

Australian government ties carbon impost to pro-business tax system reforms

Patrick O'Connor
24 March 2011

Labor Prime Minister Julia Gillard has seized on the intervention of its chief climate change policy adviser Ross Garnaut into the official carbon tax “debate” to present itself as the best representative of big business. Garnaut last week suggested that half of all revenue collected under the new tax be set aside to fund pro-business and regressive tax cuts in the guise of “compensation” for increased costs of living for ordinary people. The Gillard government has promoted the proposal as a means of shoring up support for the carbon tax among its intended beneficiaries—Australia’s major corporations and financial institutions.

Previously proposed compensation mechanisms centred on increased pension and family benefit payments. Releasing the sixth update paper of his Climate Change Review before the National Press Club last Thursday, Garnaut instead suggested that the tax reform recommendations of former Treasury Secretary Ken Henry be adopted. Henry, in a major report released last May, advised that Australia’s corporate tax rate be slashed from 30 to 25 percent. He also proposed a highly regressive new income tax system of 35 percent for those earning between \$25,000 and \$180,000 and 45 percent for those earning more than this. This would hit many working people with a substantially higher tax rate while the wealthy would receive a tax cut. Henry also recommended that pensioners and other welfare recipients be targeted to lower overall spending and force more people into low paying jobs.

Garnaut likewise told the National Press Club that the “largest use of [carbon tax] revenue should support an efficiency-raising reform of tax and social security [to] raise labour force participation and use the capacities of our people more effectively, at a time of labour shortage.”

Gillard’s carbon tax has always been aimed at advancing the interests of key sections of business and boosting the international competitiveness of Australian capitalism. The “free market” measure has nothing to do with resolving the climate change crisis, and it will not reduce national greenhouse gas emissions by anywhere near the necessary levels, as advised by climate scientists. The prime minister

announced the carbon tax—junking an explicit pre-election promise—after the CEO of BHP Billiton intervened in favour of such an impost. The mining giant’s Marius Kloppers explained that the tax was needed to provide business and investors with long term certainty, unlocking multibillion dollar investments in the mining sector and nascent for-profit renewable energy projects.

Now Gillard is using Garnaut’s contribution to shore up her pro-business credentials and emphasise that the carbon tax is a major economic reform equivalent to the free market measures implemented under the previous Hawke-Keating Labor governments.

Government ministers have attacked the opposition Liberal-National coalition for pledging to reverse what shadow treasurer Joe Hockey described as “phantom tax cuts”. Earlier this month, Gillard denounced opposition leader Tony Abbott for threatening to “roll back this major economic reform”. She told the ABC: “The message to international markets would be [that] Australia is not a safe and secure place to invest,” she declared. “You make investments on the basis of a carbon price, and then Mr Abbott comes in and recklessly sweeps that away—dreadful for our international reputation. Also, dreadful for the businesses that have made investment decisions on the basis of a carbon price, particularly in our energy sector where we need to see investment.”

The Labor government has also accused the opposition of leaving Australia’s major corporate exporters vulnerable to “green” tariffs that may soon be imposed internationally on countries with high greenhouse gas emissions. Trade Minister Craig Emerson told the ABC’s “Insiders” program last Sunday: “They [the Liberals] say they’re the party of low taxes, the party of tax reform. Well rubbish because they are going to just put the whole thing into reverse gear. And so we have no insulation against other countries acting against Australia for doing nothing on carbon pollution reduction; no insulation whatsoever.”

Business Spectator has added its voice to these warnings.

Commentator Rob Burgess declared that “the carbon tariff debate could become a huge issue for Australia a few years hence, when nations or trading blocs that emit less carbon per capita, decide to get tough on us and impose carbon tariffs of their own. And China, Europe and the US are the ones big enough to do it unilaterally... for smaller nations such as Australia, the threat of carbon tariffs should be higher on the agenda than anywhere.”

As the so-called debate on the Labor government’s proposed carbon tax proceeds, it is becoming ever more obvious that the measure is aimed at promoting the interests of corporate Australia, not the environment. Gillard and her climate change minister, Greg Combet, have pledged to step up their collaboration with various sections of business as the carbon tax details are worked out. Combet has declared that the compensation mechanisms proposed for business under Kevin Rudd’s failed Carbon Pollution Reduction Scheme—totalling an extraordinary \$127 billion—will be the “starting point” for negotiations for public handouts to business under the carbon tax.

Opposition leader Tony Abbott has attempted to make a populist appeal to the entirely legitimate fears that the carbon tax will further hike up the cost of basic necessities. His central orientation, however, is to specific sections of business, such as the coal-fired electricity generators and less competitive manufacturers, which are hostile to any impost placed on the emission of carbon dioxide. Abbott’s problem remains that he lacks a credible policy alternative in the eyes of key sections of big business. Ross Garnaut derided the opposition’s “direct action” plan, which centres on providing enormous public subsidies to switch privately-owned power stations from coal to gas, as akin to the “Yugoslav variant of central planning”.

If he wins the next election, Abbott is now committed to reversing both the carbon tax and the various regressive tax cuts brought in as so-called compensation. This decision has appeared to shift to the media’s line on the official “debate”.

Abbott’s call for a “people’s revolt” against the carbon tax was initially promoted by sections of the press that were testing the waters for a possible US-style “Tea Party” movement to pressure the Gillard government and shift official politics even further to the right. (See “Australian media promotes right-wing ‘people’s revolt’ against Labor government’s carbon tax”). The reaction to yesterday’s anti-tax rally in Canberra was decidedly cool, however.

Despite being promoted by various right-wing radio talkback hosts, only around 3,000 people attended the event. Much of the mostly older, conservative crowd was bussed to Canberra from Sydney, but various extreme right-wing and anti-Semitic

organisations such as Citizens Electoral Council and the League of Rights were also present. Former right-wing parliamentarian Pauline Hanson was among those who spoke. Banners denounced Gillard in hysterical terms and derided climate change as a hoax. Abbott appeared behind a homemade banner that read “JuLIAR... Bob Browns Bitch”.

Greens’ leader Bob Brown responded by making clear his complete support for the Labor government and its carbon tax by writing Gillard a grovelling letter, declaring he was “appalled” by the protest banners. “I know that you have broad shoulders,” he declared. “However, from my own experience, I also know that such calumny, apparently endorsed by hundreds of other people present, can be deeply hurtful.”

The *Age*’s national affairs editor Tony Wright commented: “Tony Abbott, according to those around him, was a mite reluctant to take the stage at yesterday’s anti-carbon tax rally on the lawns of parliament for fear he would be painted as a leader of the loony fringe. Perhaps he should have listened to his faulty inner rev limiter... Abbott hadn’t listened well enough to the adage that you are judged by the company you keep.”

Government ministers demanded an apology from the opposition leader. Abbott attempted to brush off the incident, saying he regretted that “a few people went over the top”, but adding he could “understand why people feel very passionate”.

The episode served to underscore the deep divisions wracking the Liberal Party. Abbott appeared alongside right-wing MPs Bronwyn Bishop and Sophie Mirabella, while prominent front benchers including Malcolm Turnbull and Joe Hockey stayed away. A considerable proportion of the opposition caucus agrees with the proposed carbon tax. The Associated Press reported that several parliamentarians privately said they “were shocked by Mr Abbott’s appearance at the rally”.



To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact