

TITLE: Government's agenda is to look after its own

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John Howard is the Ronald Reagan of Australian politics. While Reagan is deified by modern Republicans for his fiscal conservatism, in reality he oversaw big increases in government spending. But because he took from the poor to deliver to the rich they love him all the same.

John Howard was so worried about "the costs of ageing" that one of the last things he did before leaving office was to double the generosity of the age pension assets test. Howard was so concerned about the flood of baby boomers about to retire that he allowed them to have up to \$1.1 million in assets, in addition to their home, and still receive a part pension.

Delivering large amounts of taxpayers' money to his political base was what John Howard did. Indeed, so prolific was his appetite for spending taxpayers' money on the voters that he wanted, Peter Costello had to invent the Future Fund to keep the proceeds of the final tranche of the Telstra privatisation from him.

While the Abbott government's National Commission of Audit has proposed the dismantling of some of John Howard's signature spending initiatives, the Abbott government itself is primarily interested in finding savings to fund a new \$5 billion per year paid parental leave scheme and a big increase in defence spending.

Of course, like Reagan, both Howard and Abbott cloak their desire to spend on their friends behind their determination to cut funding for their enemies. The sick, the disabled, the unemployed are all deemed a "burden" on society. Indeed, while most people look forward to their parents living long healthy lives, conservative governments now have us wishing that other people's parents would hurry up and die.

John Howard's reckless approach to long-term budgetary issues wasn't confined to retirement income policy. His decision to abolish the indexation of fuel excise, for example, was another clear example of his willingness to put his short-term political interests ahead of the long-term revenue needs of the country.

Before 2001 the fuel excise was indexed to inflation to ensure that, over time, the percentage rate of fuel tax remained the same. However, in 2001, behind in the polls and under pressure from the impact his GST had had on fuel prices Howard decided he needed a circuit breaker. His decision to scrap the indexation of petrol saved consumers a bit over 1¢ per litre when he announced it but the cumulative cost on federal revenue of that decision is now about \$30 billion.

Similarly, as the mining boom started to deliver strong economic growth and a surge in corporate tax receipts as the miners made enormous windfall gains from rising commodity prices, John Howard introduced huge, and permanent, income tax cuts. Modelling by the Australia Institute has shown the incredible cumulative cost of tax cuts in recent years. If we wound back the clock and did nothing more radical than avoid these tax cuts, the vast majority of which went to high-income earners, since 2006 we would have collected more than \$170 billion.

While conservatives often describe spending money on essential services as a reckless burden on future generations, they are typically far less concerned with the impact of tax cuts on the level of the deficit and, in turn, on the level of debt. There could be no clearer evidence of this asymmetric obsession with the spending side of the ledger than Tony Shepherd's commission of audit.

The terms of references for this most unique experiment in taxpayer-funded lobbying are based on the premise that there has been some enormous growth in government spending when, back in reality, the ABS, Treasury and international agencies like the OECD, IMF and World Bank have detected no such trend. Australian government spending has averaged about 25.9 per cent of GDP since Whitlam was elected. While it wobbles a bit when we go into recession, it has flat-lined under Coalition and Labor governments for 40 years.

It is hard to critique a 1000-page report that is based on a completely flawed premise, but, after being approached by the Unitarian Church to write a "People's Audit" to contrast with the BCA's version the Australia Institute decided to do so. Where to start?

The number one driver behind increased government spending in Australia is our rapid rate of population growth. Every four years our population grows by about 1 million people which inevitably puts pressure on health, education and transport budgets. But while our population is growing faster than most developed countries, our spending isn't. That is, while the absolute amount of spending by governments is growing rapidly, our spending per person, and our spending as a proportion of GDP is not.

But despite the commission's obsession with the spending side of the ledger there is no discussion, literally none, of the impact of population growth on government spending. Indeed, in their section on "key demographic variables" they conceal their assumed rate of population growth.

While the commissioners dedicate countless pages to the "cost of ageing" they make no recommendations about the fact that the cost of superannuation tax concessions are rising far faster than the cost of health or the cost of the age pension.

Even though they weren't asked, their chairman, the former head of the Business Council, recommended a cut to the minimum wage. Despite also calling for a cut in unemployment benefits and a cut in tax rates the commission assume that unemployment will remain permanently at 6 per cent. That is, even after slugging those with the least the commission don't think we will ever get unemployment back as low as Rudd and Gillard managed.

The commission of audit is based on a flawed premise, is riddled with contradictions and draws conclusions as narrow as the group of people asked to form them. Australia does face big challenges in the coming decades, not the least of which is climate change, but, like so many of the big issues, the commission of audit is silent on them.

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