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PETER COSTELLO: DO NOT RAISE GST; IMMIGRATION TOO HIGH

In an exclusive and wide-ranging interview with the IPA, Australia's longest-serving Treasurer Peter Costello has declared the nation's economic problems are "nearly all self-inflicted", blaming excessive regulation, taxation and wasteful government spending for Australia's loss of competitiveness.

Interviewed by IPA Chief Economist and Senior Fellow Adam Creighton for the second episode of *The Prosperity Question* podcast, Mr Costello warned Australia was falling behind despite the extraordinary advantages bestowed by its natural resources and favourable terms of trade.

"We used to lead the pack. We're falling behind the pack," Mr Costello said.

"Our problems are nearly all self-inflicted."

A day after the ABS revealed inflation had risen to 4.3 per cent, Mr Costello said the RBA would be compelled to lift interest rates and described quantitative easing as "a terrible mistake".

"It'll rise until such time as we have some pretty significant economic fallout. And I think at some time we will have some pretty significant economic fallout."

On tax, the former treasurer, who introduced the GST, rejected increasing it to finance more government spending.

"Increasing the GST to spend more is not a reform which will improve Australia," he said. "It is a bad idea."

He argued that Australia's top income tax rate applied at too low an income, undermining incentives to work, invest and build businesses.

"It's affecting work incentives, it's affecting entrepreneurial incentives, it's making it harder to get ahead. It's killing aspiration, that's what it's doing."

Mr Costello identified "over-regulation, overtaxation, wasteful spending, and a government that doesn't seem to have a vision for the economy" as major contributors to Australia's decline.

He called for budget surpluses of 1–2 per cent of GDP and a comprehensive examination of federal spending, reinforcing the call for sizeable surpluses made by former Reserve Bank governor Dr Philip Lowe in the podcast's first episode.

"We should be running surpluses on these terms of trade. We should be running surpluses 1, 2% of GDP," Mr Costello said.

"It's got to be a full court press right across the expenditure side of the budget."

Mr Costello criticised both the Morrison–Frydenberg and Albanese–Chalmers governments for moving away from balancing the budget over the economic cycle.

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"I say we should be running surpluses and paying back debt at a time of great terms of trade because I want to balance the budget over the course of the cycle. They don't."

Mr Costello also argued the immigration system was no longer working in Australia's national interest, saying **"immigration has been too high in recent years. The system has been gamed."** Mr Costello identified universities as a key culprit, arguing "The universities figured out that bringing people who are prepared to enrol with work rights was a soft way of getting into the country, and the universities could take the premium."

Commenting on the interview, Mr Creighton said:

"Peter Costello's message is that Australia's economic decline is a consequence of policy choices. We cannot keep blaming the rest of the world for problems we have created ourselves."

"Successive governments have become comfortable with deficits, rising debt and an ever-expanding public sector. Australians are paying the price through weaker growth, higher taxes and fewer opportunities to get ahead."

"The Economic Prosperity Initiative is examining the reforms needed to restore investment, productivity and rising living standards. This interview makes a compelling case for putting those objectives back at the centre of public policy," Mr Creighton said.

The Hon. Peter Costello AC delivered 12 federal budgets, including ten that returned a surplus, and paid down the national debt. Mr Costello also served on the board of the Future Fund from 2009 and as its Chairman from February 2014 until February 2024, and served as Chairman of Nine Entertainment from 2016 to 2024.

You can watch Adam Creighton's interview with Peter Costello here.

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