

**WORKING TITLE: Keating still cuts both ways**

**AUTHOR: Richard Denniss**

**PUBLICATION: AFR**

**PUBLICATION DATE: 09/02/16**

*LINK tba*

The only thing that Paul Keating likes about conservative economic policy is implementing it. [Last week, with trade mark cut-through](#), he was back to his favourite trick of visibly attacking the [right while strategically undermining the left](#). For decades Keating has stood tall in the crowd by taking the heads of friends and foe alike.

Last week the left cheered as the one time champion of a 12.5 per cent GST skewered the Coalition for proposing the current 10 per cent GST be increased to 15 per cent. "The GST is just a flat, bang you over the head, tax. It changes nothing; no behaviour, other than to put the tax weight onto the wrong people", Keating thundered.

At the same time the conservative commentariat cheered as the guy who once privatised the Commonwealth Bank told Australia that governments like the one he once led couldn't be trusted to collect more money. Collecting an extra \$30 billion per year would, Keating told us, be a wasteful 'fiscal folly' that no cabinet should be trusted to oversee.

While Keating is in sync with Peter Costello on the need to starve governments of tax revenue, lest they spend it in wastefully, both former treasurers are entirely out of step with the challenges that the Australian economy now faces. A rapidly growing population, rapidly changing technology and an increasingly globalised economy requires us to invest massively, and quickly, in education and training for our kids and infrastructure for our bursting cities. The problem isn't that governments are spending too much, but that they aren't investing enough.

Keating's determination to starve governments of the money they need to invest in services is so great that he is even willing to defend the outrageously expensive and inequitable tax concessions for superannuation. Concessions that Treasury value at \$129 billion over the next four years.

Keating is rightly proud of the compulsory superannuation system he helped introduce. Back when economists thought that a shortage of 'national savings' was what was holding back growth compulsory superannuation for working class people seemed like an equitable way to boost retirement incomes, take pressure off the age pension and boost investment. In its original incarnation it was a good idea, but Keating can't bring himself to admit that Costello wrecked it.

As the proportion of people with what they feel is stable full time work has shrunk, so too has the credibility of the claim that the system is serving its original purpose of helping ordinary workers and

taking pressure off the age pension. Not only does an army of casuals and contractors get nothing from the system, under legislation passed by this parliament from 2017 low income earners will pay more in tax on their compulsory superannuation contributions than they do on their meagre incomes. Read that again if you need to, it will still be true.

Meanwhile, Costello's decisions to make multimillion dollar incomes from super entirely tax free, to halve the tax on capital gains, to loosen up self-managed superannuation rules and allow them to use borrowed money have turned superannuation into the most outrageously inequitable and costly opportunity tax minimisation imaginable. Treasury puts the annual cost at \$36 billion, with the top 20 per cent of income earners raking in 60 per cent of it.

But rather than attack the way Costello turned superannuation into a tax shelter, Keating actually defends it. Indeed, just as last week he tried to undermine the idea that the federal government has a revenue problem, back in 2014 he tried to undermine the near universally accepted argument that tax concessions for super are expensive and unfair.

Having attacked the 'mealy-mouthed claims by the welfare lobby' about the fundamental inequity and cost of the tax concessions Keating went on to spectacularly misinterpret Treasury data and suggest that tax concessions might be raising revenue for the Commonwealth rather than costing it.

Paul Keating did much to drag the Australian economy into the globalised world we now inhabit. But what Australia needs today is a clear eyed assessment of where we are and what we need for the future. Public spending on services and infrastructure are not a beast that needs taming but an investment that needs nurturing.

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

*First published on the Australian Financial Review here: <http://www.afr.com/opinion/columnists/paul-keatings-problem-is-he-actually-likes-peter-costellos-super-tax-breaks-20160208-qmox7#ixzz3zcBsxI2D>*