

The big smoke and distorting mirrors

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The geographical distribution of population in Australia is more centralised in metropolitan areas than applies in many comparable countries. It is greater than can be attributed to factors such as climate, topography, and availability of natural resources.

The distribution has been made less fair and efficient by distortions in the tax system which disadvantage people living or investing outside major metropolitan areas. This applies especially to taxation of property and other assets.

For these and other reasons, reform of some key distortions has been recommended by several official inquiries. It is a much higher national priority than, for example, changing the rates of GST, personal income tax or company tax.

Geographical distribution is also adversely affected by basing choices between competing needs for infrastructure investment on narrow and short-sighted methods of cost-benefit analysis. The same applies to analyses of the long-term impacts of key forms of privatisation.