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TITLE: **Crisis Economics: Not what it used to be**

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PUBLICATION: **CT**

PUBLICATION DATE: **14/02/15**

LINK

Governments serve their citizens best when they engage them through informed debate. Scare tactics are not an acceptable alternative.

We need to talk about crises. Whipping up a good crisis has become the foundation on which every case for every reform is now built. Budget black hole! Budget emergency! We will wind up like Greece!

Last week our current Treasurer told us that there are 'debt and deficits as far as the eye can see'. I don't even know what that means, but I presume I was supposed to be scared.

The problem for 'grown-up governments' is that you can only scare the kids so many times before they become desensitised. And the kids have heard this one before. Back in the so-called golden age of reform when Paul Keating warned us that we would become a 'banana republic', we dutifully panicked. More importantly for Keating, we fled through the reform door he had already opened for us.

But good tricks, like good jokes, are diminished by overuse. While Keating's words caused a seismic shift in Australian politics, Joe Hockey's bleating simply causes people to shift uncomfortably in their seats.

Overuse has made budget black holes about as scary as the ghost ride at a travelling carnival. Indeed, like Hockey himself, they provoke more giggles than screams. The same is true of industrial relations scare campaigns. Minister for Employment Eric Abetz actually tried to whip up fear of a 'wage explosion' at a time when wage growth and consumer spending were slowing. And the government wonders why consumer confidence is down.

In the next few weeks we will be treated to a new dose of fear in the form of the latest Intergenerational Report. Like its predecessors, the next instalment will inevitably show that if we assume health spending grows rapidly while we cut taxes each year the deficit will grow and grow.

Yep, you read correctly. Intergenerational Reports explicitly assume that parliament will cut taxes each year.

Did you get that? In order to ensure that the emphasis of the upcoming Intergenerational Report is on how scared of health spending we should be, Treasury assumes that parliaments will, over the coming decades, cut taxes every year even if the deficit grows and grows – regardless of what Treasury advises.

This time last year the Commission of Audit, with its calls to slash and burn everything from universities to Medicare to the NDIS, was supposed to scare us in the lead-up to the budget. This year the Intergenerational Report will be used to soften us up for the need for cuts to the age pension and a co-payment for health. But while Tony Abbott declared last week the Government wouldn't try to restore the Commonwealth budget at the expense of the household budget, it seems Joe Hockey didn't get the memo. Hockey spent the week telling us that the sky is still falling and that he remains as determined as ever to push for the cuts that the Senate rejected last year.

If the Coalition really wants to reset the agenda then they have only two options: switch what they're selling or switch who's selling it. Assuming that Tony Abbott and Joe Hockey aren't at all keen on the latter option you would think they would be pretty keen on the former. Abbott's speeches this week make it clear that he is willing to sell new goods in order to keep his salesman's job, but Hockey doesn't seem to know how to sing any other song.

It is this lack of flexibility that saw, in a survey of the performance of Australia's Treasurers throughout history, Joe Hockey come dead last. Peter Costello, the man Hockey likes to compare himself to, ranked as number one. There are crucial differences in their respective performances, aside from how popular they have been. And if Hockey wants as successful a career – or as long a stint as Treasurer – an easy step for Hockey to take might be to walk down the path that Peter Costello trod.

In his first budget, Costello, like Hockey, was keen to cut incomes for the poor in order to pay down 'Labor's debt'. The crisis bird was singing the same tune even in 1996 – a pretty old song. The difference was that, under Costello, the high notes were hit just as well as the low ones.

On the day Costello delivered the Howard Government's first budget, the Treasurer declared his intention to "make superannuation fairer."

"A major deficiency of the current system is that tax benefits for superannuation are overwhelmingly biased in favour of high income earners", Costello noted, in a distinct departure from the version we're hearing today.

In 1996 the Treasurer knew that his surplus mantra wouldn't be taken seriously if he didn't try and collect some revenue as well as cut some pensions. Costello knew that his fairness mantra wouldn't be taken seriously unless some rich people took a real hit. And Costello knew that rorts in the superannuation sector made our tax system more complex and less efficient than it should otherwise be.

This Costello-as-fairness-warrior phase was not to last. The history books show the longer Peter Costello remained Treasurer the less he cared about collecting revenue, delivering fairness and simplifying the tax system. He subsequently scrapped the cuts to superannuation tax concessions he introduced in 1996, and in his final years in office he made all income from superannuation tax-free and doubled the amount of cash a retiree could have while remaining eligible for the age pension.

If Hockey wants to get the Government out of the hole they have dug, or even if he simply wants to keep his own job, he is going to need to make some big changes in the product he is selling. His scare campaign isn't working and his argument that deficits are evil but that he couldn't possibly contemplate collecting more revenue makes no economic or political sense. It's time he stopped the childish ghost stories and started an honest conversation with the Australian public. We hear the government wants a mature discussion on the issues it wants to talk about, and this should be welcomed. But there's a way to create a mature discussion, and it's not by starting every sentence with a warning that we're on the brink of becoming Greece – and it's all Labor's fault.

Of course, what the crisis mongers hate to admit is that Australia is not only one of the richest countries in the world, but that it is one of the lowest taxed countries in the developed world. And as one of the richest nations the world has ever known we can afford to do almost anything we want. We can't do everything we want, but we can do virtually anything. What defines us as a nation are the choices we make about what we want most.

We could choose to have the best education system in the world, or the best health system, or the best internet. Or, if course, we could choose to have even lower taxes instead. The choice is ours.

A grown-up government shouldn't pretend we can't afford world class services because we obviously can. Rather, they should make the case for why they think we would be better off with lower quality services and lower taxes instead.

But of course our current leaders would simply prefer to scare us into thinking we have no choices than to engage us in conversation about why their vision for the country is the the right one.

A grown-up government would treat the public like grown-ups. It would come clean about the options we have, the trade-offs we face, and admit that countries who collect far more tax than us have no problem attracting foreign investment or retaining their greatest minds. Like most Australians, most companies want to work in a community that is healthy, happy and cohesive.

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