

Australia: The Labor budget and the stage three tax cuts

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In many ways the most significant feature of the Albanese Labor government's second budget, brought down on Tuesday, was not what was in it but what was left out of the forward projections over the next four years.

The two biggest items affecting the government's financial position are the spending of at least \$368 billion under the AUKUS nuclear submarines agreement with the US and the UK, part of the war drive against China, and the stage three tax cuts for the richest layers of society, estimated to cost \$300 billion and counting over the next decade.

But they were not included in the four-year budget forward estimates.

There was some limited information on the increase in defence spending, taking it to above 2.3 percent of gross domestic product, but nothing on the escalation in the military budget which is to come under AUKUS.

No information was provided on the cost of tax cuts in the budget papers. After Treasurer Jim Chalmers stonewalled on the issue, saying it was not a new initiative and therefore had not been included, the cost of the measures was finally extracted from him under questioning at his budget lock-up press conference.

The cost to the budget bottom line over the next four years will be \$69 billion compared to the meagre \$14.2 billion "cost of living" package which the government has attempted to make the budget centrepiece.

The stage three tax cuts have sparked outrage both in the working class and among sections of the reform-minded middle classes because of their naked character.

Tens of thousands of dollars are to be handed out to some of the richest people in society, while students and the jobless battle to keep body and soul together on sub-poverty level allowances, wide sections of the population confront intolerable rent increases, growing numbers of people seek aid from foodbanks, and working class

families, already hit by falling real wages, have seen mortgage payments rise, due to interest rate hikes, by \$1000 a month and more.

Sydney Morning Herald economics editor Ross Gittins made the stage three tax cuts the focus of his comment on the budget.

Gittins is one of those media commentators who seeks to promote the illusion that the capitalist system, through government intervention, can be made to provide some measure of fairness and social equality; that its sharp edges can somehow be blunted.

That piece of fiction has been steadily ripped apart in the recent period, particularly since the global financial crisis of 2008.

The predominant social trend in every major capitalist country, including Australia, whatever the political colouration of the government in power, has been ever-widened social inequality. That is, a continuous accumulation of greater wealth and income in the top 10 percent, above all the top 1 percent, and declining living standards for the mass of the population in the bottom 90 percent.

Nevertheless, the Gittins comment is of some value because it does at least begin to raise the question of what lies behind the seemingly extraordinary determination of the government to persist with tax cuts for the wealthy and better off, against popular opposition.

The government has insisted that, as the tax cuts are legislated, and it went to the election committed to not repealing them, they must go ahead. Closer examination of the issue will reveal that there are far more powerful factors at work than a supposed electoral backlash over "broken promises."

Gittins noted that the government was insisting that the "huge tax cuts" go ahead in a year's time, the "lion's share of which will go to high-income earners, who've hardly felt the surging cost of living."

Tracing out the history of the tax cut measures, he noted they were “born in irresponsibility and remain so.”

“It was irresponsible in 2018 for Malcolm Turnbull to promise them, six years ahead of an unknowable future...

“It was irresponsible for Scott Morrison to put them into law, five years ahead of their delivery.

“Labor said they were bad, but compounded its irresponsibility by promising at last year’s election not to rescind them. But apparently, not keeping a promise irresponsibly made and irresponsibly delivered is unthinkable. Really?”

Gittins can go no further and so leaves dangling the question of why the Albanese government, with the prime minister himself playing the leading role, is so determined to proceed.

There are two powerful factors at work.

First, the government’s refusal to rescind the tax cuts is the symbol and expression of a much broader agenda—a commitment to serve the interests and enforce the demands of the rich, the ultra-wealthy and the corporate elites at all costs.

This was reflected in another area of the budget—the decision to slightly raise the tax on offshore gas producers, raking in billions of dollars in profits from the Ukraine war, by a mere \$2.4 billion over four years, that is \$600 million a year, rightly characterised by Gittins as “chicken feed.”

In our analysis, we generally focus our attention on objective economic and social forces rather than the psychology and personal outlook of political figures. The laws of capitalism are objective, but they are imposed through political figures and here their outlook does play a part, as can be seen in the case of Albanese.

His attendance at the million-dollar wedding of right-wing radio shock jock Kyle Sandilands earlier this month is a case in point. As the WSWs reported, the wedding featured “an array of wealthy celebrities, media personalities, pop stars, a convicted drug smuggler and an alleged gangland boss.”

This was not a one off. There is nothing Albanese enjoys more than hobnobbing with the rich and powerful.

In France, Macron is known as the “president of the rich.” It may not be too long before popular consciousness attaches the same label to Prime Minister Albanese.

And what are the demands of this social layer, expressing the underlying driving forces of the capitalist system and those at its head with which Albanese seeks to ingratiate himself? They can be summed up in one word:

“more.”

Its outlook was set out in a proposal advanced by Pradeep Philip, the lead partner at Deloitte Access Economics, who said the day after the budget was brought down that the tax cuts should be expanded. This, he maintained, would force major changes to the entire tax system, including increases in the GST.

“If you drive down income tax it forces wholesale tax reform,” he said.

This attitude has a long history. The ruling classes opposed the introduction of income tax at the start of the 20th century (in Australia it was introduced in 1915 to finance participation in World War I), regarding it as an intolerable imposition on their property rights. Since then, they have devised innumerable schemes to avoid paying it.

Back in the 1970s, the respected accounting professor Russell Mathews observed that the problem was not getting corporations and the wealthy to pay more tax but to get them to pay any tax at all.

The effect of the Deloitte chief’s proposal would be to transfer taxation from the rich and put it on workers and the poor through further cost of living increases via a GST hike.

The second factor behind the government’s determination to go ahead with the stage three tax measures is the possible political consequences.

Albanese maintains it would be electorally damaging. In fact, it would be the reverse. As the sentiments voiced by Gittins make clear, a reversal of the stage three cuts would enjoy wide popular support.

But that is precisely the problem.

There is the danger that, under worsening social conditions, ruffling some hairs at the top would raise in popular consciousness the idea to go further—that the social system in which the demands and interests of the wealthy dominate over society, determining its priorities, has become toxic and must be completely overturned in the fight for a new economic and social order based on human need.



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