

Morrison and Bowen debate competing visions, but are they missing the true picture?

Written by The Conversation USA

While watching the debate between the Treasurer Scott Morrison and Shadow Treasurer Chris Bowen today at the [National Press Club](#) one would not find much in the way of new information, compared to what has been outlined during the budget and debated in the course of the subsequent election campaign.

Meanwhile, one would wonder if the two contenders for the top economic management job in Australia live in the same country.

Morrison's Australian economy is transitioning to a post-mining boom situation and needs further ["jobs and growth"](#). Therefore, there is a need to ensure foreign investors and entrepreneurs do not abandon this country, but rather bring more funds and expertise.

There is also a need to give more incentives to their domestic counterparts to reinvest profits in further growth, and to do their business at home, rather than look for better pastures elsewhere. Key to this is a gradual company tax cut over ten years down to 25% – starting with small businesses, and then phasing it in for the whole business sector.

The Coalition will also give a small tax cut to the middle-income bracket from A\$80,000 to A\$87,000 to tackle bracket creep.

There is a need to provide certainty to a considerable part of the Australian manufacturing sector through the onshore construction of some of Australia's future naval capabilities. And the innovators need to know that they can invest in start-ups with some lenient provision for delayed return on investments or failure.

Young people should come from welfare payments to employment, if not through education, then through taxpayer-funded training on the job. Health, education, and infrastructure should receive ongoing increases in funding but within the means of public purse.

In a contrast to the previous election campaign, while the budget deficit is still recognised as a

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problem, spending within means is Morrison's general answer to this challenge. Meanwhile, a considerable adjustment to concessional tax on superannuation for the top 4% of Australian income earners, along with a crackdown on avoiding tax multinational companies, are proposed as revenue-boosting measures.

Bowen's Australian economy maybe also needs fixing, but no additional incentives to companies are needed. Therefore, the corporate tax reduction proposed by the government is out of the question. It is a wrong priority, when the money is needed for health, education, and – more generally – for at least not reducing living standards of working families.

Bowen has mentioned Labor's economic plan, including nation-building infrastructure, jobs of the future, accessing capital, international collaboration, and a culture of entrepreneurship. However, he did not give any details. One would not be able to find much of constructive details even on Labor's ["Our Plan"](#) web resource.

In terms of reducing deficit measures, removing negative gearing on established properties and considerable increase in excise tax on tobacco products were mentioned but not rigorously debated on this occasion.

Meanwhile, a particular and major problem is missing from this debate, as it was three years ago. Australia is a very open economy. It is very reliant on importing almost everything we consume. The mining boom had only accelerated Australia's specialisation on exporting primary resources.

Therefore, the end of the mining boom and demise of mineral resource prices is not just a budget revenue problem, as is recognised by both sides of the debate. It is a major structural problem.

This problem cannot be solved just by one – though important – incentive measure, a reduction in company tax. It cannot be solved by supporting just any innovative entrepreneurship. It cannot be solved by investing in job training for some low-level jobs in existing businesses, or by pumping money in education and expecting that this will help to increase productivity in the long run.

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What Australia really needs is the target of changing the structure of export-led growth – that is, growth based on new export opportunities that replace the export of mineral resources. Therefore, all the policies – fiscal, innovation, education, and training – need to be aligned with this target. One would like to hear this from the alternative treasurer.

Gennadi Kazakevitch does not work for, consult, own shares in or receive funding from any company or organization that would benefit from this article, and has disclosed no relevant affiliations beyond the academic appointment above.

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