

Ten Reasons to Cut Taxes



Dr Jim Hoggett is Director, Economic Policy Unit. He is author of the soon to be published IPA Backgrounder, *Time to Focus Tax Privilege on Those Who Really Care*

1 Government spending is rising rapidly. After moderating during the late 1990s, government spending is now rising rapidly by a massive \$25 billion, or 17 per cent in the last year alone.

2 An election bidding war will lead to more spending. Every time there is an election looming, the Government and Opposition roll out the pork barrel and bid for votes. Country roads, long defunct railway projects, vague innovation packages and other vote-catchers proliferate.

3 Taxation revenue is rising strongly. With our income tax system, if you don't give back regularly then the tax take rises. Commonwealth tax revenue is expected to rise by \$30 billion in the two years to 30 June – that is two percentage points of GDP – a massive jump.

4 Rising revenue and surplus will

be spent. A surplus invites all the irresistible, drip-by-drip pressure of special pleading. As a result, if governments don't give the surplus back they are unable to resist spending.

5 The GST double shuffle creates higher taxation. The GST is the forgotten tax, not claimed by or included in the books of either Commonwealth or the States. Yet this tax is sucking money like a Hoover on steroids.

6 Our income tax rates are punitive. We still have one of the most savagely progressive rate scales in the world. The top rate is almost 50% and cuts in at less than one and a half times average earnings. Two million taxpayers face a powerful disincentive to work harder, or a powerful incentive to work overseas.

7 Our company tax rates are still too high. International companies need international tax rates. We won't become an Asian headquarters with a branch economy rate of 34%.

8 The "black economy" is growing at a healthy rate. A recent international study estimates our black economy at 15%. The existence of a GST does not have much effect on the size of the black economy but the overall tax-take does.

9 The economy is weakening. A moderate fiscal stimulus could be timely and it would best come through the private sector than pork-barrel projects that kick in the next boom.

10 The Treasurer promised not to increase taxes. In the last Budget, the Treasurer said "We set out three

goals – to get the Budget in surplus, to halve the ratio of debt to the economy and to do this without increasing taxes ... We have met all these goals." The third and most important promise has been allowed to slip.

The Victorian election showed that storing up surpluses is political suicide. The West Australian election showed that spending on the disaffected doesn't work. Special interest groups are constitutionally ungrateful and always bite the hand that feeds them.

The best course open to the Government is to announce promptly a reduction in the income and company tax rates and the indexation of the income tax brackets to encourage honesty in taxation in the future. ■

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One-Day Conference

Their ABC or Our ABC?

Balmain Town Hall

Saturday 31 March 2001 9.00 am to 5.30 pm

***An intimate look at the ABC from those who know.
What is wrong with it and what should be done.
Save our ABC from itself!***

SPEAKERS

Pru Goward

Ex-ABC reporter and political commentator

Michael Duffy

Publisher and columnist

Christopher Pearson

Editor of the *Adelaide Review* and columnist

Richard Fidler

Producer and presenter, currently working with the ABC

Don Parham

Independent documentary film-maker, ex-ABC presenter

Keith Mackriell

Federal head of ABC Radio from 1974 to 1984

Michael Warby

Fellow of the Institute of Public Affairs

Franco Pappandrea

Director, Communication and Media Policy Institute, University of Canberra

Tony Moore

Publisher of Pluto Press, and ex-producer for ABC TV

Tom Morton

ABC radio and TV producer and presenter

Overview

Paddy McGuinness

Editor of *Quadrant* and columnist

\$45 flat rate

For details and booking, please contact Joanna Ingram on 03 9600 4744

The First Annual H.V. McKay Dinner and Lecture on Science and Technology

The First Annual H.V. McKay Dinner and Lecture on Science and Technology, *The Future and Its Enemies: The Growing Conflict over Creativity, Enterprise and Progress* was delivered by Virginia Postrel on Tuesday 14 November

2000 at The Australian Club in Melbourne.

This lecture series is an important new initiative of the Institute of Public Affairs. It has been established to emphasize the vital importance of science and technology in

our future prosperity and was named in honour of the inventor and manufacturer of the Sunshine Harvester.

Virginia Postrel, Editor-at-large of *Reason* magazine, columnist with *Forbes*, *Wall Street Journal* and *Los Angeles Times*, is author of the best selling American book *The Future and its Enemies*. In this lecture, Ms Postrel explored the paradox between the idea that we live in a golden era of wealth, health, opportunity and choice bigger than at any other time in history and the lament made by many intellectuals, politicians and activists that we are enslaved, insecure, destroying the environment and have a future that is out of control.

Virginia's book *The Future and Its Enemies* is now available for order from the IPA. It is a vigorous manifesto for a dynamist worldview.



Virginia Postrel and IPA President John Prescott at the H. V. McKay Lecture

The third Harold Clough lecture and luncheon

The third Harold Clough lecture, *Is National Sovereignty Becoming Redundant?* was delivered by Jeremy Rabkin on Friday 25 August at The Western Australian Club in Perth.

This regular fixture in the Perth calendar, established by the IPA in recognition of Hal Clough's long and continuing support for the work of the Institute, has confirmed the consistently high calibre of speakers.

Professor Rabkin is Professor of Government at Cornell University and has written and spoken widely on issues of national sovereignty and on international governance, including giving evidence before US Congressional Committees.

In this lecture Professor Rabkin defined the democratic state, accountable to its own citizens and exercising only the authority of the law, as the fundamental expression of popular sovereignty. He agreed that many talk as if open international trade threatens the basic in-

tegrity of the nation-state and national identity while the United Nations speaks about global governance as if national sovereignty were a relic from another age. Yet, he warned that there is no alternative on offer to the nation-state for retaining open and accountable political structures.

Professor Rabkin outlined what does, and does not, threaten national sovereignty and the political accountability which is anchored in that sovereignty.

The 2000 Harold Clough lecture is soon to be released as an IPA Backgrounder.



Professor Jeremy Rabkin with Mr Hal Clough at the Harold Clough Lecture

ipa LATEST PUBLICATIONS

IPA Backgrounder

TELECOMMUNICATIONS IN REGIONAL AND REMOTE AUSTRALIA

BY TONY WARREN
NERG CONSULTING AND
THE AUSTRALIAN NATIONAL UNIVERSITY

Contrary to common perceptions, Australians living in rural and remote parts of the country have in general seen a dramatic improvement in their telecommunications service over the period since deregulation of the industry and the part-privatisation of Telstra.

The problem is, however, that people in the bush believe that their service levels have not gone up as much as in the cities.

This Backgrounder seeks to pin down what the rural telecommunications problem is and what can be done about it.

November 2000 \$13.20

IPA Backgrounder

NGO WAY TO GO Political Accountability of Non-government Organizations in a Democratic Society

BY GARY JOHNS
SENIOR FELLOW, IPA

The growth of NGOs in the last three decades has been a significant feature of political life. Few matters of public policy pass without an NGO spokesman advocating a position. Gary Johns argues that these groups demand, in some regards, to be considered as a de facto official opposition. Johns warns that NGOs may lobby, comment, criticize and assist in the formulation of policy, but they can never assume, collectively or individually, the mantle of government, even in the policy area that they may claim to represent.

November 2000 \$13.20

IPA Backgrounder

EDUCATION REFORM Who Should Control the Curriculum?

BY KEVIN DONNELLY
DIRECTOR, EDUCATION STRATEGIES

Across the Western, English-speaking world, over the last five to ten years, education systems have undergone significant reform. The result is that while schools have been freed in areas such as budgets, staffing and planning, they continue to be forced to adopt a state-mandated curriculum. Unfortunately, this curriculum is full of fads and ideologically driven changes. The result is that the rights of parents and students to choose from a range of schools is seriously compromised and educational standards decline. All are made to suffer when something goes wrong. The solution is to free schools from provider capture and state control.

November 2000 \$13.20

IPA Backgrounder

FIT FOR THE WEST The Western Australian Approach to Labour Market Regulation

BY MICHAEL WARBY
FELLOW, IPA

Western Australia's industrial relations system provides a solid basis for safeguarding the State's prosperity. Given the importance of export markets—particularly for the capital-intensive mining industry—to the Western Australian economy, its labour market regulation needs to suit its export-focused economy. The current IR system does this well.

In this Backgrounder, Mr Warby identifies the labour market re-regulation agenda which is currently moving around the States as an attempt to use legislation to protect the union movement. Warby argues that it is something WA should definitely not import from the East Coast.

November 2000 \$13.20

ipa BIOTECHNOLOGY

IPA Triple Whammy

The IPA had a very fruitful end to the year with the visits of three international specialists on GM foods. Professor Klaus Ammann from Switzerland and Julian Morris and Professor Steve Hughes from the United Kingdom all toured extensively within Australia to great media coverage.



Professor Klaus Ammann, Director of the Botanical Garden, University of Bern, claims that extensive testing and well-regulated research and trials are the keys to successful genetic modification. The Professor spoke at Melbourne University and attended a press conference organized by the IPA, from which he gave two radio interviews on the ABC and had several articles on his visit in the rural press.

Professor Ammann is author of several books on the use of GM in modern biotechnology, and is on the steering committee of the pan-European science group for the Assessment of Impacts of Genetically Modified Plants.

Steve Hughes is Research Professor in the Department of Biological Science at the University of Exeter, United Kingdom. He is a member of the Nuffield Council on Bioethics Working Group on Genetically Modified Crops, which has recently published a major report on this subject. On this tour, he gave a first-hand account of the Bioethics Working Group within the regulatory framework of the UK. He is currently a member of the Ad-

visory Committee on Genetic Manipulation in the UK.

The IPA organized for Professor Hughes to make a submission and presentation to the Tasmanian Parliamentary Select Committee on gene technology in Agriculture.

He also gave a lecture at Latrobe University, a public meeting in Hobart, a seminar at the University of Adelaide, a talk at Parliament House in Canberra, a public lecture at the University of Queensland and finally a seminar at the CSIRO Discovery Centre in Canberra.

In addition, Professor Hughes gave television and radio interviews in all the States where he appeared.



Julian Morris is Director of the Environment and Technology Programme at the Institute of Economic Affairs, London and editor of the book *Rethinking Risk and the Precautionary Principle*.

Whilst here, the IPA organized a launch of the book (see Events p.6). He had a meeting with Melbourne business leaders, gave an address to the Productivity Commission on the Precautionary Principle and the Cartagena protocol, met with Andrew Thompson MP on this latter

issue, delivered evidence before the Parliamentary Treaties Committee on the Cartagena Protocol and finished off with two interviews on ABC Radio.

DIARY notes

Their ABC or Our ABC?
One-day Conference
with distinguished ex-ABC journalists, producers, publishers and commentators
Balmain Town Hall, Sydney
31 March, \$45.

advance notice ...

Accountability for Non-Government Organizations
One-day Conference
Melbourne, April/May

C D Kemp Lecture and Dinner
The Australian Club
Melbourne May/June

For further details or for RSVPs, please contact Joanna Ingram in the Melbourne office on (03) 9600 4744 or by e-mail jingram@ipa.org.au

For the most current information in Diary Notes, please go to the IPA Website

The Australian Economy viewed from the US,

A RISKY BOOKLAUNCH

All human activity involves risk, so the only way to achieve zero risk is to die — which is not a very constructive solution to humanity's problems. This was one claim made by the distinguished writer Julian Morris at a recent book launch at the IPA.

Julian is Director of the Environment and Technology Programme at the Institute of Economic Affairs, London and the book he edited is a wide ranging and thorough exploration of the development and meaning of the precautionary principle in all its forms. Julian has brought together valuable contributions from a range of eminent academics and policy analysts. In the environmental context, the various contributors illustrate how the focus on harm from new technologies, to the exclusion of their beneficial effects, is likely to strangle progress.

The successful launch of *Rethinking Risk and the Precautionary Principle* was held in conjunction with the publisher Butterworth-Heinemann.

HALE TO OUR ECONOMY

Although reforms of the Australian economy over the last decade have been impressive, there are still some severe weaknesses, including the lack of investment in high-tech industries, excessive regulation of business, and an onerous tax system, argued David Hale, Chief economist at Zurich Financial Services. David, one of the world's leading business economists and commentators on the global economy, gave a luncheon address to a packed crowd in Melbourne on 9 October on the topic, *The Australian Economy - A View From Chicago*.

Although he thought that the Aussie dollar would rise a little over the next few years as the US economy and its dollar cooled off, he believes that the rise would be muted by

these structural weaknesses. He was particularly concerned that the marginal rate of tax for most investors remains at above 50 per cent and the company tax-rate remains at 39 per cent despite wholesale reform of the taxation system.

POOLING THOUGHTS ON HIGHWAYS

Melbournians have seen that it is possible to have toll roads without tollbooths. The good news, especially in light of the rumpus over fuel taxes, is that because electronic tolling systems can keep detailed records of individual use, there is the potential to give motorists rebates on fuel taxes paid for the kilometres driven on toll roads. Thus, motorists will pay either a tax or a toll, but not both. Robert Poole, President of the Reason Foundation in Los Angeles was detailing the potential of new technology in an informative Dialogue, *Turning Highways into Customer-Focused Businesses* on 23 November.

He outlined the advantages of variable-rate tolling—charging different prices during different traffic conditions—thus helping to alleviate congestion.

Robert Poole is director of transportation studies at the Foundation's subsidiary, the Reason Public Policy Institute.

LEARNING FROM SCHOOL

In spite of significant reform across the English-speaking Western world, governments have consolidated their control and forced schools to enact a range of educational 'fads' and bureaucratic grand plans in their curricula that have been disastrous for education. As a result, parents no longer have meaningful choice between schools.

Dr Kevin Donnelly, Director of Education Strategies, gave a Dialogue, *Education Reform: Who should control the curriculum?* at the IPA on 14 September. He posed a central question: 'What benefit is

there in being able to choose from a range of schools, if all are forced to follow the same impoverished, politically correct and mediocre centrally determined curriculum?'

SOVEREIGNTY AND THE UN

It is curious that Australians pay a lot more attention to what the UN might think about our human rights record, or what people might think of our S11 protests, than the Americans ever would. These were some of the reflections that Jeremy Rabkin, Professor of Government at Cornell University, New York, made on a visit to Australia where he gave a series of talks in Perth, Melbourne, Canberra and Brisbane. His tour just happened to coincide with the Howard Government's announcement that it would no longer co-operate with UN investigations of Australia's human rights record.

In Australia, Jeremy gave the Third Harold Clough Lecture (see page 3 for details). He then gave two talks in Melbourne, the first on 29 August at an IPA Dialogue, *National Sovereignty: More Relevant Than Ever In A Globalising World* and the following day at an IPA Corporate Affairs Forum, *NGOs: Playing the International Community Game*. He then moved on to Canberra to talk at a lunch hosted by the Hon. Andrew Thomson MP on 31 August, and the next day a Senate Occasional Lecture. Jeremy then went on to Brisbane on 4 September where the ANZ Bank hosted a boardroom lunch.

DELIBERATE RECONCILIATION

Over 350 people from around Australia attended the 'Australia Deliberates on Reconciliation' discussions in Canberra on February 16-18, organized by Issues Deliberation Australia. The two-day conference presented arguments from panellists including IPA Senior Fellows Ron Brunton and Gary Johns. Along with Keith Windshuttle, they

Australian Sovereignty, Learning from School **From Greenpeace to Green-**

were outnumbered by 'proponents' ten to one. The result—an effective swaying of the public—was as predictable as it was meaningless.

DEFINITELY THE WAY TO NGO
NGOs may lobby, comment, criticize and assist in the formulation of policy, but they can never assume, collectively or individually, the mantle of government, even in the policy area that they claim to represent, warned Gary Johns in a Dialogue on 22 February, *NGO Way to Go; a danger to our democracy*. Gary focused on the importance of accountability if NGO activism is to take its place within democratic society.

MOORE ENVIRONMENTAL LOGIC
Patrick Moore, ex-director of Greenpeace International, and bête-noir of the environmental movement, believes that environmental thinkers are divided along a sharp fault-line. There are the doomsayers who predict the col-

lapse of the global ecosystem and there are the technological optimists who think that we can solve



Dr Patrick Moore

all our problems. He claims that neither of these extremes makes sense. At an IPA Dialogue on 27 February, under the title, *Environmentalism for the 21st Century*, Dr Moore advocated a middle road based on science and logic, the combination of which is sometimes referred to as common sense. ■

Forthcoming Publications from the IPA

**Who Gets to
Stay Here?**
Immigration Policy
Tess & Ron Brunton

Unfair Privileges
IR in Victoria
Michael Warby

**Is National
Sovereignty
Out of Date?**
*The Third
Harold Clough Lecture*
Jeremy Rabkin

**Charities:
Time to Focus Tax
Privilege on Those
Who Really Care**
Jim Hoggett

All the latest available on our Website
www.ipa.org.au

Apart from listing our publications, the IPA website contains the many non-published speeches and submissions by IPA staff members. There are also complete, up-to-date copies of all newspaper articles published by IPA staff

Recent Submissions and Speeches

Definition of Charities and Related Organizations—Jim Hoggett, 19 January 2001
End-User Advocacy in the National Electricity Market—Mike Nahan, January 2001
Review of Competition Policy—Alan Moran, December 2000
Address to APEC Infrastructure Symposium—Alan Moran, 13 December 2000
Victims of the Caring Game—Michael Warby, 9 December 2000
The Failure of Aboriginal Separatism—Gary Johns, 1 December 2000
A Controlling Agenda—Michael Warby, 27 November 2000
Submission on Gene Technology in Agriculture—Alan Moran, 16 November 2000
Globalisation and the Environment—Alan Moran, 27 October 2000
Telecommunications Specific Competition Regulation—Jim Hoggett, September 2000

STOP PRESS!!

Oct 2000 *Adelaide Review*, Victoria redux **Michael Warby**
7.10.00 *Herald Sun*, E-tail is in the detail **Mike Nahan**
10.10.00 *AFR* Labor must back Telstra sell-off **Jim Hoggett**
11.10.00 *3LO* Peter Clark discusses political correctness with **Michael Warby**
Oct.2000 *Quadrant* Mabo & Other Myths, Letter from **Michael Warby**
14.10.00 *Courier Mail* Trapped as perpetual victims **Ron Brunton**
14.10.00 *Canberra Times* Recycling fiscal mistakes **Michael Warby**
20.10.00 *Business NSW*, There's silver in selling off the farm **Alan Moran**
21.10.00 *Herald Sun* Money poorly spent **Mike Nahan**
24.10.00 *ABC 7.30 Report* Electoral misdemeanours and the ALP **Gary Johns**
25.10.00 *ABC Radio*, AM Program The success of privatisation **Alan Moran**
25.10.00 *ABC TV* Country Wide Alice Springs/Darwin railway **Mike Nahan**
28.10.00 *Courier Mail* Nothing to shout about **Ron Brunton**
30.10.00 *4 Corners* Electoral misdemeanours and the ALP **Gary Johns**
1.11.00 *The Australian*, Baby boomer collective must be routed **Mike Nahan**
1.11.00 *Peter Clarke* Interview - Bracks Government's first year **Mike Nahan**
2.11.00 *6PR Radio* Interview re ABC with **Mike Nahan**
3.11.00 *Ballarat Radio News* Victoria Fair Employment Bill **Michael Warby**
4.11.00 *Herald Sun* New IR laws lack balance **Mike Nahan**
6.11.00 *ABC 4 Corners*, on the inquiry into electoral rorts and the power of the AWU in the ALP **Gary Johns**
Nov. 2000 *The Adelaide Review*, Does social democracy require monoculturalism? **Michael Warby**
11.11.00 *Courier Mail* Fraser's Grab for Power **Ron Brunton**

17.11.00 *2FER*, Interview regarding ABC with **Mike Nahan**
18.11.00 *Herald Sun* Clear message for businesses **Mike Nahan**
21.11.00 *The Australian* The inadequacies of emancipation **Gary Johns**
22.11.00 *ABC Lateline*, Mutual obligation & welfare reform **Mike Nahan**
24.11.00 *ABC 7.30 Report* ALP vote rorting **Gary Johns**
25.11.00 *Courier Mail*, We think we have electoral problems **Ron Brunton**
30.11.00 *ABC 7.30 Report* ALP Vote rorting **Gary Johns**
1.12.00 *ABC Country Hour* Barley deregulation **Alan Moran**
2.12.00 *Herald Sun*, Greenhouse relieve **Mike Nahan**
2.12.00 *Courier Mail* Best books of 2000 **Ron Brunton**
4.12.00 *ABC Radio National* Late Night Live with Vivienne Schenka and **Gary Johns**
4.12.00 *The Age* Not in our back paddock by Jeff Strong mentioning **Alan Moran**
9.12.00 *Courier Mail*, Landmark native title agreement an eye-opener **Ron Brunton**
10.12.00 *The Sunday Times*, Our agony Aunty quoting **Mike Nahan**
11.12.00 *AFR*, NSW power set-up risks shortages **Alan Moran**
Dec. 00 *Quadrant*, Justice O'Loughlin and bringing them home: A challenge to the faith **Ron Brunton**
14.12.00 *AFR*, Safety switch in place in NSW, Letter re article in *AFR* on 11/12 by **Alan Moran**
16.12.00 *The Canberra Times* Looking for a new way **Michael Warby**
18.12.00 *The Age* Excessive regulation repels investors, quoting **Alan Moran**
19.12.00 *2GB*, Jim Ball discusses aboriginal issues with **Ron Brunton**
19.12.00 *AFR* More power to deregulation, Letter from **Alan Moran**
21.12.00 *2GB, Jim Ball Program* discusses multiculturalism, S11 protests, ABC, journalism with **Michael Warby**
23.12.00 *Courier Mail* Democrats played for the black grievance vote **Ron Brunton**
29.12.00 *West Australian* Treasury hands down a bleak report for WA

quoting **Mike Nahan**
30.12.00 *Herald Sun* Less taxing year ahead **Mike Nahan**
3.01.01 *AFR*, Case for deregulation powers on Letter from **Alan Moran**
6.01.01 *Courier Mail* A 'grey' area in our race relations **Ron Brunton**
13.01.01 *Herald Sun* Irish miracle is no joke **Mike Nahan**
16.01.01 *6WF*, Liam Bartlett discusses the WA election with **Mike Nahan**
17.01.01 *The West Australian* Asset sales a boomer for State funds **Mike Nahan**
Jan 2001 *Adelaide Review* What makes a third world country? **Michael Warby**
20.01.01 *Courier Mail* Cash for certificates a question of degrees **Ron Brunton**
27.01.01 *Herald Sun*, Food may give the bush bite **Mike Nahan**
27.01.01 *Canberra Times* Scrape off the barnacles or we'll be living in the Third World **Michael Warby**
31.1.01 *The West Australian* WA health system reform is inevitable **Mike Nahan**
2.2.01 *ABC TV, Darwin* Economic activity in NT **Mike Nahan**
3.3.01 *Courier Mail* Illusions of tribal culture **Ron Brunton**

in TOUCH

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