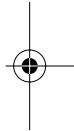
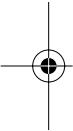




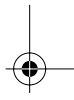
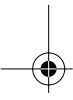
# **THE THIRTY YEAR PROBLEM: THE POLITICS OF AUSTRALIAN TAX REFORM**

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Richard Eccleston



**AUSTRALIAN TAX RESEARCH FOUNDATION**  
Research Study No 42





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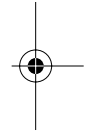
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RE JUNE 2004



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The thirty year problem: The politics of Australian tax reform

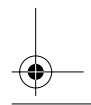
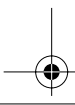
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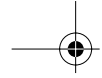
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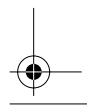
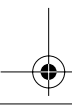
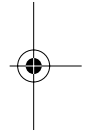
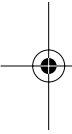
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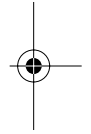
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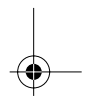
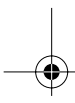
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Australia's first wave of reform began with the deregulation of the financial sector from the 1970s and included the floating of the exchange rate. In the face of rising capital inflows and the growth of non-bank lending, authorities battled to manage a fixed exchange rate, a controlled capital account and domestic monetary settings. The initial response was to unwind some banking controls and partially free up the exchange rate by introducing a crawling peg. But following a government-commissioned independent review of the sector at the end of the decade, a decisive shift occurred in 1983 with The Australian Council of Social Service said tax reform must not be reduced to a narrow argument over increasing taxes on consumption such as the GST. The group's chief executive, Cassandra Goldie, argued income taxes were the fairest taxes and should be made more efficient. "People understand we have a public budget problem: they want solutions that don't impose the greatest burden on the least well-off," she said. "It is too easy for people with high incomes to avoid paying their fair share of tax through devices such as negative gearing and private trusts, for some international companies." The thirty year problem: The politics of Australian tax reform. RG Eccleston. The Australian Tax Research Foundation, 2004. 38. 2004. Pathologies in international policy transfer: The case of the OECD tax transparency initiative. R Eccleston, R Woodward. *Journal of Comparative Policy Analysis: Research and Practice* 16 (3), 216-229, 2014. 37. 2014. Foreign accounts tax compliance act and American leadership in the campaign against international tax evasion: revolution or false dawn? R Eccleston, F Gray. *Global policy* 5 (3), 321-333, 2014. Tax experts and economists agree that tax reform is the best way forward, and political leaders and policymakers are already canvassing options, but opinions differ on exactly what those changes should be. Aside from Dr Richardson, ABC News spoke with three other leading tax experts, including the author of Australia's most recent comprehensive Commonwealth tax review, Ken Henry, to assess the leading candidates for change. Henry tax review gathers dust. A decade after his comprehensive tax review was handed to the Rudd government, Dr Ken Henry laments the lack of action and warns it is clear Australia has undergone sweeping structural reforms over the past two decades that have helped transform its economic performance. To most economists, especially in international economic agencies, the reforms themselves would no doubt appear unexceptionable. In the broad, they typically apply conventional prescriptions for improving growth by removing policy-related distortions and impediments to a well-functioning market economy. However, given the magnitude of the reform requirements in Australia, and the entrenched political obstacles to reform, the manner in which the reforms were introduced