.

They are also all of the arguments used by people who don't think the GST at should be extended to cover fresh food. Whoops.

Governments do think private schools are special and taxpayers already provide generous support to them. A genuine free marketeer who thought that private schools were special wouldn't argue that they should be excluded from the GST, they would argue that specific grants to private schools be increased.

There has been a lot of debate about how much public money should go to private schools. The most common positions are: that they should receive none; that all private schools should receive the same amount per student; or that more disadvantaged private schools should get more per student than the wealthiest private schools. The 'leave the GST of private school' brigade, however, support a rather novel position.

The parents of children at a \$30,000 per year school get a \$3,000 concession from taxpayers while those at a \$5,000 school get \$500. You would think it would be a brave 'free marketeer' that says that taxpayer support for private schools should rise proportionately with the fees they charge, but hey, that's Australia today.

Some free marketeers argue that higher school fees will see a flood of students pour into the public schools. The existence of waiting lists not only rebuts that argument but raises the question of why private schools are setting their prices so inefficiently as to leave a queue? Perhaps the free marketeers should be urging exclusive private schools to further increase their prices rather than lobby for GST concessions for their kids school.

Of course it's not just private schools that many so called free marketeers think should be exempt from the GST. Despite the enthusiasm for broadening the base to include fresh food, many 'base boosters' remain strategically silent about the benefits of bringing private health insurance and financial services into the GST as well.

Bizarrely, one of the arguments used to exclude financial services from the GST is the amount of paperwork that might be involved. However, the assistant treasurer, Josh Frydenberg wants to include goods purchased online for less than \$1,000 in the GST even though the Productivity Commissions says the collection costs of such a change would be greater than the revenue gained. This from a self described champion of cutting red tape.

Modern protectionists are too smart to out themselves. Rather than make a public case for budget appropriations they prefer to sneak their hand into the taxpayers till via tax concessions and loopholes that few usually see. The Expenditure Review Committee spends months looking for expenditure savings but it doesn't look at tax concessions and loopholes. It should be core business.

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