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Last year Hockey was talking about cutting welfare payments but now, finally, he's taking about taking on the vested interests in the superannuation industry to bring concessions under control.

This time last year Joe Hockey sat on a silk chair telling Spectator Magazine subscribers about the need to cut welfare payments for the poor. Last week, at an Australian Council of Social Service event, he sat on a polyester chair announcing the need to crack down on the retirement income rorts of the wealthiest Australians. A year is an eternity in modern politics.

With a rising budget deficit, a Senate that won't pass spending cuts targeting the poor, and an election only 18 months away, Hockey is considering the previously unimaginable. He is talking about making some of the wealthiest Australians actually pay tax.

That high-income-earners aged over 60 don't pay any tax on their income from superannuation is well known among high-income-earners over 60, but has been lesser known in the wider community. Front page reports that people with more than $2 million in super are receiving billions of tax-free dollars a year, and Alan Jones' commentary, have started to shift that.

For the last decade both major parties have been willing to turn a blind eye to the inequities of the superannuation system. Treasury data has long shown that tax concessions for super cost far more in revenue than they save in reduced aged pensions. But as long as both major parties ignored the evidence, they could avoid picking a fight with both the finance sector and cashed-up retirees.

Despite the fact that superannuation tax concessions are growing at 12 per cent per year, both the ALP and Coalition went to the last election promising not to touch them. Tony Shepherd's "commission of audit" recommended cuts to the age pension but was silent about tax concessions for super. Even the tax white paper released last week squibbed it. Ken Henry suggested big reform but Kevin Rudd ignored him. And now it seems that Joe Hockey will be left to take on the greediest and most cashed-up beast in Australian politics. Poor Joe.

The superannuation industry, and the 10 per cent of the population who do so well from its tax breaks, rely on the fact that most people have no understanding of how the system works.

Compulsory superannuation was designed to augment the retirement incomes of people on ordinary incomes, but it has morphed into a system that often gouges fees from low-income earners while delivering enormous tax-free incomes to those who wouldn't recognise the minimum wage if they had to renovate their kitchen with it.

Despite the fact that Australian workers are forced to spend 9 per cent of their income buying superannuation, defenders of the system talk of it providing an "incentive" to save for retirement. You don't need incentives for things that are compulsory.

Defenders of the status quo also argue that tax breaks for high-income-earners' super "take pressure off the budget". But they don't. Way back in 2007, I calculated that the lifetime cost of superannuation tax concessions for middle- and high-income-earners was greater than the cost of paying them an age pension. The argument has been made hundreds of times by dozens of analysts since, and it has been systematically ignored by people who pretend to care about evidence-based policy and cutting budget deficits.

The reluctance of politicians to take on the vested interests of the super industry is understandable; the virtual silence of the policy community is not. Treasury, Finance and PM&C have all soft-pedalled on the issue. And many of the commentators who yearn for "evidence-based policy" and "responsible fiscal policy" have been silent about the obvious contradictions and flaws in the current system.

There is no doubt that Hockey would rather follow his predecessors' lead and avoid a fight about super, but there is no other reform that gives him any chance of fixing his budget deficits fairly and quickly. He knows he has to do something big on the revenue side, as well as fair on the pensions side. Taking on the finance sector won't be easy, but it will be easier than explaining that he would rather run large budget deficits than ask the rich to pay tax.

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