



You Think The Coalition Is Bad? Look At Labor's Policies

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Politics in a stable democracy should be boring, even relaxed and comfortable. Yet since the fall of the Howard government in 2007 [Australian politics has been exciting](#)– almost a blood sport. The population is certainly not relaxed nor comfortable. Malcolm Turnbull as Prime Minister appeared well on his way to changing all that. Re-election looked possible, even likely.

The [shenanigans in Canberra now](#) suggest the next prime minister will have a short tenure before Bill Shorten becomes prime minister. Ordinarily a change in government can be a good thing. Every now and again you have to throw the bastards out and give the other mob a go. Unfortunately we can't throw them all out at the same time.

Yet that might not be the case at the coming election. Despite the Labor Party having, on paper, a formidable economics team some of their attitudes and tax policy ideas require some very careful analysis and scrutiny. The downside of 27 years of continuous economic growth is policy complacency.

For many Australians, the economy will just keep growing no matter what economic silliness emanates from Canberra.

Taxation is no longer seen as a necessary evil to finance public services – and a lot more besides – but rather as a punishment. Regulation, too, is seen as punishment for poor behaviour. In this age of “social licence to operate” it seems there are many industries and people in need of punishment. But regulation and taxation impose costs on the economy that ultimately must be borne by someone. Very often those who bear the costs of regulation and taxation are poor and the more vulnerable members of society.

Poor policy

We are going to hear a lot about inequality over the next while. To be clear: inequality is more of a political problem than an economic problem. It becomes an economic problem when policies designed to reduce inequality lead to poor economic policy.

This will very quickly become apparent as Labor further re-regulates the labour market. To argue, as Australian Council of Trade Unions boss Sally McManus does, that our current industrial relations system introduced by the last Labor government is inadequate to protect workers from big business completely misses the point: big business itself is being disrupted by technological change.

As Australia transforms from a financial and physical capital-dominated economy to a human capital-dominated economy it makes no sense to lock in antiquated 19th-century notions of class warfare where unionism empowers the weak against the strong. This will simply benefit entrenched interests and disadvantage the young and entrepreneurial. The so-called gig economy is not a conspiracy against workers, it is an opportunity to work for many otherwise unemployed people.

Take, for example, [company tax rates](#). When last in office Labor had a policy of [reducing company tax rates](#). Then they recognised the positive impact this would have on economic growth and employment. Now, in opposition, reducing company tax rates is a give-away to the top end of town. Hopefully Labor will rediscover the benefits of company tax cuts when back in office.

The idea of reintroducing double taxation on company dividends is particularly poor. Double



taxation distorts both financing and investment decisions. While somewhat complex, the dividend imputation system introduced by the Hawke-Keating government was an excellent reform that Labor should be championing not dumping.

Then there is the idea of tinkering with negative gearing. All sorts of ideas have been floated here – having a cap on the number of properties, or grandfathering existing properties, and what not. Somehow many people have become fixated on the notion that tinkering with the tax system will make housing “more affordable”. That somehow the tax system is to blame for high housing prices. Why has nobody thought of blaming low interest rates for high prices? Has nobody in Canberra realised that high prices could be a market signal to increase supply?

Too much tinkering

The fact is that being a landlord is one of the few small-business opportunities available to thousands of Australians on middle incomes. People who work at day jobs – schoolteachers, police, nurses and the like – and want to save and invest a bit more for their retirement or kids and don't want to do so through the superannuation system. A system itself subject to far too much tinkering over the years.

Too many of Labor's current policies look like they're out to punish ambition and/or self-funded retirees. Whether they get to implement these policies will depend on the makeup of the Senate.

The issue well worth exploring, however, is how and why we have got to this situation.

Since 2013 Malcolm Turnbull, Scott Morrison, Tony Abbott and Joe Hockey have held the levers of power and occupied the bully pulpit. Yet in that time none of them has made a serious coherent argument for small government with low taxes and reduced regulation. Rather we have heard of tax rorts, fair shares, base erosion, cry-me-a-river, and they make no apology. That's all very nice, yet there is now no reason for the electorate to fear a Labor government that will also increase taxes, and bring in new levies, and regulate industries that have fallen out of favour.

It will be government as usual after the next election.

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