

WORKING TITLE: Who's qualified?

AUTHOR: Richard Denniss

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When other people get pay rises, do you feel discouraged from working? If the ATO stopped BHP or Google from using tax havens, would your firm be less likely to invest in its own expansion? In a bizarre twist on behavioural economics Treasurer Morrison seems to think that individuals and companies are motivated by the amount of tax paid by others.

Why would a company looking to invest in a new factory care at all about the amount of tax collected on superannuation? Similarly, there is absolutely no reason to believe that a firm looking to increase investment in research and development should care about the tax treatment of rental apartments. Somebody needs to tell the Treasurer that.

The tax/GDP ratio has taken on talismanic power for Scott Morrison. Lowering the proportion of national income collected as tax has become the defining element of his strategy to create 'jobs and investment'. The problem is, while his conservative base might respond to such symbolic gestures, neither companies nor the macro economy will.

While cutting the amount of tax collected across the economy gives the government a clear point of differentiation from the opposition, the Treasurer seems to have confused having a clear political strategy with having an economic strategy. But that is only the beginning of the government's problems.

Back before the last election the Coalition started warning the public about the 'budget emergency' Australia faced. Indeed, after winning the last election the Coalition discovered, via a commission of audit no less, that the budget emergency was much worse than they previously feared. Only savage cuts to spending on health, education and welfare, we were told, could prevent us winding up 'like Greece'. That, and big cuts to the company tax rate.

In an brazen attempt to rebrand 'trickle-down' economics, Scott Morrison and the business community are valiantly trying to convince the public that cutting the corporate tax rate will boost revenue via the 'growth dividend' it will create. Indeed, the public are even being told that the reason that the Business Council of Australia wants a tax cut for its members is that it will drive higher wages for their workers.

Sure, a 5% cut in the company tax rate might cost \$20 billion over the next four years and increase the post-tax earnings of the Commonwealth Bank by \$9 billion over the next decade. But what if it also led to an increase in GDP, and increase in jobs and higher wages for all? Who could argue with that?

Last week the Australia Institute issued a public letter with 50 prominent Australians, including the former head of the Reserve Bank of Australia Bernie Fraser and Nobel Prize winning physicist Peter Doherty, arguing against the need for tax cuts. But who are they to comment?

IPA head John Roskam (a non-economist and former public servant) described the group as the 'fatuous 50' on the basis that some of the signatories worked for the public sector. Sydney Institute director Gerard Henderson (a non-economist and former public servant) also attacked the 'self interest' of publicly funded academics signing such a letter and the lack of economic qualifications of others. So if economists and Nobel Prize winners should keep their thoughts to themselves, who should be able to participate in public debate about tax?

According to those who support a cut in the company tax rate, the only people qualified to comment on such a cut are, you guessed it, representatives of the companies who stand to benefit.

One of the foundation principles of economics is that profit-maximising companies will act in their own self interest. Yet representatives of self described 'free market' think tanks want the Australian public to believe that only the opinions of corporate CEO's about what is good for Australia should be taken seriously?

Scott Morrison thinks that companies investment decisions are influenced by the taxes paid elsewhere in the economy and his supporters think that the only clean skins in the tax debate work for the companies that would directly benefit from a cut to the corporate tax rate. No wonder the government is struggling to 'get its message out'.

Richard Denniss is the Chief Economist for The Australia Institute [@RDNS TAI](#)