Budget 2017: Beware this big taxing, big spending, big brother government

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This is the biggest spending Commonwealth government since federation. Scott Morrison has certainly delivered a Labor-Lite political document, justified on the basis of an obstructionist Senate that will only reliably pass revenue increases – i.e. both taxes and levies – and quarantine expenditure cuts.

The core tenets of the Liberal Party's political philosophy appear to have been recast, leaving one to ask the question: what does a Coalition government stand for today? Big Government is one answer.

Another, more disturbing answer, is Big Brother, particularly the manner in which the budget has selectively targeted the banking industry to contribute towards budget repair. The theory goes that targeting the banks provides immunity from retribution at the ballot box, because they are unpopular and distrusted. Banks, after all can afford to make "a fair additional contribution", according to the Treasurer.

Targeting corporations that can't vote is an expedient option when wealthy PAYG taxpayers are few and far between and mostly clustered within safe Coalition seats. Even former prime minister Paul Keating is on the record about his abhorrence of a 49.5 per cent top marginal tax rate that Bill Shorten is advocating. But we live in a competitive and global village. Human capital is easily mobile, and Australia's tax system is already on the internationally uncompetitive side.

Looking at history, big brother political tactics don't fare too well. The Rudd government (Mark I) was widely criticised for its pursuit of a mining tax, along with the extremely poor 'programmatic specificity' in design and implementation. The Treasury was leaned on to develop the framework at lightning speed, and there was poor consultation with the miners. A massive media campaign was waged, and the tax was the catalyst for a change of leadership to Gillard.

Less than a decade later, the political party most closely affiliated with business are proposing a bank levy – a tax – with no prior consultation. The affected banks are being compelled to sign non-disclosure agreements (NDAs) on viewing the draft legislation, and only given about a week to provide feedback. What makes this process a draconian "big brother" charade is that the NDAs even exclude the banks from receiving expert advice in relation to the banking levy from their external legal representatives and accountants.

In other words, the banks aren't allowed to get advice or tell anyone about the process. Surely world-class policy-making is not done like this?

The attack on the banking industry, compared to the mining industry, is incredible, given that the financial sector on the ASX accounts for some 35 per cent of the total market, and is by far and away the single largest sector in the economy. It is Australia's largest industry and employs some 450,000 people. It is an industry that David Murray's Financial System Inquiry said needed banks that were "unquestionably strong" – code words for being well capitalised, resilient and profitable. Attacking the banking sector like this is extreme stupidity.

A "mean and tricky" budget "swifty" you say? Well, yes. Because if the government felt it deserved recompense for its implicit banking guarantee, it would have been announced well before now. Additionally, the Coalition has deemed that only the biggest five banks will be hit with the levy, which means that the Treasurer has returned serve to the Australian Banker's Association's Anna Bligh, in her managing her wide membership. She will now have to balance the competing interests in the ABA's membership extremely deftly.

Another "big brother" element of the budget is that undertakings given by the banks surely contravenes the ASX's continuous disclosure rules. The ASX requires listed firms to disclose all price-sensitive information to the market in real time. The NDAs legally gag information disclosure.

One of my CMCRC colleagues, Professor Terry Walter, has produced an analysis showing the aggregate market capitalisations of the big four banks plus Macquarie has been eroded by over $43.4 billion (after dividend adjustment) since the budget announcement. You read right: bank stock values have fallen around seven times the forecast $6.2 billion that the proposed levy is designed to raise. And the paper losses extend not just to shareholding bankCEOs, but to all superannuation investors who are saving for their retirements.

This budget looks, feels and smells like a "big brother" budget. First Labor, and now a Liberal/National government, have singled out a politically expedient industry with an ill-conceived impost to fix a sizeable budget – and polling – shortfall. In relation to the banking levy (tax), genuine consultation with the banks has been thrown out. A legitimate question to now ask is which industry is the next to be targeted?

The consequences for the government's political fortunes may well be magnified on a scale far greater than the (metal) baseball bats that the miners used against the Rudd and Gillard governments. No doubt the banks will have very strong faith in their political weapon of choice, because money talks. Winston Churchill's quote appears apt in this case: "Those who fail to learn from history are doomed to repeat it."

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