

Labor's ruinous blueprint to kill reward for effort

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In the unfortunate event that Bill Shorten ever gets the chance to inflict the tax, tax, tax, spend, spend, spend narrative he outlined last night, jobseekers, workers, business and the nation's prospects would pay a high and painful price. Two days after the Turnbull government took over Labor's turf with a big-spending, high-taxing budget, the Opposition Leader predictably stepped further to the left, straying deep into the big-government mindsets of the Greens and Britain's hapless Opposition Leader, Jeremy Corbyn. Mr Shorten's irresponsible plan would further punish the declining number of households that shoulder most of the income-tax burden.

On top of the government's generous Gonski 2.0 package, Labor would spend another \$22 billion on schools over 10 years, even though the last \$10bn spent saw results go backwards. It would abandon the government's moderate reform of university funding, leaving tradies and others to carry more of the can for graduates whose degrees will give them vastly greater earning capacities. Mr Shorten suggested Labor would also spend more on renewable energy, the policy at the heart of our looming energy crisis, aptly described by John Howard yesterday as a "scandalous policy failure of the first order".

At last year's election, Mr Shorten and Chris Bowen pledged to hike taxes on housing investments, carbon emissions, superannuation and high income earners but to lift public spending even more, plunging the nation deeper into the red. Last night, Mr Shorten doubled down on that class warfare. In pledging to maintain the temporary deficit levy as well as the hike in the Medicare levy, but only for those earning over \$87,000, Mr Shorten promised a top marginal tax rate of 49.5 per cent — one of the most uncompetitive in the world. He sent all the wrong signals to hardworking taxpayers aspiring to earn more, who already shoulder the lion's share of the revenue burden. Unfortunately, by targeting the banks for extra revenue simply because they are successful and unpopular, Malcolm Turnbull and Scott Morrison opened themselves up to the same argument from Labor regarding high-income earners.

While this is now an irresponsible Labor policy, the temporary deficit levy was brought into play by Tony Abbott, who broke his promise not to increase taxes when he imposed it in 2014. As we said then: "We fear the levy may not be temporary." Now it seems our prescient fears might be realised. Mr Shorten wants to make it permanent. Australia has reached a nadir in the economic and political debate. Both major parties have decided that trimming spending is too hard and it is better to cast around for easy targets to collect even more tax.

Unlike the predecessors whose names he invoked in vain last night — Bob Hawke and Paul Keating, who respected and worked constructively with the business community — Mr Shorten could barely conceal his disdain for those who generate wealth and jobs. The US and France have promised significant business tax cuts, but he dismissed the government's corporate tax plan as "a \$65 billion giveaway for big business". Even the tax deduction for individuals managing their tax affairs, legally, would be capped at a paltry \$3000.

In an abysmal display, Mr Shorten claimed the government was waging a “war on young people” and recycled his “Mediscare” lie, claiming that the Coalition had tried to privatise the scheme. He took up cudgels on behalf of the trade unions in support of penalty rates and called for more spending on health, TAFE, indigenous rangers and public housing. In the fanciful world he conjured up, nobody should pay for anything — apart from multinationals and millionaires (a \$1m income entails paying \$448,232 in tax). Australia needs more of them, but there could be fewer under both sides’ big-spending, high-taxing policies. These will cost every Australian dearly, leaving fewer dollars in our pockets for discretionary retail spending, saving and investment. The problem with socialism, as Margaret Thatcher said, comes when governments “eventually run out of other people’s money”.

Mr Howard was right yesterday when he said Mr Morrison’s budget diverged from conservative ideals. It did. But Mr Shorten’s plan would be a socialist nightmare, exacerbating the deficit, our rising debt, the risk of losing the AAA credit rating and the looming costs from an ageing population as the ratio of workers to retirees declines. Labor has taken the race to the bottom on economic policy down several notches. Its policies would make the path to fiscal responsibility, when finally undertaken by braver politicians than we have at present, far more painful.