

**TITLE: Business should be wary of cuts**

**AUTHOR: Dr Richard Denniss**

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Last week, the newly installed Prime Minister Kevin Rudd challenged Tony Abbott to a debate about public sector debts and deficits. If it goes ahead, it would likely be a rare respite from the slogans that have haunted Australian public debate for the past few years.

But the debate that we should be watching is one between the retail sector and the mining industry about what they each think constitutes good macroeconomic policy.

We all know the miners want the mining tax and the carbon tax abolished, but do the retailers? Would they really prefer to see consumers pay higher income taxes and the foreign owners of 83 per cent of Australian mining operations pay less?

Different Australian industries want and need very different things from government economic policy. A domestic recession would be great for the mining industry, which would benefit from lower wages, lower interest rates, cheaper construction costs and fewer skills shortages. Most companies operating in Australia fear the impact of recession on their sales revenue, but the miners are immune from such problems as they export the vast majority of their production.

The retail sector, on the other hand, would be devastated by an Australian recession. The unemployed don't do a lot of recreational shopping and those who can find work tend to keep their wallets in their pockets out of fear that they, too, may soon be out of a job. Non-mining sectors would be similarly affected and these industries make up 90 per cent of Australia's economy.

And what do Australian industries think about the Coalition's plan to sack 12,000 public servants at a time when the world and Australian economies are slowing?

Do the big retailers endorse the nature and timing of such a shift in fiscal policy? Does the commercial property sector think it's a good idea?

**FLIMSY AND OVER-SIMPLIFIED DEBATE**

Tony Abbott has given Mr Rudd plenty of ammunition to take into such a debate. They might like to forget, but the Coalition gave in-principle support to the need for fiscal stimulus during the global financial crisis. It was naive of Wayne Swan and Julia Gillard to make rock-solid guarantees about when the Commonwealth budget would return to surplus, but no doubt Kevin Rudd will simply point out that he wouldn't have made such a mistake himself.

Politicians seem to have a tendency to over simplify macroeconomic policy and often fail to consider Australia's diverse economy, instead opting for a one-size-fits-all approach.

Saying that you will "stop the debt" is no more of a fiscal policy than saying "stop the boats" is a foreign affairs policy.

But the flimsiness of Australian policy debate is not just due to the sloganeering of our political parties; the partisan boosterism of Australian business leaders deserves just as much blame.

Despite the diversity of their industries and their shareholder's interests, the Australian business community has sung from the same song sheet when it comes to policy debate.

The name of its song is "cut the taxes and cut the regulation". The miners and the banks sing the loudest, but they all sing along.

#### OTHER THINGS DON'T REMAIN EQUAL

But managing an economy is harder than cutting taxes, otherwise the Albanian economy would be booming with its 10 per cent corporate tax rate.

Economists like to ask questions with the caveat "all other things remaining equal" – but the interesting question for Australian captains of industry is not whether they would like lower taxes, but whether they would prefer to have lower mining taxes or lower company taxes or lower government spending or higher unemployment.

It has been observed that, in the US, the Republican's best trick is to get low income-earners to support the party offering tax cuts to the wealthy.

In Australia, the Coalition's best trick seems to have been to get industries that rely on economic growth and stability to support a political party promising to slash spending in a slowing economy.

It's time for these industries to start thinking and speaking for themselves.

*Dr Richard Denniss is the Executive Director of The Australia Institute, a Canberra based think tank. [www.tai.org.au](http://www.tai.org.au)*