Australian Labor Party backs government's tax cuts for the wealthy

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The Australian Labor Party demonstrated its support for even greater social inequality and enrichment of the wealthiest layers of society by voting for the Liberal-National Coalition government's income tax cuts in both houses of parliament this week.

By voting for the Coalition's plan, Labor further repudiated its bogus May 18 election campaign rhetoric against "the big end of town" and for a "fair go" for working people. Billions of dollars will be handed to the top 5 percent of the population—those taxpayers receiving more than $200,000 a year—while the millions of low-paid workers, students and welfare recipients trying to live on less than $41,000 a year will get nothing.

By 2024, according to Treasury estimates, a dual-income household on $400,000 will enjoy an annual tax cut of $23,280, but a single person on $30,000 will receive just $255, or $5 a week.

Labor's vote is not an aberration. Over the past three decades it has assisted the corporate elite to slash taxes for the rich at the direct expense of the social conditions of the working class and basic services. As documented by this week's latest International Labor Organisation social inequality report, this assault in Australia and globally has shrunk workers' share of income internationally for the past three decades.

In fact, the three-stage tax package that sailed through the Australian parliament in just two days this week constitutes the biggest bonanza for the rich since the Hawke and Keating Labor governments of 1983 to 1996. Working hand-in-glove with the trade unions, those governments spearheaded the imposition of this process in Australia by cutting the top income tax rate from 60 percent to 49 percent, and the company tax rate from 49 to 33 percent.

Prime Minister Scott Morrison's government secured as-yet unspecified deals with four Senate "crossbenchers" to pass the tax bill. Labor Party leader Anthony Albanese then promptly dropped all pretence of trying to defer discussion on the third stage of the package, which by itself will give the top 5 percent of taxpayers $33 billion over 10 years.

Pitching to the financial markets and upper income layers, Morrison blatantly hailed the outcome as a "reward" for "the hard-working aspiration of Australians" who were "putting the effort in, having a go." By implication, anyone below $41,000 was not "having a go."

Albanese said his party was concerned that the bill locked in "unaffordable" tax cuts from 2024-25. He said nothing about its transfer of wealth to the upper echelons. Instead, he declared that Labor had decided not to stand in the way of immediate relief for "working Australians." Like Labor's election promises, this is a total fraud.

In the first place, Albanese refused to commit Labor to opposing the handout to the rich at the next election, saying it would reassess its position based on economic circumstances at the time. In reality, his backing for the tax cuts flows from his post-election vow that Labor would support "successful" people and "wealth creation," seek closer relations with big business and pursue bipartisanship with the Morrison government.

Even the tax refunds in the first stage of the package, which taxpayers have been promised once they lodge their 2018–19 tax returns, will be regressive. That is, they will favour more affluent layers at the expense of the poor and low-paid. Dual-income households on $100,000 to $150,000 will get the maximum annual benefit of $2,160, whereas households up to $60,000 will get just $510, or less than $10 a week.

All workers on less than $41,000, plus aged

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pensioners, welfare recipients and the unemployed workers on below-poverty line Newstart payments, will not even get that. The median wage is just above $45,000, so more than half the population will receive zero.

Despite government denials, the bipartisan passage of the tax package inevitably means further severe reductions to already deteriorating social programs, including public healthcare, education and housing. The $158 billion package augments the $144 billion, three-stage, tax cuts passed last year, taking the total size of the tax cuts to $302 billion over 10 years.

Like the government, Labor's main concern was to try to halt a slide into recession and shore up profits. Both claimed that this year's tax rebates will boost the slumping economy, because cash-strapped and heavily-indebted households will have no choice but to spend the money. This drew an appreciative response from major retail operators like Harvey Norman executive chairman Gerry Harvey, who said: "It has been flat for the past 12 months. Profits are good, sales are good, but this money will help drive growth."

However, the pittances offered to eligible workers cannot overcome the slide into slump, which is being produced by the mounting trade war by the US against China, falling house prices and reduced real wages. In the latest indicators, job vacancies across Australia fell by more than 1 percent during the three months to May, and retail sales rose just 0.1 percent in May, compared with April.

By 2024, the income tax system will be transformed into a virtual flat tax regime, with a 30 percent rate applying from $45,000 to $200,000. This is a major step toward eliminating the progressive tax principle that resulted from generations of struggles by working people.

The tax package is only one of many "tests" set by the ruling class for the new Labor leadership under Albanese. Friday's editorial in the Murdoch flagship, the *Australian*, praised him for not seeking to block "significant personal income tax cuts," and for displaying "bipartisanship" on key issues during the parliamentary question time on the same day.

Among the next "tests" are to change "workplace relations" to "encourage private sector investment." These are code words for driving down wages and conditions, casualising the workforce and further tightening the legal penalties against industrial action in order to compete globally to attract capital.

Friday's editorial in the *Australian Financial Review* insisted that the tax package must be followed by further pro-business "tax reform," such as increasing the rate and coverage of the regressive Goods and Services Tax and reducing the "internationally-uncompetitive 30 percent corporate tax."

Only nine votes—all Greens—were cast against the package in the Senate. Greens leader Richard di Natale said it was a "dark day for Australian politics" that would "hurt people doing it tough and line the pockets of millionaires." Yet his primary concern was to appeal to Labor to change course, and work in partnership with the Greens, or be further discredited politically.

"What's the value of the Labor Party if they are simply a paler version of the Morrison government?" di Natale asked. "Labor needs to work with the Greens to take on this cruel government and campaign with us to reduce inequality and take action on climate change."

This only serves to sow dangerous illusions in Labor and the parliamentary order, and head off an independent movement of the working class and young people against the entire corporate and political establishment. Moreover, when the Greens have had a say in government at the state and federal level, they have backed the austerity agenda of big business.

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