ON THE DRY SIDE

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TAX PAYERS UNITED

Most taxpayers believe that taxes are too high. Before every budget, associations representing this and that vested interest descend on the Government demanding that particular taxes be made less burdensome. Many associations go farther, calling for less taxation in general. But most prejudice their case and destroy their credibility by also demanding more of their favourite hand-out.

Aware that public sector borrowing competes with home buyers and businesses for funds, driving interest rates up, some groups also demand more nearly balanced budgets or lower interest rates. By demanding lower taxes, higher expenditure and a smaller public sector borrowing requirement they demand a short run impossibility, but prefer not to be confused by facts.

Ganging up on Fraser, the Premiers once met, laboured, and delivered themselves of a press release, which demanded that the Federal Government increase expenditure (paid to the States), reduce taxes (without specific mention of State taxes), and reduce interest rates. Yet Premiers have been heard to complain that the Federal Government and the Federal Civil Service do not treat them with becoming respect !

Industry lobbies are no better. They present politicians with a shopping list of expenditures and tax cuts and when asked where they would make the necessary budget adjustments - who they would punish- they say that that is not their worry, they don't have the expertise, but their case is sound. They also tend to be taken only as seriously as the political trouble they cause.

More sophisticated lobbies sometimes demand from the budget, say, $500 million in tax exemptions and expenditure, offering it new revenue or savings of only, say, $50 million. The demand that substantial tax relief be given to lower and middle income earners by bleeding the rich is such a ploy. Since income is roughly normally distributed, too many people have "middle income" and there are too few "rich".

Yet another ploy adopted by narrow interest groups is to cost their demands setting aside similar or even identical claims which will be made by others. They ignore the flow-on effect.)

And there are those who oppose anti tax avoidance and anti evasion measures. Although these people sometimes defend legitimate principles, as when they objected to retrospective taxes, there are other principles which have not commanded their equal attention. One such principle proscribes against taxing the next generation without its consent. "Blessed are the young for they inherit the National Debt".

Masters of illusion, governments with the aid of inflation, hidden taxes, a growing tax base, expenditures debited to the next budget and selective propaganda, pretend to produce something out of nothing. In the absence of the impossible, the illusion suits the bosses of the associations too; they take it back to their constituencies in justification of themselves. Thus there is a conspiracy among these with the widest command of publicity to perpetuate the myth of the budgetary free lunch.

With all the foregoing offered in excuse, my initial reaction to any taxpayer organisation tends to cynicism. A new outfit, Tax Payers United, (25 Swann Rd., Taringa, Qld.) nevertheless won my sympathy with this wrong affirmation: " We believe no worth-while reform can be attained without reduction in government spending." The statement is wrong only because there are better and worse ways of collecting even the biggest tax bill. We would have been better served if John Howard had managed, against the opposition of a short sighted cabinet and back bench, to broaden the tax base. The statement is right in concentrating on expenditure. In practice no government raises more money than it spends, and expenditure equals the imposts plus the deficit.

Tax Payers United intend to speak over the heads of the politicians to "create a climate of opinion which is hostile to the big spenders in government." They have produced six graphs which show that as Hawke came to power government spending was twenty-five times greater than the sum of the profits of all listed companies; that the government sector deficit was twice as large as BHP's turnover; that annual interest on the accumulated national debt is now almost twice as large as the defence vote; that the 1970 dollar is now worth 24 cents; that Fraser employed fifty percent more civil servants than Gorton; and that government employees and welfare recipients together outnumber non-government taxpayers by 17 percent.

They say, "Gough Whitlam was an honest politician because he promised to tax and borrow and spend, and he did. However, the results of his policies gave big spenders a bad name. Thus every politician since Gough has felt obliged to promise tax cuts and restraint." They expose " restraint" for what it has been.

The Fraser Government's Razor Gang showed us that cost cutting is not easy. It upsets vested interests; Governments are painted as hard hearted; and Oppositions are unhelpful. Nevertheless in the end governments have no option but to , as Senator Reg Withers put it, 'axe or tax' ! While a case can be made for a high tax society, like Sweden, those who aspire to lower taxation must accept real, and often painful expenditure restraint.

Brian Buckley, formerly press secretary to Sir Philip Lynch, writing under the AIPP banner (23 Mount St. Perth), has identified expenditures totalling $3879 million which could be cut from the Federal Budget without calling for the politically or administratively impossible, and without singling out the poor. In fact, taken together the cuts he proposes are progressive. Taken together they would halve the deficit.

His cuts would not be popular. Reduced road funding and tax sharing grants would infuriate the Premiers; reduced housing grants infuriate the housing industry; reduced tertiary education grants infuriate articulate C.A.E. lecturers; loss of the fertiliser subsidies infuriate farmers and loss of the child allowance for first children would annoy, but I don't think infuriate, mothers. Since there are no painless expenditure cuts there are no painless tax cuts.

Mr. Buckley has supported all his 'cuts' with rational argument. It is possible to quarrel with him, but it is not possible to accuse him of the hypocrisy of those who want less tax but will not accept less expenditure.