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**TITLE: Hiding \$50b: down periscope!**

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**PUBLICATION: The Canberra Times**

**PUBLICATION DATE: 29/04/11**

**LINK: <http://www.canberratimes.com.au/news/opinion/editorial/general/hiding-50b-down-periscope/2147874.aspx>**

The Defence establishment must find it pretty hard not to chuckle when they hear people talking about climate change policy.

Climate change has been described as a fundamental challenge to democratic decision making. The problem, we are told, is that while the costs are up front the benefits are both uncertain and will arise in the distant future. Why would a bunch of greedy short sighted voters ever vote to tackle a problem like that?

Of course the Defence establishment knows the answer: don't ask them.

The Government is proposing to spend around \$50 billion to build 12 new submarines. We aren't exactly sure who the submarines will protect us against in 20 years' time, nor are we sure if 12 are too many or not enough. But for reasons known only to the military and newspaper editors, the decision to build 12 submarines has been spared the years of scrutiny to which the carbon price has been subjected.

Between a quarter and one third of the estimated \$50 billion cost of the submarines is entirely optional and flows from the determination to build them in Australia. The argument for such an indulgence is that it will create jobs. But where is the scrutiny of such claims?

You can hardly walk into a meeting about climate change policy without someone waving economic modelling around, but not so when it comes to \$50 billion worth of submarines. "I hear it will create some jobs," say the proponents. "Well, you can't argue with that," say the former submarine sceptics.

I am not suggesting that building submarines in marginal seats won't create jobs. Indeed, I am certain that it will. But I am also certain that if we spent \$50 billion on anything we would create plenty of jobs. In fact, at \$100,000 per worker we should be able to directly create half a million jobs for the cost of the subs.

In the hostile, though largely farcical, debates about Australia's economic policy you would expect claims of big increases in demand for skilled labour to unleash a new wave of anguish from our highly paid CEOs about the impact on the skills shortage.

But no one really expects that building the submarines will employ that many people and, again, it's just not polite to subject defence policies to the kind of humiliating policy scrutiny that we demand of cheaper problems like climate change.

The disparities between our approach to climate policy and defence policy are much deeper than the mere financial. Consider, for example, the way we perceive Australia's role in world affairs.

When John Howard deployed Australian troops to the wars in Iraq and Afghanistan the decision was made without any reference to macroeconomic modelling. It was not a question of dollars and cents; it was, for our former Prime Minister, a question of right and wrong.

And it was also a question of symbolism. Despite the tiny size of the Australian contingent relative to that of the US John Howard was determined to be a small, but highly visible, member of the 'Coalition of the Willing'.

No one seriously argued that the entire fate of those wars hinged on the the Australian Government's commitment. But no one, not even critics of the war, was blind to the international significance of participation. Put simply, the test of a country's position was not what was said, but what was done. Except, of course, when it comes to climate change where for 20 years the world has talked about reducing emissions while watching them rise and rise.

The Defence establishment has done a good job of ensuring that the rules of debate that apply to small policy changes like the introduction of a modest carbon price don't apply to big decisions like \$50 billion submarines. But the medal for evading scrutiny under the spotlight of media attention must surely go to Tony Abbott.

In a feat of concealment that makes the preparations for the D-Day landings look like child's play, Abbott has managed to simultaneously agree with the Government on the need to cut emissions by five per cent while securing the support of the climate sceptics. He has managed to criticise the impact of a carbon price on households while proposing a more expensive scheme of his own. And he has managed to argue that the Government is a poor economic manager even though he is ignoring virtually every academic economist in the country.

While that is no mean feat, the unfortunate reality is that the process that led to the Carbon Pollution Reduction Scheme has given the Opposition Leader a lot of cover to hide in.

The dilemma for the Government is that the only way to win its fight with the big polluters and the Opposition is to come clean with the public about its approach to climate change. The reason that a carbon price will have minor economic effects is that we proposing to make minor changes to our emissions. And the reason that it won't have big impacts on big polluters is that the Government is proposing to give them 94.5 per cent of their pollution permits for free.

While Defence relies on the fact that if you are quiet about it, you can waste tens of billions of dollars, Kevin Rudd told Australians he was tackling the great moral challenge. While that succeeded in getting people to pay attention, that attention may be the very reason why a good scheme is now impossible to implement.

In an era where the ALP and Coalition have less and less to argue about the carbon price has become a major 'point of difference'. The inconvenient truth, however, is

that while the political battle over climate change may be tectonic, the proposed changes are actually quite timid. But neither side wants to admit that.

Nor does either side want to admit that they aren't worried enough about taxpayer's money that they are willing to scrutinise defence spending.

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