Australia: Storm of corporate protest against deficit levy

By Peter Symonds
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An extraordinary campaign is being waged in the Australian media by business leaders, economic pundits and editorial writers—along with the opposition Labor Party and the Greens—against a temporary deficit levy on wealthier taxpayers mooted by the Coalition government for next week's budget. The levy's fate will reportedly be decided in cabinet today.

Prime Minister Tony Abbott has already revealed that the measure is simply "window dressing" designed to perpetrate the fraud that the budget will involve equality of sacrifice. "We cannot just sort out our problems at the expense of people who are receiving government benefits," he told the media last week. "High-income earners should bear a significant quantum of the burden."

The tax itself is a pittance. Last week it was suggested that a levy would be 1 percent on annual taxable incomes above $80,000 and 2 percent above $180,000. The *Australian Financial Review* explained that the wealthiest people, who already pay little or no tax, would dodge any new impost through "negative gearing [on their rental properties], contracting, trusts and other tax minimalisation structures."

The storm of opposition nevertheless continued unabated. In a comment in yesterday's *Australian*, former Treasurer Peter Costello declared that the levy had "no economic benefit" and would "detract from growth by reducing consumption." Opposition is brewing within government ranks, with senators such as Zed Seselja, Cory Bernardi and John Cobb, as well as lower house MPs, identified as critics.

While posturing as a defender of working people, Labor leader Bill Shorten has signalled his support for the corporate campaign against the levy. "It's a bad idea, it's a broken promise, it's a tax increase," he declared. The Greens, who postured in last September's election as proponents of taxing the wealthy, also vowed to vote it down in the Senate.

Nothing could more clearly expose the class line-up of the entire political and media establishment than the hysterical opposition to a small, temporary tax on the top 15 percent of taxpayers. All the objectors speak on behalf of the financial elite, which rejects any impost on profits and wealth, while insisting on deep inroads into welfare, education, health care and other essential social services. This is in the name of ending a budget deficit produced by the stimulus spending and other bailouts to big business in the wake of the 2008–09 global crisis caused by financial speculation and swindling.

The Abbott government's National Commission of Audit report, released last week, drew up a long list of budget savings targeted at the poorest and most vulnerable layers of the working class. These included: cuts to the minimum wage, an end to free medical consultations, higher university fees, reductions in benefits for the unemployed, disabled and aged pensioners and for child care, as well as the lifting of the pension age over time to 70.

Yesterday, audit commission chairman Tony Shepherd, who also headed the Business Council of Australia, added his voice to the campaign against the levy, warning that it "could have an impact on a fragile, but growing economy."

Murdoch's *Australian* has been in the forefront of the opposition to the levy. It spelled out the class logic in another editorial today entitled "Pain of fixing the budget should be shared fairly." Acknowledging Abbott's "equal sacrifice" argument, the editorial noted that the levy was "purely about making it appear as if the whole community is to share in the heavy lifting to repair the budget." Nevertheless, it complained, "it is patently unfair to ask those people who get very little from the entitlements machine to again pay for those who have had the game in their favour for so long."

In the topsy-turvy world of the ultra-rich, words lose their normal meaning. "Fair" no longer means assisting the most disadvantaged layers of society, but ensuring the rich do not "pay more in tax than they receive in government benefits." While demanding an end to the "age of entitlement" for the unemployed, the sick, the elderly and disabled, these layers insist that no inroads be made into the "entitlements" of the multi-millionaires and billionaires. The same voices who warn that the levy will be a "disincentive" to consume and invest, champion cuts to unemployment benefits as an "incentive to work."

The *Australian* is speaking for the corporate and financial elites that have always been bitterly hostile to any form of progressive taxation on incomes and profits and last century fought its introduction tooth and nail. As far as the wealthy few are concerned, there should be no deduction on their incomes. Any new taxes should be regressive, falling most heavily on working people—such as an expansion of the Goods and Services Tax to include basic items like food.

The insistent demands for the dismantling of the welfare state and a further lowering of taxes on corporate profit and high income earners is bound up with the financialisation of Australian capitalism over the past three decades. Beginning with the Hawke and Keating Labor governments between 1983 and 1996, the barriers of national economic regulation were torn down to fully integrate the Australian economy into the processes of global capitalist production and finance.

The very fact that there is a budget deficit is connected to the systematic slashing of corporate and income taxes under successive Labor and Coalition governments. The top personal income tax rate was cut from 60 percent in the 1980s to 45 percent; and the corporate tax rate from 49 percent to 30 percent. The imposition of a compulsory superannuation scheme not only funnelled billions of dollars into the financial markets, but provided a lucrative means for the super-rich to hoard their wealth at a tax rate of 15 percent, rather than 45 percent. According to the latest Treasury estimates, the cost to government revenue of this tax concession alone amounts to $35 billion a year ,with 30 percent flowing to the top 5 percent of income earners. This list does not include many other tax concessions for the rich, as well as a host of semi-legal and illegal methods of tax evasion.

However, there is an inexorable logic to the financialisation of the economy that has transformed Sydney and Melbourne into major financial centres in Asia. To maintain Australian capitalism's position in the globally competitive financial world requires tax rates that compare with rivals in Asia, such as Hong Kong—where corporate taxes are just 16.5 percent and the top income tax rate is 17 percent.

Over the past three decades, a huge social gulf has opened up between the ultra-rich, along with a significant layer of corporate lawyers, accountants, financial advisers as well as associated media personalities, academics, politicians and trade union officials, and the vast majority of working people—the 85 percent with incomes of $80,000 or far less—who are struggling to get by.

Next week's budget will only widen this social divide as the government implements its deep-going austerity measures—following on from those implemented in last year's budget by the Greens-backed minority Labor government. The only means for putting an end to this social inequality is for the working class to restructure society from top to bottom along socialist lines to meet the needs of the majority, not the profits of the tiny few.