

# Australia: Labor's budget reply makes pitch to big business

Mike Head  
18 May 2005

There was much hullabaloo in the Australian media last week about Labor leader Kim Beazley's threat to block the Howard government budget's tax handouts to the wealthy. Once Beazley rose to give his budget reply in parliament last Thursday, however, it soon became apparent that his posturing, and the credence given to it by the media, was a smokescreen thrown up for popular consumption.

While Beazley sought to recast himself as a "fighter" for the interests of lower-paid workers, the bulk of his speech was pitched to the real constituency whose support Labor is seeking to regain—the corporate elite that swung behind the Hawke and Keating Labor governments in the 1980s and early 1990s. His central criticism of the budget echoed that of big business. Prime Minister John Howard and Treasurer Peter Costello had "squandered" the opportunity to implement the economic "reforms" that "the OECD and the Reserve Bank tell us we have to have".

For all the headlines about Beazley's "hard line" on the tax cuts, his stance was an empty gesture. Even if Labor's Senators do join other non-government Senators in blocking the tax package (and that is by no means certain), the government can easily reverse the vote after July 1. That is when it will acquire a majority in the Senate, thanks to Labor's heavy defeat in last year's federal election.

In any case, as Howard pointed out last weekend, the Labor leaders have entirely accepted the essential thrust of the tax cuts, which is to give \$22 billion of tax concessions to the highest income earners at the expense of ordinary workers and the most impoverished layers of society, sole parents, the disabled and the jobless. Howard observed that Labor had "conceded the principle" of lowering taxes at the top of the scale, and was only quibbling about the amounts. Beazley admitted as much on Sunday, saying the government had the right motive—"fitting the needs of aspirational Australia"—but "got the number wrong".

Under Beazley's alternative tax plan, people earning \$105,000 and above would still gain \$40 a week, only marginally less than the \$60 offered by the government's package in its first year. By contrast, those earning less than

\$25,000 would receive only \$9, and those earning from \$25,000 to \$70,000, just \$12. These amounts double what the government is offering, but would not even buy a daily cup of coffee, let alone cover the expected increased cost of living over the next year: So much for Beazley's claim to be "standing up and fighting" for fairness.

Labor's agreement on filling the pockets of so-called "aspirational" layers is nothing new. Labor delivered several generous tax handouts to the wealthy and corporate elite under Hawke and Keating. Then in 1999 it agreed with the Howard government's decision to halve the capital gains tax and after 2001 dropped all pretence of "rolling back" the punitive Goods and Services Tax. The cumulative impact of this "tax reform" has been to shift billions of dollars annually from working people to the most well-off—those earning anywhere from \$125,000 to tens of millions a year.

Given this record, it was hardly surprising that a whole gamut of Labor MPs, and several Labor state premiers, took issue with Beazley's posturing. Many spoke anonymously, especially through the pages of the Murdoch media, throwing a question mark over Beazley's leadership. Western Australian Premier Geoff Gallop even claimed credit for the Howard government's tax cuts, saying they were based on the strength of his state's economy, which largely rests on booming iron ore and natural gas exports to China and other Asian markets.

Accordingly, Beazley and other senior Labor figures have already backed away from, or played down, the significance of voting against the tax package. Interviewed on Sunday television, Beazley even said it was "nonsense" to claim that Labor could actually block the tax legislation.

There was no criticism from within the Labor Party of Beazley's support for the other key features of the budget—the attacks on single parents and disabled workers, the diversion of billions of dollars into the share market via a "Future Fund" and the continued running down of public health, education and other social services.

Beazley's only criticism of the vicious "welfare to work" measures, which aim to push 190,000 single mothers,

disability pensioners and older jobless workers into low-paid work over the next two years, was that the government had not gone far enough. Other welfare recipients would be shifted from one benefit to another, he complained, while the budget did little to train them for employment and encourage employers to hire them. Presumably, Labor's model would revive Keating's "Working Nation" programs, which forced the unemployed into onerous and largely pointless "training" programs and subsidised low-wage employment.

When Beazley declared, both in his speech and subsequent media interviews, that he was ready to "stand up and fight", his remarks were not directed to the majority of working people and those directly targeted by the budget. He had another audience in mind - sections of industry and finance which have become increasingly critical of the Howard government.

Citing comments by the ANZ Bank that "it could not be said that this is a great reforming budget", Beazley called for "a broad program of reform to rebuild our international competitiveness" - the catch cry of the Hawke and Keating Labor governments.

"Australia needs a government that is up to the reform challenge: that can lift the hood on the economy, get stuck in and fix things up. Just as the reformist Hawke and Keating governments did in the 1980s and 1990s—after inheriting a weak, uncompetitive economy from the Fraser/Howard government in 1983."

Beazley condemned the "lazy" Howard government for talking about reform but never matching its rhetoric with action. What was needed was a government prepared to "get its hands dirty with real reform". It was Labor, he boasted, that had carried though an historic and unpopular shift to economic and business deregulation, free market policies, and productivity-based workplace agreements.

"Just as Labor abandoned its prejudices in pursuit of reforms like tax and labour market reforms in the 1980s, now the Liberal Party needs to break out of its ideological straitjacket and start putting Australia first." While he gave few details, Beazley committed Labor to implementing the "next wave of productivity growth," which would go beyond the "one-off reforms" of the 1980s and 1990s. Under Labor, "the engines of reform would hum again".

In his first run as Labor leader, from Keating's sweeping defeat in 1996 to the 2001 election, Beazley attempted a somewhat different tack. Despite having been a senior minister for 13 years, he sought to distance Labor from the free market program of so-called "economic reform" that had earned it the hostility and disgust of working people.

Having been reinstalled following the debacles suffered by his two successors, Simon Crean and Mark Latham, Beazley is now anxious to prove to the corporate and media

establishment that he is a new man. His persona has become the "tough" leader, ready and willing to ride roughshod over any nervousness in Labor's parliamentary caucus about imposing the required measures. Interviewed on the Channel Nine *Sunday* program, Beazley said Labor's fault had been not to fight the government hard enough for the past 10 years. "And I'm as much at fault on that as anyone else."

What business means by "reform" was illustrated by a May 16 *Australian Financial Review* editorial, which accused Costello of "fumbling the ball on tax". Pointing out that company tax revenues had increased by 160 percent in the decade since the Howard government took office, it declared that the 1999 cut in the corporate tax rate from 36 to 30 percent was no longer adequate. "The world has not stood still," it noted, observing that the European Union norm had fallen to 26 percent, with Germany cutting its rate to 19 percent to compete with low, flat tax regimes in Eastern Europe.

The editorial made it clear that its agenda included not simply the radical lowering of the corporate tax rate but also the top income tax rates of 47 and 42 percent. "Further reductions in the company tax rate may have to await real reforms to personal tax," it noted. "More's the pity, then, that the Treasurer fumbled the chance to kick this process off in last week's budget."

Such cuts would hand up to half a million dollars per year to the richest individuals, while further gutting public facilities and social services. Howard and Costello's baulking at the opprobrium that would attach to such a blatant wealth redistribution has some influential media commentators speculating that only a Labor government could deliver it. "Maybe only a Labor government can manage the politics of cutting the top rate," *Australian* columnist Paul Kelly wrote last weekend.

As the events of the past week have demonstrated, this is the audience that Beazley is courting.



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