

Australian establishment condemns government's retreat over increased consumption tax

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Prime Minister Malcolm Turnbull pulled back over the weekend from any move by his Liberal-National Party Coalition government to raise the rate of Australia's consumption-based Goods and Services Tax (GST). Turnbull, a former Goldman Sachs investment banker, told the Australian Broadcasting Corporation's "Insiders" current affairs program on Sunday that, despite various big business "reform" summits and government-sponsored tax reviews calling for a GST increase, he remained "to be convinced or to be persuaded."

Lifting the GST from 10 percent to 15 percent is viewed in corporate circles as the most rapid means of shifting more of the tax burden onto the working class, by transferring most of the estimated \$46 billion in additional revenue to business and the wealthy via cuts to company and income tax rates. The inherently regressive character of such a measure lies behind the broad popular hostility toward the GST. With an election due this year, the opposition Labor Party had recognised a political opportunity and vowed to place any attempt to raise the rate at the centre of its campaign to unseat the government.

On Sunday, Turnbull declared that his verdict on the GST was "not going to be a political decision." This has been ridiculed in an outpouring of accusations by business and media figures that the prime minister has capitulated to short-term electoral calculations. Turnbull faced pressure to rule out changes to the tax from parliamentarians within both the National Party and his own Liberal Party, who feared losing their seats.

Editor-at-large of the *Australian*, Paul Kelly, headlined a comment: "Politics over policy as PM loses

taste for this battle." *Australian Financial Review* (AFR) columnist Jennifer Hewett warned: "Turnbull himself now risks looking like a political leader without the courage of his convictions. Or worse, no convictions at all." Business Council of Australia head Jennifer Westacott wrote in the AFR: "Tax reform runs the risk of being the latest victim of Australia's dysfunctional political debate."

Turnbull has been prime minister for barely five months, since his victory in the Liberal Party inner-party coup that ousted Tony Abbott as leader. The chorus of recriminations against Abbott's leadership, which preceded his removal, developed alongside the ever-worsening position of Australian capitalism. The global collapse in the price of major commodity exports, such as iron ore and coal, has led to a sharp decline in the Australian dollar, a slump in corporate tax revenue and a blow-out in the country's current account and budget deficits. The key corporate demands are for lower taxes, financed at the expense of the working class, and "industrial relations reform"—a euphemism for further major reductions in workers' wages and working conditions. Under Abbott, the prospect for action on both fronts had faded.

Turnbull's challenge for the prime ministership was backed within the government, big business and the media due to his pledge that he would push through controversial taxation and legislative changes that Abbott and his inner circle had deemed too politically difficult. The former merchant banker marketed himself as "socially progressive" who, unlike the conservative and populist Abbott, could "explain" the necessity for reactionary free market measures such as budget cuts, tax increases and attacks on working conditions. The

Sydney Morning Herald wrote at the time: “Australians will accept pain in return for gain if it is explained clearly.” Turnbull in other words, could navigate the opposition from those who suffered the “pain”—workers, the unemployed, social welfare recipients and pensioners—and deliver gains to corporations and high-income earners.

Five months later, Tuesday’s editorial in the AFR lambasted Turnbull not only for his GST retreat, but for his failure to address economic reform and “reframe the industrial relations debate.” The voice of finance asserted that business was “shocked, dismayed and puzzled,” and complained that, even if Turnbull won re-election, he “may have no mandate to pursue reforms that, sooner or later, Australia will have to make.” The editorial concluded: “In the meantime, the question will be asked: what is the point of Mr Turnbull’s government?”

Such commentary underscores the crisis of the longstanding two-party, Labor and Liberal-National Coalition political system. Both parties represent the interests of the Australian ruling class, but neither has been prepared, to this point, to risk the social backlash and potential electoral annihilation that will follow any attempt to implement the full agenda being demanded by finance and industrial capital. While the Greens-backed Gillard Labor government made draconian changes to eligibility for single parent and disability welfare in 2012, and the Abbott government reduced funding for long-term health and education in 2014, the budget deficit has continued to burgeon and tax cuts have failed to materialise.

On January 28, Treasury secretary John Fraser made an open political intervention into the increasingly vitriolic GST debate, insisting that tax changes were not the solution and that the government needed to focus on slashing spending on “programs like aged care, disability care and help for the unemployed and sick.” Australia, Fraser declared, was “far more at the mercy of international financial and economic pressures.”

On February 3, former Labor Prime Minister Paul Keating, who presided over sweeping free market deregulation in the 1980s and 1990s, followed Fraser’s pronouncements, denouncing GST-type consumption taxes as “a socialist tax” used to finance unsustainable spending. “The big falls in commodity prices mean that

Australia’s income has been cut,” he wrote in the *Melbourne Age*. “The world has trimmed us down—we now have to trim ourselves down. Trim our spending and not accommodate more of it by ever more taxation.”

On Tuesday, the editorial of the *Australian* reluctantly accepted that any prospect of tax cuts financed by a GST increase appeared to be off the agenda. Turnbull and his treasurer Scott Morrison, however, had “raised expectations about meaningful reforms.” The *Australian* declared: “Without a GST rise there is only one way to find the tens of billions of dollars needed to pay for useful income tax cuts—that is, doing what both Peter Costello [former Liberal treasurer, 1996–2007] and Paul Keating have recommended, and cutting expenditure.”

The Turnbull government’s first budget in May, and the measures proposed by both the Coalition and Labor during the forthcoming federal election campaign (due by the end of this year) will be subjected to close scrutiny in ruling circles. If both parties avoid committing to the tens of billions in austerity cutbacks being demanded by the finance houses and major corporations, it will be taken as a sign that new and more ruthless political mechanisms will be required to act in their interests.



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