

TITLE: Symbolism does not create prosperity

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PUBLICATION: Canberra Times

PUBLICATION DATE: 19/06/14

LINK: <http://www.canberratimes.com.au/comment/symbolism-does-not-create-prosperity-20140620-zsf6y.html>

Charging sick people \$7 to go to the doctor will hurt ordinary Australians far more than the carbon price ever did. While, admittedly, the ALP did a poor job of explaining it, the reality was that most Australians received more in compensation than they paid in higher electricity prices. Of course there is no compensation for Prime Minister Tony Abbott's compulsory donations to medical research. Indeed, unlike all other donations to medical research, the Medicare co-payment isn't even tax deductible.

Mr Abbott was elected on a populist platform of creating jobs and cutting the cost of living. Having been elected he has set about shedding jobs and increasing the cost of living. It's not hard to understand why voters have turned against his government.

The PM's pledge to rip up the carbon tax was once a potent political symbol. In one phrase he got to impugn the honesty of former PM Julia Gillard, and explain how he would make life cheaper and create jobs. No wonder he kept saying it. The trouble is, however, that symbols aren't reality.

Reality is slowly beginning to dawn on the electorate and the backbench. Mr Abbott built a huge stock of political capital feigning outrage that Julia Gillard would lie to the Australian people. Since becoming prime minister, he himself has shed promises as quickly as he has shed his approval rating. The Prime Minister is proud of his catchphrase that "sometimes it is better to seek forgiveness than permission" but it doesn't seem that the voters, or his colleagues, are feeling particularly forgiving.

While the voters have quickly figured out that Tony Abbott's commitment to the truth runs no deeper than Julia Gillard's commitment to poker machine reform, they will soon figure out that scrapping the carbon tax will not take electricity prices back to their 2011 levels.

There is no doubt that the carbon tax made a great whipping boy for the Coalition when they were in opposition, but having accused it of so many crimes they will struggle to explain why the crime wave continues after they execute it. Overinvestment in poles and wires and the rising profit margins of the big electricity companies were the real causes of increasing power prices, but the Abbott government isn't proposing to do anything about either of them.

The big banks have hung on to the high interest rate margins they said were temporarily required during the GFC. The big oil companies continue to buy up the small independent petrol stations that help keep prices down and Coles and Woolworths continue the "creeping acquisition" of their smaller rivals. These are the real causes of "cost of living pressure" but the Abbott government is doing nothing about it.

Scrapping the carbon tax, according to the government, will save an average Australian around \$550 per year. A half a per cent interest rate reduction on a \$500,000 mortgage would save \$2500 per year. A half a per cent fee reduction on a \$500,000 superannuation balance would save retirees \$2500 per year. From opposition, Joe Hockey released a nine point plan to take on the power of the Big 4 banks. From government he has agreed to water down the rules that protect vulnerable investors from the greed of the bank's financial advisory firms.

But why would a government focus on the main game when it can obsess about a symbol? Taking on the banks or the grocery monopoly might help "ordinary Australians" with their cost of living pressures, but it would also make some powerful corporate enemies. Taking on the carbon price does virtually nothing to reduce the cost of living but makes some powerful corporate friends.

In addition to restoring honesty to Australian politics and making lamb roasts affordable again, the removal of the carbon price was supposed to inspire confidence in the economy and create huge numbers of jobs. While there is no doubt that investor confidence plays a role in macroeconomics, there is also no doubt that it has become a highly political tool. Big business now regularly asserts that they would simply feel "more confident" if their preferred political parties were to win elections. The past nine months have shown that they don't put their money where their mouth is.

The Australian economy is slowing. The budget forecasts that unemployment will rise. The investment boom, that was supposed to accompany the election of a Liberal government, has failed to materialise. While the heavily subsidised mining industry is no doubt feeling "confident" about the removal of the carbon price, the reality is that because it doesn't employ many people, the mood of its executives has virtually no impact on the unemployment rate.

The mood of consumers, on the other hand, has a major impact on investment decisions. Tony Abbott and Joe Hockey spent three years talking the economy down, and the last 18 months talking their budget emergency up. As an election strategy it was highly successful. As an economic strategy it was a disaster. Consumers and

employers alike have been reluctant to open their wallets in the face of this imaginary emergency.

Furthermore the government is cutting the incomes of the poorest Australians who, not surprisingly, have a tendency to spend virtually every cent we give them. The proceeds of its \$7 fee for medical treatment will be locked away in a pharmaceutical industry assistance fund for years; it is giving less money to the states to employ teachers and nurses, and it is directly planning to shed at least 14,000 staff, around half of which are based in Canberra and the other half spread around the country.

Cutting the carbon tax and the mining tax may well make the big mining company executives feel more confident, if only of their bonuses. The pursuit of such political symbols will do nothing to inject money into a slowing economy or to inspire confidence in the 99 per cent of Australians who neither own, nor work, in the fossil fuel industry.

This week's polls show that voter support for ripping up the carbon price is falling along with voter support for the Abbott government itself. While the Prime Minister has no choice but to continue his symbolic war against the carbon price, the voters, and the Senate, have many choices.

Australia is one of the richest countries in the world and we live at the richest point in world history. According to the IMF and World Bank we have low taxes, low debt and a small deficit. While unemployment is rising, compared to Europe, our economy is doing well.

But despite our wealth and good fortune, many in our community cannot afford housing or health care. If Tony Abbott gets his way, the number missing out on both will soon rise. So far he has hidden his real agenda behind his symbolic battle with the carbon price. While symbolic battles make for easy politics, they don't create long-term prosperity. The question for his backbench, and the Australian public, is should we face up to our real challenges, or should we rage against imaginary ones?