

Abbott's Figures Don't Add Up

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Is it possible to cut company tax, cut the carbon tax, pay out for defence and 'direct action' on climate change - and still balance the budget? It's time to sack Abbott for someone competent, writes Ian McAuley.

In announcing an election date almost eight months out the Prime Minister has delivered a tremendous opportunity to the Opposition.

It has given the Liberal Party time to sack Tony Abbott and to appoint people with economic competence to its front bench.

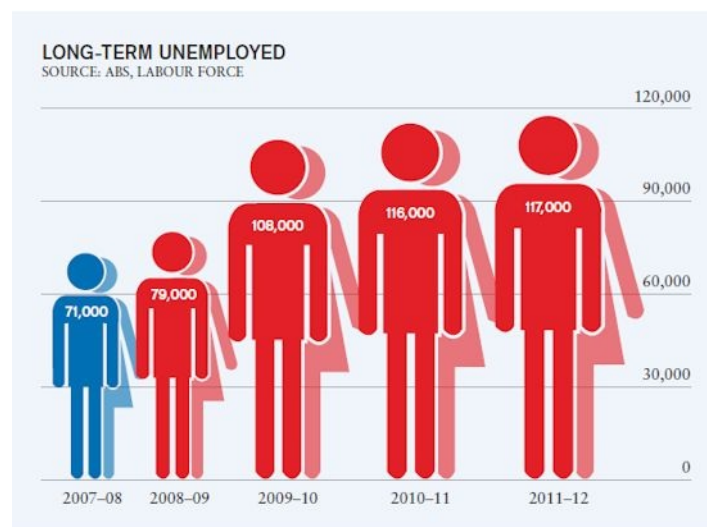
While the Prime Minister has been addressing questions of economic policy, such as structural weaknesses in the tax system and the need for investment in human capital, Abbott, presenting himself as the knockabout bloke with credentials as a football coach, member of a surf patrol and manager of a concrete plant, has been on a Putinesque tour of Australia.

His priority, repeated six times in his National Press Club address on Thursday, is to repeal the carbon tax — an extraordinary promise to make when violent weather, almost certainly a manifestation of climate change, is causing so much destruction and misery.

He sarcastically says that Australia's carbon tax hasn't prevented floods and bushfires, but he fails to acknowledge that, as one of the countries most affected by climate change and as one of the greatest polluters per capita, an Australian retreat on pricing carbon would severely set back any chance of a binding international treaty.

His policy document, "Our Plan: Real Solutions For all Australians", is a litany of contradictions. He acknowledges that a high exchange rate is hurting trade-exposed industries, but he goes on to boast that he will abolish the mining tax and remove "the shackles and burdens holding the [mining] industry back". He will fund personal company tax cuts and "deliver a modest cut in company tax"; then he goes on to sell his generous parental leave scheme, neglecting to mention that it would be funded by an increase in company tax.

The document is replete with graphics in a deceitful style not seen since the days of Soviet propaganda, such as the one below:



The glaring contradiction is in its basic mathematics. An Abbott government would abolish the mining tax and carbon tax, would cut personal and company tax, would spend heavily on road infrastructure (at least \$10 billion in the Press Club speech) and on a "direct action" carbon abatement plan, would restore subsidies to the private health insurance industry, would increase pensions, would restore defence spending — and would balance the budget!

Yet Abbott and his colleagues refuse to reveal any costings. They keep saying that they will reveal full costings in time.

It would be unreasonable to expect an opposition to make full and detailed costings before the budget is delivered, but the scope of the contradiction in the Coalition's fiscal statements is such that no realistic change in economic conditions or in budgetary measures could deliver the magic pudding needed for their sums to reconcile.

Unfortunately the media, which should be holding politicians to scrutiny, allows the Coalition the lame excuse that it's too early for any costings. Even the ABC, still the nation's most trusted source for news, refrains from scrutinising the Coalition's economics.

On Thursday, in an interview with Joe Hockey, breakfast host Fran Kelly gave a free pass to his boast that the Coalition "will deliver a surplus in our first year and in every year after that". Nor did she raise an eyebrow at his novel construction of "taxation" to include deficit spending — a ruse to hide the reality that Australia's taxes are among the lowest in the developed world.

Does Hockey mean that a Coalition government would not engage in normal counter-cyclical management? In criticising (and overstating) the Gillard Government's modest debt, do Abbott and Hockey mean that in response to the financial crisis they would have let the economy slip into deep recession just to avoid a deficit? (That really would show up on a graph of long-term unemployment, without any presentational fiddles.)

With the Coalition subject to so little scrutiny, it is little wonder that the public gullibly believe that it is better able to handle the economy than the current Labor Government — a belief shared by few professional economists. Few media cover positive reports from the OECD and IMF on the Government's economic management, or on the ratings agencies' AAA assessment of its fiscal management.

And it is nigh impossible to shake the belief that living costs are out of control, even though incomes have been outstripping inflation right through the difficult period of the financial crisis. As Goebbels said, "If you tell a lie big enough and keep repeating it, people will eventually come to believe it.

Abbott's sums work only if he plans deep cuts, as yet unrevealed. He is unlikely to cut personal transfer payments: if anything he seems committed to restoring Howard's spending on middle class welfare. The only welfare cut he has promised is the "school kids' bonus" — giving a hint of his priorities. The cuts would surely come in education and health.

As an experienced journalist Abbott is skilled in avoiding scrutiny, but he is slowly revealing himself as a conservative such as Australia has not seen since the days of the Lyons government. His conservatism extends even to opposition to technical progress. The National Broadband Network and carbon pricing would transform Australian industry — that's their purpose.

They are disruptive technologies which upset current power structures and social orders — Abbott can see the risks. It's politically much easier to deal with the "old boy" network lobbying to preserve existing firms and industries than to deal with entrepreneurs in a dynamic economy.

Similarly his stance on productivity is in the traditional language of cost reduction, particularly labour costs. This is not the language of entrepreneurs, who voice their concern with productivity in terms of the need for better management, recognition of skills, more use of people's capabilities, and the support of strong public investment in education. Rather it is the language of one who fears change and instills that fear in others.

The Liberal Party has almost eight months to change its front bench and to present policies appropriate for a country needing to undergo structural adjustment, which provide necessary public goods for a knowledge-based economy, and which promote rather than retard productive enterprise. The Coalition is surely not so devoid of talent that it has to make do with its present front bench.

But perhaps it is besotted with the idea of getting back into office — taking up the party's rightful place on the Treasury benches. Or perhaps, as Tony Sheldon said of the NSW right faction of the Labor Party, the Liberal Party it is simply about jobs for B-grade wannabes.