

A revealing budget reply from Australian Labor leader

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5 June 2001

Both in its contents and the circumstances surrounding its delivery, Australian Labor Party leader Kim Beazley's speech in reply to last month's federal budget provided a revealing picture of what can be expected from a Labor government if the ALP wins the next election, due before the end of the year.

Beazley rewrote his May 24 televised address at the last minute to include just one "absolute guarantee"—that Labor would not increase personal income tax rates. He inserted the pledge after the Howard government and the media seized upon remarks made hours earlier by a Labor frontbencher, shadow finance minister Stephen Conroy.

Conroy told Canberra school students at a post-budget forum that the government's small budget surplus of \$1.5 billion had "boxed in" and confronted the Labor leaders with "really tough choices" on policy. Asked by a 14-year-old student whether Labor would be prepared to raise taxes to increase education spending, Conroy's reply suggested—in accord with ALP policy—that Labor would slash spending rather than increase taxes.

"We have to prioritise how we are going to fund our spending initiatives and we are going to have to make choices between: Are we going to cut programs? Are we going to increase some taxes in this area?" he asked rhetorically.

Conroy's lame reply is an early indication of the entirely predictable line that an incoming Labor administration will push: that the budget surplus is smaller than expected, making another round of austerity spending cuts unavoidable.

In parliament, however, Treasurer Peter Costello and Prime Minister John Howard immediately jumped on Conroy's comments as proof that the ALP had a secret agenda to increase taxes. Costello vowed to make taxation a central issue in the election campaign. "We are going to go, day in, day out, to make sure that we nail you on your secret plans for tax rises".

The mass media quickly went into overdrive, culminating in banner newspaper headlines the next morning. "Beazley cornered on tax," proclaimed Rupert Murdoch's *Australian*. "Labor stumble forces Beazley into tax pledge," stated the *Australian Financial Review*.

But Beazley did not wait until the next day. That evening, he rewrote his 7.30pm budget reply to give pride of place to his tax promise.

Not satisfied with Beazley's commitment, because it failed to include business taxes, media commentators stepped up their demands on the Labor leader. Within two days, Beazley had extended his pledge to company taxes, petrol excise, indirect taxes and the Medicare levy on high-income earners.

It was not immediately apparent why Conroy's equivocal answer to a schoolboy's question provoked such a parliamentary and media

barrage. After all, the Beazley leadership had previously committed itself to retain the Howard government's latest cut in the corporate tax rate from 33 percent to 30 percent, as well as the income tax handouts of up to \$60 a week for high income earners with last year's introduction of the 10 percent Goods and Services Tax.

The underlying agenda soon became clear with the publication of the May 28 editorial in the *Australian*. It insisted that US President George W. Bush's \$US1.35 trillion (\$A2.6 trillion) tax cut "shows the way for Australia". Bush's tax package, just passed by the US Congress, will deliver massive windfalls to the rich.

As far as Australia's wealthy elite is concerned, the generous tax breaks already handed out fall far short of what is required. In fact, the *Australian* editorial accused the Howard government of undermining so-called tax reform by squandering billions of dollars in budget concessions designed to buy votes. It declared that the next government, whether Labor or Liberal-National Party, would have to match the US model.

The *Australian's* international editor Paul Kelly then highlighted a post-budget speech by Treasurer Costello, in which he called for further tax cuts for high-income earners. Costello explained the rationale behind the government's introduction of the GST. He observed that income and capital were now highly mobile. If taxed at higher rates than in other countries, they would move off-shore. Consumption, by contrast, was geographic—consumers could not depart so easily.

In typically blunt and crude style, Costello spelt out the requirements of global capital. Given the globalisation of production and finance, investors will increasingly demand that national governments eliminate all taxes on profits, income and wealth, and shift the tax burden directly onto the working class via consumption.

Beazley's budget speech underscored Labor's subservience to big business on this front as well, revealing the cosmetic character of the ALP's long-standing promises to "roll back" aspects of the highly unpopular, regressive GST. With the tax furore in mind, he emphasised that the size and pace of the "rollback" would depend on "what the budget can afford".

More specifically, he offered just one concrete proposal. Labor would reverse a planned tax concession for large political donations and use the savings—\$15 million a year—to reduce the GST payments made by charities. According to the budget papers themselves, the GST will raise more than \$25 billion in 2001-02. Beazley's pledge would reduce its impact on working class living standards by just 0.06 percent.

Three days after his speech, Beazley and shadow treasurer Simon Crean went further to reassure the financial markets. They announced

that a committee of tax officials, consumers and business representatives would advise a Labor government on its GST policy. In effect, Labor's handful of rollback promises—on charities, caravan park accommodation and women's sanitary products—would have to wait for corporate approval.

Addressing the National Press Club last week, Crean extended Labor's tax concessions to business. He announced that Labor would not crack down on discretionary family trusts—tax avoidance schemes worth \$2 billion a year—unless there was bipartisan support from the Liberal-National Party coalition.

This backdown is particularly significant because Labor ostensibly agreed to pass the government's 1999 tax package—including the GST—in return for a guarantee that the government would close the tax loophole. Unsurprisingly, the Liberals later abandoned that pledge under pressure from their National Party coalition partners, who rely on the support of wealthy farmers and graziers.

Since the landslide defeat of the Keating government in 1996, Beazley and his fellow Labor leaders have attempted to straddle between two courses. They have tried to distance themselves from the 13 years of Labor rule under Hawke and Keating—during which Beazley served as a senior cabinet minister—while keeping the requirements of big business firmly at the heart of Labor's program.

After the longest period of federal Labor government in Australian history, the Labor leaders were delivered a crushing electoral defeat by working people. The ALP was responsible for the greatest redistribution of income and wealth from the working class to the rich in history, inflicting severe cuts in living standards via the prices and incomes accord with the trade unions, while handing out multi-billion dollar tax cuts to companies and high income earners.

Having thus opened the door for the election of the Howard government, the Labor leaders have given bipartisan support to its central policies, which have sharpened the attack on social programs and working class living standards. The ALP has supported the imposition of work-for-the-dole and other “mutual obligation” measures to undermine the social security benefits system, the transfer of hundreds of millions of dollars from government to private schools under the Howard government's Enrolment Benchmark Adjustment scheme and the government's \$1.8 billion subsidy to the private health funds, at the direct expense of public hospitals and the Medicare scheme.

But with the fate of his predecessors in mind, Beazley has sought to differentiate himself from the Howard government by claiming to oppose the full GST. This has become the only major point of difference between the two parties. During the 1998 elections, Labor campaigned against the GST, while pledging not to reverse it if the Howard government retained office.

Since voting for the GST legislation in 1999, the Labor leaders have spoken—vaguely—of rolling back aspects of the GST. Beazley's budget response has made it clear that the rollback will be no more than token.

The wholesale tax cuts demanded by global investors can be financed only by continuing to axe social programs. While rushing to disown any suggestion of raising taxes, Beazley was at pains to amplify Conroy's comments on spending. The Labor leader boasted to an ALP conference two days later that his shadow ministry had identified “substantial levels of government expenditure” to reduce.

Already in his budget reply, Beazley had, in effect, attacked the Howard government from the right, denouncing it for over-spending. His main criticism was that the government had squandered the fiscal

surplus by handing out billions of dollars in pre-election concessions, labelling it as the “biggest spending, biggest taxing government in Australian history”.

Nevertheless, conscious of the mounting hostility toward the Howard government, Beazley claimed that Labor would offer voters a “very stark choice” at the next election, one based on “justice and fairness for all”. His “most important promise” was that a Labor government would put jobs, health and education “right back at the top of the priority list”.

These claims were laid bare by the rest of Beazley's speech. On jobs, he had no criticism of the government's extension of work-for-the-dole to unemployed workers aged up to 49, nor of the requirement that sole parents undertake unpaid community activities one day a week once their children turn 13. These measures seek to force welfare recipients into low-paid work on sub-standard conditions.

On health, Beazley made no objection to the government's refusal to lift the rebate paid to doctors under the Medicare health scheme, despite doctors' warnings that a continued fee freeze would force most GPs to start billing patients directly.

Beazley promised to reduce “wasteful” spending on government advertising and consultancies by \$65 million per annum—15 percent of the total—and divert the proceeds into several health programs, one of which would be the establishment of a 24-hour medical call centre, to be staffed by nurses. Cash-starved and over-crowded public hospitals, run down by Labor and Liberal alike for two decades, would continue to turn away patients, with the added option of referring them to a telephone hotline.

Likewise, on education, Beazley announced that Labor would freeze just half the latest budget handout to the wealthiest private schools—\$35 million a year—and re-direct the funds to government schools, teacher training and university on-line education programs. Public schools and universities would continue to confront acute funding shortfalls, and the Enrolment Benchmark Adjustment scheme would remain intact.

Beazley's response to the budget confirms that a Labor government will deepen the inroads into welfare, health and education, taking up from where the previous governments of Hawke and Keating left off. After 13 years of doing the bidding of big business, followed by another five years of bipartisan backing for Howard's key policies, the Labor leaders are seeking to assure their political masters in the media and corporate oligarchy that they will continue to serve their interests.



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