

Turnbull can't surrender his core economic strategy

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There is a real danger that Malcolm Turnbull and the Coalition could learn the wrong lessons from last weekend's by-elections. Having foolishly raised expectations and campaigned timidly, some Liberals are talking about raising a white flag on their signature company tax cut plan. This is precisely the opposite response to what is required.

The Longman result shows the Coalition is bleeding votes to One Nation; to lure back its conservative flank it needs to demonstrate more conviction, not less. It must fight against criticism from the Left, not yield to it. This means being stronger and more assertive on fiscal management, economic reform, power prices, union overreach, immigration and border security. If the Prime Minister were to abandon the central pillar of his plan to boost investment and employment he would be seen to be as opportunistic and cynical as Bill Shorten. It would ruin his authority and undercut his blueprint. The siren song of easy political fixes must be resisted.

In May we credited the Coalition with finally fashioning a strategy.

"Importantly, public acceptance and enthusiasm for broader, medium-term income tax cuts helps to underpin the case for business tax reductions," we said. "It demonstrates how the growth agenda can minimise the burden on families and workers as well as businesses." Company tax cuts are more important for national prosperity than income tax cuts but the pair make for a happy marriage. "The government finally has laid out something of an economic narrative that restricts spending, returns to surplus, caps revenue growth, provides tax relief to individuals and companies, and encourages growth," we said, urging the government not to compromise. "It provides a contrast to Labor's plan to increase taxes and spending while imposing on business extra costs and regulation that will stifle growth."

These arguments still hold true. If Mr Turnbull and his Treasurer, Scott Morrison, were to surrender and leave the nation with a half-baked, globally uncompetitive and two-tiered company tax system, would they conceive a new plan for reform and recovery? What could be said of their conviction on the merits of company tax reductions? Who would believe them again?

To be sure, Labor is throwing barbs with its divisive and destructive class warfare. But this contradicts all that Labor has argued for the past 30 years and

should be exposed for the contemptuous and patronising opportunism that it is. The Coalition's advocacy is its weakness. It has hardly made an argument for its company tax cuts and it wonders why Labor's spirited attacks make more noise. Under Mr Turnbull the Coalition seems to think all it needs to do is announce elegant policy and await the plaudits, rather than engage in brutal day-to-day advocacy.

On this score former prime minister Tony Abbott's game-playing must be called out. Few politicians better know the need to stand on conviction. Mr Abbott must know a backdown by Mr Turnbull may fatally weaken him. He would better serve the nation if he led the charge for the only economic strategy the Coalition has on offer.