

Federal election 2016: Shorten 'misled voters' on schools boost to GDP

The Australian, May 12, 2016, David Crowe, Political correspondent

'It simply means that doing more of the same is unlikely to lead to significant changes in student outcomes,' Stanford University economist Eric Hanushek, left, with Educational Transformations managing director Martyn Forrest, centre, and Tasmanian Education Department secretary Brian Caldwell.

Bill Shorten stands accused of misleading voters over the boost to growth from his \$37.4 billion school funding plan by claiming an economic lift "straight away" from the spending despite economic research that shows the gains would take decades.

In a blow to the Opposition Leader's economic case, the author of the global study used to justify the Labor spending told The Australian there would be no "immediate" boost to growth — and that more money was not the key factor in producing the economic benefit.

"There is no systematic relationship between what is spent on schools and any added achievement," Stanford University's Eric Hanushek said last night.

"How money is spent is more important than how much is spent. This does not mean that money never counts, or that money cannot count. It simply means that doing more of the same is unlikely to lead to significant changes in student outcomes."

Professor Hanushek also confirmed that his report, Universal Basic Skills, measured economic gains over almost eight decades to 2095 and that the key benchmark for Australia — a 2.8 per cent lift to growth — reflected those long-term benefits.

Labor finance spokesman Tony Burke is under fire for predicting the 2.8 per cent increase in growth would flow from "the moment" children gained better skills and finished high school, sparking a government attack on his "demonstrably false" claims.

The clash over growth is now central to the election campaign as Malcolm Turnbull argues for a \$48.2bn company tax cut that Treasury predicts will expand the economy, while Labor insists there will be a better dividend from its spending on schools.

Labor Treasury spokesman Chris Bowen has cited the Universal Basic Skills report to argue that the "Gonski" increase in school funding can add 2.8 per cent to growth in today's terms and can expand the economy by 11 per cent over time.

Professor Hanushek, who co-wrote the report for the Organisation for Economic Co-operation and Development, cautioned against claims of rapid growth and warned that his work did not assume a spending increase would produce stronger education results.

"If we increase the achievement of somebody in secondary school today, we will not see it in today's GDP," he said. "The students are still in school, and we have to wait until they finish school and get into the labour force. The 2.8 per cent will not show up in today's income tax returns — but it is the value today of these future improvements in the economy."

Mr Shorten has vowed to lift school spending by \$37.4bn over a decade to deliver "fair funding on the basis of need" but expanded his argument to include an economic claim yesterday, given the stronger election focus on competing plans for growth.

“There will be a 2.8 per cent improvement straight away if we implement these changes and over the longer term 11 per cent improvement to our GDP,” Mr Shorten said yesterday.

Mr Burke claimed a “deception” or “error” in The Australian yesterday, which reported that the OECD forecasts stretched out to 2095.

“The moment you have children going through with better skills and finishing high school you get the 2.8 per cent growth according to the OECD report. That’s how that has been calculated,” Mr Burke said.

Mr Bowen accused Finance Minister Mathias Cormann of being “wrong in fact” when he said the 2.8 per cent figure did not apply until later this century.

“The economy will be 2.8 per cent larger in today’s terms if this reform had been implemented,” Mr Bowen said.

Yet the OECD report based both its figures for Australia — the 2.8 per cent gain in today’s dollars and the 11 per cent expansion in the economy at the end of the century — on the gains that would take place over the full period to 2095.

Senator Cormann said the Labor claims were proven “demonstrably false” by the OECD report.

“Either Bill Shorten genuinely doesn’t understand how the economy works and how higher taxes to pay for higher spending impact on growth, or he is deliberately setting out to mislead people,” the Finance Minister said.

“Whichever it is, it shows that Bill Shorten is not up to the job of successfully managing the important transition happening in our economy.”

Professor Hanushek confirmed that the estimates assumed universal enrolment in secondary school and an improvement in basic skills from 2015 to 2030 and then measured the impact on the workforce and the economy that followed.

Other economists also cautioned against expecting a quick gain to growth from higher spending on schools, amid a growing debate about the competing claims for Labor’s education policy or the Coalition’s business tax cut.

Mr Turnbull is advocating a 10-year policy to reduce the company tax rate from 30 to 25 cents in the dollar, citing Treasury research that shows it would expand the economy by 1 per cent over time.