

The National Party and Consumption Taxes

John Hyde

I am sure Senator Stone genuinely wants smaller government and he will continue to be formidable in its defence. But it seems to me that his brand of smaller government has three problems.

First, tax is not the most important small-government issue.

Second, large expenditure cuts are needed to reduce the public sector borrowing requirement before tax can responsibly be cut.

Third is simply the big-government record of the National Party.

Senator Stone hasn't told us how he will get big expenditure cuts through the National Party room, which will be difficult enough given the party's record in standing up for vested interests that might support it in return. After that, they have to get through the joint party room and, where they involve legislation, the Senate.

*offered
in return
for this support*
A coalition government has a negligible chance of controlling the Senate, so Senator Stone's spending cuts will have to be approved by some combination of Democrats and independents, or by a Labor opposition. On past form, this is not likely; and if spending cannot be cut, a broad-based consumption tax (BBCT) is the lesser evil.

As other nations widen their tax bases to include BBCTs, our dependence on personal and corporate taxation (with accompanying high rates) is becoming increasingly unusual.

If Australia introduced a BBCT, the change would encourage saving and hence investment, remove some of the distortions caused by the present narrow-based sales tax, and diminish the distortions and inequities caused by tax evasion. It would also provide an opportunity to remove some of the poverty traps in the tax/welfare mix.

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Contrary to popular opinion, the change would not remove the tax wedge between effort and reward---that remains the same whether income or expenditure is taxed. But it would still be a significant micro-economic reform. Mr Keating's defence of "Option C" at the Tax Summit was correct and Mr Hawke, whatever he may be saying now, was right to support him at the time.

In the Groom campaign the Nats wanted a fight but professional politicians don't get into fights unless they feel they have something to gain. The National Party are not just bloody-minded wreckers. They have a deeper motive, however misconceived and dishonourable it may be.

Their Groom advertisements said in effect: "If you want a superannuation tax, vote Labor; if you want consumption tax, vote Liberal; if you want less tax, vote National".

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This was dishonest---the Libs were not committed to a consumption tax---and rough tactics against a coalition partner. The advertisements, and Mr Sinclair's (supporting the) campaign until it failed, served notice on the Liberals that the Nationals were still just as prepared to split the coalition as they were at the last general election. Again they were punished, but obviously they had hoped to get something from the campaign.

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By preaching against consumption taxation from the premise that it was a form of taxation which was too effective, the National Party was trying to present itself as the low-taxing small-government party. To actually practice small government would be a huge departure for the National Party. But the bush leopard may not have changed its spots; there have been gaps between its rhetoric and performance before.

The National Party's problem is that it will go on losing electoral support unless it can appeal to more than its traditional bush constituency. In WA, where the Nats/Country Party was not protected by an electoral pact, the Liberal Party fielded candidates against even sitting CP members and the Country Party lost all of its Federal representation to the Liberals. The Libs never publicly criticised their coalition partners, just loved them to death.

The Country/National Party has been struggling for the past 25 years to find a platform which would win and hold support, or appeal to a wider range of vested interests. If the Nats have a traditional philosophy, it is an inconsistent, weakly held and poorly articulated hybrid of conservatism and socialism. Consequently, they do not have a hard core of the ideologically committed support.

I think some of the Nats set out to use the consumption tax issue to establish a new image, a dry small-government image which would inspire a following. If that is so, I can only applaud the general aim, while observing that to earn dry credentials they will have to do better than oppose a new tax-

--that is far too easy. Dryness and micro-economic reform are all about opposing the hold that vested interests have over government policy.

The Nats' real difficulty with dry politics is that their present followers feel that the party is their employed agent in the halls of power, and most National politicians encourage their constituents to think so, even beyond their ability to deliver. The National Party style is: sell to the highest bidder.

Further, many of its politicians owe their advancement to socialist rural marketing arrangements. The National Party, as much as Labor, has always been a party of big interfering government. It was natural that Sir John McEwen should have looked to the protected manufacturers to widen the Country Party's electoral base, even though their interests were so much in conflict with those of the traditional bush constituency.

When "protectionism all round" failed to build the support they hoped for, attempts were made to graft High Tory conservatism onto rural socialism. That was when the party's name was changed to National. The difficulty with this philosophy is that Tory conservatism entails a commitment to *noblesse oblige* that rules out misusing the powers of office for interest group ratbaggery or anything else. "Small government" is but the National Party's latest attempt to find a philosophy.

I find it hard to take them seriously. Whenever the Lynch razor gang neared a bit of rural fat the Nats took away the razor. As a litmus test of their sincerity I ask: are they now prepared to privatise the Wool Testing Authority? Mr Howard has had to put up with enough; he should put them to the test by transferring Senator Stone to the shadow portfolio covering trade or agriculture. If the Nats cut protection and rural regulation we will all have to take them seriously.

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