

For the past fortnight I have watched with bemusement the public debate about “tax reform”. While it has ranged across all media, including this newspaper, nowhere has it been pursued with more messianic zeal than in *The Australian*, a newspaper that I read assiduously.

It all began on Sunday, 1 November, when Cabinet Secretary Arthur Sinodinos was interviewed at length on Sky News’s *Australian Agenda* program. Speaking with, obviously, the Prime Minister’s undoubted approval, he urged the need for “tax reform” involving a major Goods and Services Tax increase.

For the next ten days the ensuing crusade (it was nothing less) supporting this daft idea was pursued in *The Oz* via front page articles, opinion pieces and, above all, editorials. Meanwhile, different advocates argued for different particulars. Some suggested raising the GST rate from 10 to 15 per cent, others preferred to broaden its coverage. As controversy mounted, Labor could hardly believe its luck.

Now it is true, as this newspaper has been pointing out, that on pure tax efficiency grounds, raising the GST solely to reduce taxes commensurately on personal and/or corporate income would produce net benefits to productivity and growth. But the proceeds should definitely not facilitate more spending by either federal or State governments. At the political level, however, no “reform” proponent has suggested such a clean swap. Every one stressed the need to ensure “no disadvantage to the most vulnerable Australians”.

With that “wedge” accepted, it is obvious that any GST rise must result in a rise in total government spending – and hence, ultimately, a rise in total taxation. That was what happened when the Howard/Costello government introduced the GST.

So much for the daft economics; but what of the equally daft politics? Here too we might learn from history.

One of the great Australian political myths is that John Howard's decision to take the GST to the 1998 election was one of his personal triumphs. In fact, though undoubtedly “courageous”, it was an almost unmitigated political disaster. Look at what actually happened.

The 1996 anti-Keating electoral landslide had produced 95 Coalition House of Representatives seats to Labor's 49 (with four Independents). In 1998, despite regaining four Independent seats, the Coalition was reduced to 80 seats against Labor’s 67; moreover, 22 Coalition seats were substantially weakened from “Safe” or “Fairly Safe” (Electoral Commission terminology) to “Marginal”. On a two-party preferred basis, Labor won the majority vote, 51.0 to 49.0 per cent.

Bad though that was, the really damaging vote lay in the Senate. In 1996, the Coalition had elected 18 State Senators (plus the usual two from the Territories). Repetition of that in 1998 would have produced a new Senate with 38 Coalition Senators (in a chamber of 76). Instead, the Coalition elected just 15 State Senators, leaving it with only 35 in all. For the next six years, this 1998 incubus hung around its neck.

In *Lazarus Rising*, Howard says that, although expecting to lose seats, “with such a big majority it seemed inconceivable that the Labor Party could make us a one-term government”. Yet, aided by anti-GST sentiment, it very nearly did.

In 1998, voters such as myself, who bitterly objected to giving politicians a new tax so they could waste even more of our money, faced a dilemma. I wanted Howard to retain office, but I lodged my protest vote in the Senate. So did many others; the Coalition Senate vote was 2.04 percentage points lower than its House vote, with the Democrats and Pauline Hanson (both having opposed the GST) the big beneficiaries.

In next year’s election the Liberal Party will contend with many voters who, like myself, will never vote for it while led by Malcolm Turnbull and his fellow conspirators. With a GST-based “tax reform” now also likely in his saddlebags, are we looking at another 1998?

This vicarious thought bubble from Malcolm Turnbull (aka the great communicator) has been enormously damaging to the Coalition, including particularly to those marginal seat holders whose panic two months ago led to overthrowing the man to whom they owed their election.

And the crusade? Well, last Thursday *The Oz* unblushingly editorialized that “practice shows lifting GST leads to even bigger government”; and that “indeed, increasing the GST automatically lifts government spending as a share of the economy because part of the extra revenue must be paid out.... as compensation”. Precisely.

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