

Oldies' windfall at nation's expense

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Election campaigns involve political parties competing to disburse money to the voters. That disbursement is selective. Ostensibly intended to promote equity it is actually designed to appeal to some voters, while blindsiding others to the fact that the money was stolen from them in taxes.

In recent years, the Coalition has been targeting the pensioner vote. It has announced an election package which it values at almost \$4 billion over four years to benefit older Australians. Bob Brown, who will never be outspent by any political party, has urged Labor to surpass this. Labor is yet to counter the bid but it too is always willing to outspend the Coalition: doubtless its response will be competitive.

The additional \$4 billion promised to older Australians comes on top of existing subsidies. It includes an increase in the utilities allowance to \$500 a year to defray electricity and other costs. This is to be extended to all those on a disability allowance. A carer payment of \$1000 is assuming a status of annual financial assistance.

Pensioners are also given special prices for pharmaceuticals and other health care and this assistance level is to double to \$500 per year. There is also a commitment to return to pensioners some of the proceeds that the Government will garner from its planned new carbon tax.

Hardly anyone wants to take issue with helping the elderly and the infirm. But two issues need to be borne in mind.

First, the assistance is not due to the compassion of government. Rather it is government forcing one set of taxpayers to give support to others. Second, there is no end of worthy targets for such support. The elderly are benefiting because they are growing in voting power but why should they be any more eligible than the young, the newlyweds, the middle aged and so on?

Moreover, there is already a vast set of regulatory-tax measures that redirect income to the elderly and those in late middle age. These include the ability of the over 55s to put up to \$100,000 in superannuation funds that provide tax-free income. Instead of the normal 46.5 per cent income tax, the "salary sacrifice" allocation from income attracts a rate of only 15 per cent. The superannuant can then withdraw pension funds tax-free for living expenses. While there is a case for placing a lower tax on savings, this shouldn't be selective to favour one set of taxpayers over another.

Income tax concessions are compounded by other benefits. The most significant of these is housing. Since today's pensioner commenced home ownership, say in 1973, the real value of their housing asset has doubled. And it has done so largely because government regulation -- this time state government regulation -- has rationed land and forced up its price. This is not a costless benefit. The advantage to older Australians of supercharged house prices is paid for by younger people who have to pay twice the underlying economic cost for a new house.

In addition, there are many other regulatory distortions benefiting older Australians. Among these are the laws covering health insurance, which in defiance of conventional insurance practice do not permit charges to be related to risk. As a result younger, healthier people are being forced to provide subsidies.

Other advantages accruing to older Australians include free public transport and rate concessions.

There is a legitimate role for government in devising safety nets to prevent distress to our most unfortunate citizens and a role to ensure funding for such things as education which fuel future incomes for all people.

However, concentrating subsidies on a large segment of the population is likely to have adverse effects. It will encourage people to change their expenditure patterns to take advantage of the windfalls offered and to position themselves better to do so. And it will encourage those being obligated to pay the subsidies to move or to rearrange their affairs in ways that are disadvantageous for the nation as a whole so that they avoid the imposts.

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