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TITLE: Wayne Swan fiddling as climate burns a budget black hole

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According to the spin doctors, governments should never let a crisis go to waste. And of course the best crises are the ones you invent yourself. Done well, they ensure others spend a lot of time worrying about the wrong things.

Of course the latest intergenerational report, like its predecessors, is full of doom and gloom. What with rising health costs, aged care costs and now climate change we will be lucky if we have two sticks to rub together in 2050 unless we all knuckle down, work smarter and vote for the incumbent.

The only problem for the Government, and its predecessors faced the same predicament, is that these reports show nothing of the sort. Consider what the 2010 intergenerational report actually says.

First, Gross Domestic Product is set to rise much faster than was expected in 2007. Indeed, GDP is now expected to be 18 per cent higher in 2050 than we thought it was going to be at the last election.

Second, GDP per person is projected to rise at such a rate that, on average, we will all be 80 per cent better off, per person, than we are today. Of course I suspect that high paid bankers might do a bit better than average and indigenous Australia might somehow miss out again but, collectively, we are set to be a lot richer.

Third, we will be living a lot longer with life expectancy for women tipped to increase from 84 today to over 90 by 2050. Oh no, our public health campaigns and new medicines are actually working!

In an attempt to scare us into agreeing with him the Treasurer warns that "Faced with these budget challenges, we essentially have three options", one of which is to "increase taxes". But what he doesn't say is that it is our incomes that will be rising, not the tax rates, which will be falling.

That's right, despite all the hand wringing about the blow outs in the budget the fact is Treasury is explicitly assuming that governments will be cutting tax rates every year for the next 40 years.

Fifth, the rate of petrol tax is going to fall substantially. Because the level of fuel excise is fixed at 37 cents per litre as the price of petrol rises over time the actual tax rate falls. For example, if petrol cost \$1.00 per litre then the effective tax rate would be 37 per cent but if it rises to \$2.00 per litre the tax rate would fall to around 18 per cent. Given that Treasury projections are based on the assumption that the rate of excise will never increase the steady impact of wage and price rises will mean the tax rate of petrol will steadily dwindle over the next four decades.

So, there you have it, a much bigger economy, an 80 per cent increase in average incomes, longer lives and lower taxes. Are you scared yet? You should be, but not for the reasons outlined in the intergenerational report.

Even if the flawed CPRS was to be passed by the Senate the amount of climate change we are likely to experience in the next 40 years will still impose enormous costs on our infrastructure, health system and emergency services.

A heat wave in Melbourne last year buckled tram lines and killed dozens of people. Sea level rises will not sink too many houses in the coming decades, but higher tides and stronger storm surges are tipped to destroy billions of dollars worth of roads and other infrastructure. Bigger bushfires, and more of them, will require a massive investment in both fire fighting capacity and preventative structures such as community fire bunkers.

The Rudd Government has been waving tens of billions of dollars around to compensate big polluters for the cost of the CPRS, and households get the odd mention, but it has not offered the state governments a single cent to help them with the enormous costs of adapting to climate change. The intergenerational report follows the same path, including detailed assessments of the likely impact of rising pharmaceutical costs but nothing on rising sea level costs.

Despite the hype, the intergenerational report provides clear evidence that Australian Governments, like the apocryphal army generals, are busy fighting the last war. Treasury's own analysis shows that, on average, we will have lots of money, lots of stuff and be living long healthy lives.

It's time we started to worry less about the red ink in the budget papers and more about the red ink on the climate maps. The intergenerational report is, like most set pieces in modern politics, simply a distraction from the real story.

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