

# Huge tax cuts for the wealthy trigger nervousness in Australian ruling elite

Mike Head

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In its delayed 2020 budget, to be handed down on October 6, the Liberal-National Coalition government plans to exploit the COVID-19 pandemic to bring forward the greatest ever handout of income tax cuts to the wealthy elite.

The scale of the bonanza being offered to the rich is evidently causing anxiety in some ruling circles over the potential for the tax package to fuel social unrest.

About 40 university professors and former political, central bank and public service chiefs—billed as “prominent Australians”—are backing an advertising campaign, to begin airing on television this week, opposing the early introduction of the tax cuts, which were originally legislated to be fully implemented in 2024.

Prime Minister Scott Morrison and Treasurer Josh Frydenberg have said tax cuts are a top priority for the budget, supposedly to try to stimulate the economy amid the worst crash and mass unemployment since the 1930s Great Depression. Frydenberg has declared that the package will kickstart spending by putting “more money into people’s pockets.”

The proposed package will certainly put more money in some pockets. It will further boost the fortunes of the top 5 percent of income recipients.

According to tables attached to the original plan for 2024, the tax handouts will give a dual-income household on \$400,000 an annual tax cut of \$23,280, while a single person on \$30,000 will receive just \$255, or \$5 a week.

This will be inevitably at the expense of the living conditions and social services of the vast majority of the population, especially the poorest members of the working class.

Millions of low-paid workers, students and welfare recipients will get nothing. Instead, their JobKeeper

wage subsidies and JobSeeker unemployment benefits are being reduced to sub-poverty levels, starting from September 28.

The bonanza for the rich is on top of the more than \$400 billion in tax concessions, subsidies and cheap credit already allocated to employers by the federal, state and territory governments since March—many times more than the bailouts that followed the 2008–09 global financial crisis.

The tax cuts also follow a \$144 billion, three-stage, tax cut package passed by parliament in 2018, taking the total cost of the tax handouts to more than \$300 billion over 10 years.

The “prominent Australians” include Bernie Fraser, former governor of the Reserve Bank, Stephen Grenville, ex-deputy governor of the Reserve Bank, Michael Keating, former secretary to the Department of the Prime Minister and Cabinet, and Cassandra Goldie, CEO of the Australian Council of Social Services (ACOSS).

The list features a tripartite line-up from the political establishment—John Hewson, former Liberal Party opposition leader, Emeritus Professor Carmen Lawrence, former Labor Party state premier and federal minister, and Cheryl Kernot, former Labor MP and leader of the Australian Democrats.

Their primary stated concern is that the tax cuts will not boost the economy. In the campaign media release published by the Australia Institute, a corporate and trade union-backed “progressive” think tank, Ben Oquist, the institute’s executive director, said:

“Cutting taxes for already wealthy Australians will undermine the long-term strength of our public services, like healthcare and education, while doing very little to stimulate economic growth.”

In so far as the people on the list oppose giving tax

cuts to the wealthy, and not those on low incomes, it is mainly because people living in poverty are much more likely to have to spend the money, thus boosting profits.

ACOSS CEO Goldie said: “Most low and middle income earners get nothing. Yet it’s only low income-earners that will spend most of any government stimulus.”

Likewise, Keating told the Australian Broadcasting Corporation: “These tax cuts are incredibly biased in favour of high income earners. Because they’re so biased in favour of high income earners, the proceeds are very likely to be heavily saved.”

Some of the quotes, however, were intertwined with nervousness about the likely political fallout from the glaring inequality of the package. Significantly, Hewson, who lost the 1993 federal election to Labor Prime Minister Paul Keating after proposing a sweeping pro-corporate “Fightback” blueprint of tax cuts and de-regulation, said:

“The LNP [Liberal National Party] naively hope tax cuts are good politics, but they won’t be as they increase inequality and fail to ensure job security and increasing wages with our economy still struggling to exit recession.”

The slogan of the advertising campaign is: “Those demanding tax cuts today will be demanding service cuts tomorrow.” There is no doubt that the package will mean further severe reductions to already deteriorating social programs, including public healthcare, education and housing.

The 2020–21 budget deficit is expected to blow out to nearly \$200 billion, just a year after the government falsely boasted, and assured the financial markets, that it would produce a surplus in 2019–20.

Nothing in the Australia Institute’s campaign, however, opposes social inequality itself, which has been deepening for decades. Nor does it point to the underlying thrust of the tax package. 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 what remains of the progressive tax principle that resulted from generations of struggles by working people.

No doubt adding to the unease in sections of the ruling class is the fact that the Labor Party opposition,

led by Anthony Albanese, more and more openly agrees with rewarding the rich. From the standpoint of those backing the Australia Institute campaign, this increases the danger of working class people turning further against Labor and toward socialism.

Labor voted for the tax package last year, while feigning to have reservations about the final part of the plan, due in 2024, which will result in individuals receiving income of over \$200,000 a year paying far less tax. Now, Labor has said it will consider any proposals to bring forward the tax cuts.

After Labor’s vote plunged to a new low of 33 percent in last year’s election, overwhelmingly in working class areas, handing Morrison’s hated and faction-torn Coalition an unexpected victory, Albanese declared that his party would be “first and foremost” in “the business of creating wealth.”

Labor’s backing for tax cuts for the wealthy is no anomaly. In fact, Labor governments began the decades-long rewarding 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.

This is a global process. Capitalist governments around the world have been 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.

The worldwide crash triggered by the pandemic has now taken this transfer of wealth to the rich to a whole new level. In Australia, more than three million workers, or over 20 percent of the workforce, are unemployed or underemployed, and employers are decimating wages and conditions. But the top CEO salaries are soaring and by June the wealthiest 20 billionaires had enjoyed a 32 percent surge in their collected wealth to \$189 billion.



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