

Treasury secretary John Stone blasts Labor's carbon, mining taxes (The Australian, 10 Aug)

Dear All

Tucked away in yesterday's Business section of The Australian was a report of an interview with former Treasury Secretary, John Stone (see below). The fact that the interview occurred is of interest in itself. It may reflect the increasing dissatisfaction and questioning, both in Australia and overseas, about "how things are going" and perhaps a search for commentary from someone with experience in dealing with economic and political policies pursued by governments in the past.

The downgrading of US government debt illustrates the problem. The agreement reached in Washington was presented as a solution but turns out to involve a reduction in spending spread over 10 years.

Many people have become increasingly sceptical about such political promises. Their proliferation here and overseas, and their failure to be fulfilled, have led to growing concern about the role of governments and whether they can successfully "manage" societies. The UK riots suggest the bringing to a head of the failure of past policies in more than one area of government activity.

That is now hitting home here in Australia and is reflected in falling measures of personal and (now) business confidence. As John points out, confidence is the most important thing to restore. But will more announcements of new government policies (the apparent strategy in Canberra) do that?

The increase in the household saving rate (on OECD measures, up from 1.9 per cent of household income in 2006 to 7.3 per cent in 2010) is welcome from a longer term perspective and is, in part, a natural reversal of the previous increase in private sector debt (to which I referred yesterday). But it also reflects growing concern in the community about government management and in consequence a marked slowing in consumer spending. The next development might be an increase in unemployment.

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Former Treasury secretary John Stone blasts Labor's carbon, mining taxes

- Susannah Moran
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FORMER Treasury secretary John Stone has blasted the federal government over its economic credentials and called for the "insane" mining and carbon taxes to be abolished amid the global turmoil engulfing Australia.

Mr Stone, who was also a former National Party senator, said the situation in the US could be being overstated, because it was downgraded by just one ratings agency, Standard & Poor's.

"I think the US situation is on the one hand serious, and on the other hand, not serious," Mr Stone said.

"The US is a huge, great, innovative economy, but under the present administration it has set out to - I regret to say - become another social democracy (in the European sense of that term).

"What people are finding out is that the present level of welfare being promised to people is simply not sustainable and people will find, unless this truth is faced up to, that governments will renege on their commitments because they will have to do so."

Mr Stone said the Tea Party movement was right when they said spending was the problem.

"US budgets are still heavily in deficit," Mr Stone said.

"The US will stay in deficit.

"People want to shut their eyes to that - they should not be allowed to so.

In that sense the Tea Party crowd are performing a useful service."

On the flow-on effects felt by the Australian markets, Mr Stone said he doubted the capacity of the Gillard government to manage the situation.

"Markets are usually irrational," he said. "It ought not to have unduly great effects, although the present government - I can't find words to express my contempt for it - they lurch from one disaster to another, economic and political.

"The fact is we racked up extra debt and we are still in deficit. They talk about a surplus in 2012-13 but it's not going to happen."

Mr Stone said the most important thing to do to shore up the Australian economy was to restore confidence.

"And I think restoration of confidence is beyond this government," he said.

"If the government was genuine in putting the country's interests first rather than its own political interests, they would call an election and that would mean that they would get beaten.

"The carbon tax would be dead, the Mineral Resources Rent Tax would be dead and the All Ordinaries would soar 1000 points."

Mr Stone kept some of his harshest criticism for the resources tax, saying: "The super-profits tax is the most insane idea I have ever encountered in public life," he said.

Of the carbon tax, he said: "It ought to be abandoned, or at least postponed until there is greater certainty in global markets.

"If they can't bring themselves to say we were wrong, they ought to say things have changed (and postpone the tax).

"Just as the RBA has had to say things have changed ... the government should say 'we have had to put it on hold'.

"I would be very happy to be proven wrong but I think it's beyond the present government."

Mr Stone said he believed Australia "is a great place, we have great resources, we still have the capacity to provide a lot of resources to the world, to feed a lot of people".

"But we are doing crazy things, our foreign aid program mostly wasted on foreign dictators, the proposed MRRT which is madness, the carbon tax is madness on stilts, the Malaysian solution ... don't start me on that."