

Labor is taxing goose that lays golden egg



ROGER MONTGOMERY
ANALYSIS

Governments forget two basic economic truths at their peril. The first is that there is no such thing as public money, only taxpayers' money. The second is that before any money can be redistributed, regulated, or taxed, wealth has to be created, and somebody has to create it.

Corporate profits aren't a shameful or embarrassing defect of capitalism. They are its fuel.

In 2021, economist Ed Yardeni made this point forcefully in his book *In Praise of Profits*. Profits provide both the incentive and the financial capacity for businesses to expand. They fund factories, technology, research, equipment and new employees. They reward entrepreneurs for risking capital on ideas that might fail. And, critically, they coalesce where society's scarce resources are being used most productively.

That process ultimately benefits consumers through jobs, higher incomes, innovation and better products. High standards of living can only be sustained and improved through this process, not through redistribution.

Yardeni's argument is that entrepreneurial capitalism has generated widespread prosperity precisely because successful businesses are permitted to profit from satisfying customers.

But Australia now, under the hard left ideology of today's Labor Party, seems determined to test the opposite proposition.

Under Anthony Albanese and Jim Chalmers, the philosophical centre of gravity of economic policy has shifted towards a much more interventionist model: government collecting more, spending more, regulating more, and increasingly deciding which activities should be encouraged, discouraged, or subsidised.

And the numbers are becoming extraordinary.

The budget forecasts commonwealth tax receipts of \$737.1bn, up from \$657.8bn just two years earlier. Total government receipts are expected to reach \$798.1bn, with the tax take equivalent to 23.8 per cent of GDP. Consider that for a moment – a quarter of our annual economic output goes to the current government to fund its pet projects and whims, and is often wasted on excess and mismanagement, while attempts to investigate or uncover the negligence and maladministration is blocked in state and federal parliament.

Individuals are expected to contribute about \$390.9bn in income tax alone, while companies and resource-rent taxes contribute another \$159bn.

And the Parliamentary Budget Office expects personal income taxation to keep climbing, from 12.6 per cent of GDP in 2026-27 to 14.7 per cent by 2036-37, largely because of bracket creep. By then, personal income tax is projected to represent almost 54 per cent of commonwealth revenue.

Margaret Thatcher, while a

divisive figure for many, understood the danger perfectly. Her famous observation that socialists eventually "run out of other people's money" has often been reduced to a bumper sticker. But her deeper argument mattered more.

In 1983, she reminded Britain that government has no independent source of wealth. If it wants to spend more, it must tax more or borrow people's savings.

Even more relevant to Australia today was her warning that excessive taxation eventually starves private industry of the resources required for investment and working capital. Government can redistribute prosperity; it cannot manufacture it.

Australia once had a Labor government that understood this. The Hawke and Keating governments were hardly Thatcherite, but their economic instincts were dramatically different from today's Labor Party.

They floated the dollar, deregulated financial markets, dismantled capital controls, reduced tariffs and industry protection, subjected businesses to greater competition and pursued fiscal consolidation. And they recognised that internationally competitive tax rates mattered.

The company tax rate was cut from 49 per cent in 1986 to 39 per cent in 1988, while personal income-tax rates were also reduced. Treasury's own historical account describes these reforms as improving Australia's international competitiveness.

Compare that with today's Labor Party, where profit is treated as evidence that someone has taken too much, and where your income, your wealth, your super and your assets are fields to be harvested.

Australia's headline company tax rate remains 30 per cent for large companies. Across the jurisdictions covered by the OECD, the average statutory corporate tax rate in 2026 is just 21.2 per cent. Capital is mobile. Entrepreneurs are mobile. Eventually, punitive tax systems discover that their tax base is mobile too.

ASIC recorded 14,153 companies entering external administration for the first time in 2025-26. That was slightly below the previous year's 14,722, but the absolute number is enormous, with construction accounting for 24.5 per cent of appointments, accommodation and food services 14.7 per cent and retail 7.1 per cent.

Meanwhile, Australia's productivity performance remains dismal. GDP per hour worked fell 0.2 per cent over the year to June 30. The RBA's medium-term forecasts assume labour-productivity growth of 0.7 per cent.

Every dollar of profit a productive company retains can finance another machine, another software system, another shop, another employee.

The lesson Hawke and Keating understood, Thatcher articulated and Yardeni has restated is remarkably simple.

Today's Labor Party refuses to acknowledge that government cannot create golden eggs by collecting more of them. It needs the goose alive, healthy – and laying.

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