

Australian Labor Party embraces huge tax cuts for richest 5 percent

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25 June 2019

“I don’t regard someone who’s earning \$200,000 a year as being from the top end of town... It’s a good thing that people all aspire to get a higher standard of living for themselves and their family.”

These comments were made on Sky News last Friday by Anthony Albanese, who was installed as Labor Party leader following its crushing May 18 election defeat. They were the most blatant expression yet of Labor’s further sharp shift to the right, to openly embrace enriching the wealthiest layers of society.

Anyone taking home \$200,000 a year is in the top 5 percent of income recipients. Their salary is more than four times the median wage of taxpayers, which was estimated last year to be just under \$45,000.

Since Labor’s election debacle, it has dropped its populist pitch of standing for a “fair go” against the “top end of town.” As the Socialist Equality Party warned in its election statement, Labor’s claims were “worthless.” Whether Labor returned to office or not, its rhetoric was pure “duplicity and deceit,” intended to contain rising working class discontent over falling living conditions, the destruction of full-time jobs and ever-widening social inequality.

As soon as he became the party’s leader on May 30, Albanese declared that Labor backed “successful” people, “wealth creation,” bipartisan unity and a closer partnership with the corporate elite. His latest remarks were made in the context of justifying Labor’s readiness to accept, directly or indirectly, the Liberal-National Coalition government’s proposed three-stage plan to slash income taxes for those receiving more than \$200,000 a year.

A meeting of Labor’s shadow cabinet yesterday decided to appeal to the government for a bipartisan approach of immediately implementing the first two stages of the tax plan, while “deferring” a vote on the

third stage. Both the second and third stages would be a bonanza for the wealthy, but the third stage would be the most brazen, handing tax cuts worth \$33 billion over five years to those earning above \$200,000.

Some media outlets presented Labor’s decision as a “rejection” of the government’s third stage. Nothing could be further from the truth. After the shadow cabinet meeting, Albanese said Labor’s stance was simply a “negotiating position.”

Albanese said that if the government agreed to defer stage three’s consideration “to the following sitting of Parliament or whenever they deemed fit to debate it some time between now and 2024-2025 when it’s due to commence, then we would facilitate the passage of those stages (one and two) through the Parliament next week.”

Prime Minister Scott Morrison immediately dismissed Labor’s deferral request and announced that the Senate would sit indefinitely next week until it passed the full package.

The government may not need Labor’s votes. It could push the tax cuts through the Senate with the support of three “crossbench” senators. This would allow Labor to formally vote against stage three—knowing it would pass anyway—as a means of defusing the popular hostility toward Labor’s embrace of the tax handouts to the rich.

But the government previously ruled out negotiating deals with those senators, preferring to force Labor into openly voting for the whole package.

Labor’s shadow cabinet reaffirmed its support for stage one, which is backdated to July 1 last year. It offers a pittance to “middle-income earners” between \$41,000 and \$90,000—a temporary annual rebate of \$1,080. That is only \$20 a week, not even enough for public transport fares or petrol costs.

Because of a rapid descent of the economy into recession, Labor's shadow ministers urged an acceleration of stage two, bringing it forward by three years, from 2022-23 to 2019-20. That would increase the income threshold for the 32.5 percent tax rate from \$90,000 to \$120,000.

That alone would hand an immediate boost of \$1,350 a year for those on more than \$90,000, and more than double that for those above \$200,000. Labor did not propose bringing forward another part of stage two, which would benefit middle-income recipients by raising the top income threshold for the 19 percent tax bracket from \$41,000 to \$45,000.

Half the country's taxpayers are on less than \$45,000, because of low and stagnant wages, and high levels of under-employment, but Labor's proposal would only speed up the tax cuts for those above \$90,000.

Albanese told reporters that Labor's suggestions "would bring forward tax cuts faster for those who need it, and importantly those who will spend it, to stimulate demand in the economy." While paying lip service to "need," Labor's only concern was to reverse the worsening economic slump by handing cash to households that were likely to spend it straight away, while leaving low-income households with nothing.

For now, Labor has balked at openly endorsing stage three, scheduled to begin on July 1, 2024, which would multiply the handouts to higher-income households. According to calculations by the Australia Institute, someone on \$125,000 would be \$7,035 a year better off than if the tax rates were only adjusted for inflation, and someone on \$200,000 would be \$19,785 better off.

But Labor's objection to stage three was not that it would benefit the rich. Labor's only reservation was that it would be "economically irresponsible" to immediately commit to stage three's \$33 billion cost at a time when the economy was "very soft."

At the same time, Labor leaders are sending out clear signals of their willingness to facilitate the passage of the whole package. Unnamed "senior Labor sources" reportedly told the *Australian* on Monday that Labor might still wave through all three stages.

Labor's backing for tax cuts for the wealthy is no aberration. It is in line with its decades-long record of boosting the fortunes of the financial elite at the

expense of the working class. The Hawke and Keating Labor governments of 1983 to 1996 slashed the top income tax rate from 60 percent to 49 percent, and the company tax rate from 49 to 33 percent.

These tax cuts—the largest in history—were part of a global process. Capitalist governments around the world are competing to satisfy the financial markets and attract investment by slashing high-income and corporate taxes, while spending billions on their militaries and dismantling essential social programs, such as public health care, education and housing.

Labor's appeal for a bipartisan front encouraged Prime Minister Morrison to use his first domestic post-election speech on Monday to outline a new wave of pro-business "reform" modelled on the Trump administration's program in the US. On top of "lower taxes," Morrison proposed stripping away regulation to provoke economic "animal spirits" and conducting a "review" of workplace relations.

Morrison provided no details whatsoever, but the thrust is clear. Under conditions of a deepening global downturn, intensifying US-driven trade wars and growing indicators of a recession, the government and big business are intent on launching a further assault on the jobs, wages and conditions of the working class.

With the Coalition barely scraping back into office, and knowing that their agenda will provoke explosive working class struggles, they are counting on the continued assistance of the Labor Party and the trade unions.



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