

Where do we go from here?

World economic activity never really recovered from the 2007 Global Financial Crisis. Economists have argued back and forth about remedies, central banks have printed bales of money – actually mouse-clicks to transfer hundreds of billions of dollars to banks – and governments have practiced selective austerity to balance the outgoings.

Australia avoided the worst excesses of the falls, buoyed by a mining investment boom and canny stimulus ideas from Treasury, eagerly enacted by Kevin Rudd.

Never mind our good fortune boiled off in land price inflation. Or that Australia has just displaced Denmark to equal Switzerland and boast the highest private debt per person in the world.

Even the IMF is now fretting about short term capital flows, particularly of debt. In the research paper *Neoliberalism: Oversold?* they observe:

*“In the case of financial openness, some capital flows, such as foreign direct investment, do appear to confer the benefits claimed for them. But for others, particularly short-term capital flows, the benefits to growth are difficult to reap, whereas the risks, in terms of greater volatility and increased risk of crisis, loom large.”*

Which exactly describes Australia’s self-imposed difficulty - borrowing almost a trillion dollars overseas to spend on mortgages, to be funded by commodity exports at strikingly lower prices.

Very little of Australia’s manufacturing base – carefully built up over a century of delayed gratification - will remain after the three carmakers close next year.

People are angered by the thought of legal tax avoidance through offshore tax havens, while blissfully unaware of the cost of economic tax avoidance from closing businesses. Bad taxes made them unprofitable; those same bad taxes cost us jobs, activity and our future.

The rent-seekers are ascendant. Their veto of the Resource Super Profits Tax – a smart way to apportion the economic rents from Australia’s mineral bounty – has emboldened them to resist moderating the ‘right’ to transform taxable income into concessionally taxed capital gains through negative gearing.

But that is a symptom of a deeper malaise. The rentiers keep pushing the taxes off property. Capital cannot bear the burden, so labour must fund the entire apparatus of government. This is a grave injustice and morally indefensible. Worse, it is a damaging form of cost-shifting that diminishes us all.

The better ambition is to reach for taxes that grow the economy rather than fight for the size of our slice. A Resource Super Profits Tax has this lofty principle, as does land tax. Removing the taxes we know cause harm for taxes that do not is the least we can ask of government. In fact, we insist.

