

Australian prime minister pushes Trump-style tax cuts

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19 November 2016

Addressing a business dinner on Thursday night, Australian Prime Minister Malcolm Turnbull attempted to meet the demands of the financial elite for a reduction in corporate tax rates to match the unprecedented cut from 35 percent to 15 percent promised to the US ruling class by Donald Trump.

Turnbull's speech to the Business Council of Australia (BCA) provided another indication of the economic and political shockwaves, both domestically and in foreign policy, produced by the fascistic billionaire's victory in the US presidential election.

The prime minister insisted that investment would flood out of the country and into the US and other lower-taxing countries, unless the population accepted tax cuts for the corporate giants and other pro-business "reforms" to boost profits. He declared the necessity to take "hard" decisions that would "create winners and losers."

Turnbull did not spell out who the winners and losers would be. That is because the winners will be the financial aristocracy, which has already gorged itself on decades of tax avoidance and free-market deregulation. The losers will be workers and young people, who will face further job destruction, the driving down of wages and conditions and the devastation of essential social services.

Turnbull was responding to a call by the BCA, representing the biggest transnationals operating in Australia, for Trump-style cuts. He declared: "In a competitive world, global investment can go anywhere, which is why our tax cuts for business are so important."

As this statement underscores, Trump's policy of slashing US corporate tax rates to historic lows, to benefit the ultra-rich layers that he personifies, will trigger a new race by governments around the world to

slash business taxes to undercut their rivals, at the expense of the working class in every country.

BCA president Catherine Livingstone told Australian Broadcasting Corporation radio that Trump's promise to reduce the tax rate to 15 percent made the comparison between Australia's company tax rate and those of many of its competitors "even more stark."

"If you think about Australia as a net importer of capital and you suddenly get a reduction in the US of a tax rate which then pulls capital back into the US, it will pull it out of countries like Australia and make Australia even less favourable as an investment destination, and our prosperity relies on investment," she said.

"If we have a tax rate sitting at 30 percent when we've got Trump at 15, the UK at 20 going down to 17, we've got OECD at 24 percent and in terms of our Asian competitors just above 20 percent, we are so far out of the competitive game on tax, we cannot attract the business investment that we need."

Turnbull re-committed his Liberal-National coalition government to deliver on its plan, outlined in this year's federal budget, to cut the company tax rate from 30 to 25 percent by 2026–27. Even by official Treasury estimates, which are heavily weighted in favour of big business, this would reduce government revenues by a total of almost \$50 billion over the next decade. The "losers" would inevitably be public healthcare, education and welfare programs.

During his speech, Turnbull pointed to the crisis facing his government, saying the "environment for reform" had become "more challenging." The prime minister complained that the need for more pro-business "reforms" was not "keenly felt in many parts of Australian society."

This was a thinly-veiled reference to the immense

working-class discontent already generated in Australia, and globally, by the ever-more glaring social inequality and decline in living standards for millions of working people. In the US election, the seething hostility to the corporate and political establishment was channeled in a right-wing nationalist direction by Trump.

Turnbull admitted that the “challenging” environment was not simply because of the “composition” of the Australian parliament produced by the July 2 double dissolution election. Turnbull’s government barely survived that election, reduced to a wafer-thin majority of one in the House of Representatives and just 30 seats in the 76-member Senate, because of the widespread opposition to its austerity budget cuts and big business measures.

Echoing the BCA, Turnbull asserted that workers would benefit from higher rates of return for investors. “More investment makes workers more productive, it means greater demand for workers, it means more jobs and over time, higher productivity, as we all know, everybody knows, is the bedrock, the foundation of higher wages.”

Similar claims have been made by successive governments, Liberal-National and Labor alike, for the past three decades. During that period, spearheaded by the Labor governments of Hawke and Keating in the 1980s and 1990s, the corporate tax rate was lowered from 49 to 30 percent, and the top marginal personal tax rate from 60 to 49 percent. Moreover, through the use of tax evasion schemes, major corporations and the wealthy often already pay little or no tax.

Far from lifting wages, the result—as intended—has been the opposite. The share of wages in national income fell from a high of 62.4 percent in 1975 to 56 percent in 1992, while the share of income of the wealthiest 1 percent of taxpayers nearly doubled. Since then, the redistribution of income in favour of the rich has accelerated, particularly since the 2008 global financial breakdown.

Statistics released this week showed wages rising at their lowest pace ever in Australia—just 1.9 per cent in the past year. It was the 16th consecutive quarterly fall in the rate of wages growth, resulting in average real wage stagnation for three years when compared to the Reserve Bank of Australia’s underlying inflation index.

In a bid to provide a justification for intensifying the

corporate-driven assault on working class conditions, and respond to Trump’s victory over Wall Street’s preferred candidate Hillary Clinton, Turnbull set out to re-define “fairness.”

“If the results of the recent election in the United States have taught us anything, it is that policy changes must be seen to be fair and be seen to be fair in a very broad sense.

“But fairness does not mean examining each decision in isolation, looking at a narrow set of winners and losers. And this is a challenge for us, for our advocacy.”

In other words, a new concept of fairness has to be manufactured—one that insists that the “losers” must accept deeper cuts to living standards, supposedly for the benefit of all.

Turnbull made a pitch for the Labor Party to make this a bipartisan drive, calling for “pragmatism, negotiation and consensus,” in order to cut the \$40 billion annual budget deficit and ward off the threats by the global ratings agencies to strip the country of its AAA credit ranking. He noted that Labor had already helped the government pass \$12 billion in budget savings, along with recent income tax reductions benefiting the wealthiest layers of society.

Labor, the Greens and right-wing populists in the Senate are, for now, vowing to block the proposed company tax cuts. They are desperately seeking to head off the political disaffection that nearly toppled the government. Labor leader Bill Shorten claimed that Labor’s priority was to “look after working class and middle class families.” That claim, however, flies in the face of Labor’s decades-long record.



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