



ON TARGET

- NEWS HIGHLIGHTS
- BACKGROUND INFORMATION
- COMMONWEALTH AFFAIRS

The price of Freedom is eternal vigilance –

Print Post Publication Number 381667 00258

Vol.33, No.32

August 22nd, 1997

THOUGHT FOR THE WEEK: *"The obsolete system of chattel slavery had the vital defect that the slave could not fail to be conscious of his slavery, and consequently required guarding. But the more odious subjection with which we are threatened, promises a condition of affairs in which servitude will only be granted as a privilege....."*

C.H. Douglas in *Social Credit* (First Edition 1924)

DICTATORSHIP DISGUISED AS "TAX REFORM" by Eric D. Butler:

In a letter to *The Australian*, a correspondent asks the pertinent question, "..... who has ever heard of a government introducing tax reform that would reduce its taxation revenue?". The answer is, of course, that no government, irrespective of its label, has introduced such a "reform" for the simple reason that it is mathematically impossible to reduce total taxation under orthodox debt financing. It is, of course, possible to levy taxation in such a way that it favours, if only temporarily, one section of the community compared with other sections. But a system of finance which requires a progressive expansion of debt to avoid a complete breakdown in the economic system, makes it imperative that high taxation is levied in order to meet interest charges on the debt. No realist disputes that the present taxation system and the bureaucratic monster which has been spawned in an attempt to administer it, should be simplified to the point where the ordinary citizen can understand it without hiring a taxation consultant. But no such genuine reform is remotely likely if the taxpayer saw clearly the **total amount** of taxation he was being forced to pay to government. A clear picture of financial reality would produce a massive anti-taxation revolt. For example, how many taxpayers know how many weeks in the year they work to meet the financial demands of governments – Federal, State and Local Government? When presented with the figures revealing the astronomical annual sums paid by the average family every year, the response often is that "My family could not possibly be paying that amount of tax because it exceeds our total income". But there are a multitude of hidden taxes which the consumer pays every time he makes a purchase.

The stark truth is that what John Howard is proposing is a political gimmick which he hopes will help him win the next Federal elections. There is much loose talk about a "fairer" and more "equitable" taxation system, with advocates of a General Services Tax claiming that such a system will eliminate taxation "rorts" of various kinds. John Howard and his supporters make much of how when he was Federal Treasurer in the Fraser Government, Howard led the campaign against the "bottom of the harbour" tax evasion schemes. But where is the evidence that the abolition of such schemes resulted in a reduction in the total amount of taxation revenue collected by governments? And the Australian

taxpayers should be reminded that not only did John Howard impose substantial total increases under a Fraser Government which had promised to reduce taxation, particularly indirect taxation, but precipitated a major strike in the coal industry by attempting to impose taxation on fringe benefits being paid to workers in the coal industry. He was the first Federal Treasurer since the Great Depression who tried to impose a tax on books and magazines.

The Prime Minister who claims that he is concerned about Australian "battlers" leads a Government which only two weeks ago decided to cut the interest rates on the \$18 billion in special pensioner deeming accounts held with the banks. But typical of Big Brothers everywhere, the Government has decided that the cut in interest rates should not come into effect until September 20th, the day on which aged pensions will rise in line with the upward price rises over the past six months. Not surprisingly, the banks welcome the Government's move against the pensioners, claiming that their profits have been affected. One report says that the Government has declined previously to adjust the interest rates on what pensioners generally regard as a little "nest egg", for fear of a pensioner backlash. But such a backlash cannot be avoided if the Howard Government decides to embrace a G.S.T. as the major feature of its taxation "reform" programme. All pensioners, those on fixed incomes and those on low incomes, must be affected by the inevitable increase in consumer prices resulting from the introduction of a G.S.T.

Already a number of organisations have warned about the dire consequences which would flow from the introduction of a G.S.T. Representatives of the Services Industries warn that while there would be some winners under a G.S.T., small businesses would be seriously affected. Big Business generally favours a G.S.T. The President of the National Tax and Accountants Association, Mr. Roy Reagan, warns that a 15 percent G.S.T. would result in an average family paying over \$1,000.00 extra in total taxation per year. But such predictions will make no difference to those "advising" John Howard. If a G.S.T.-type tax is the answer to the problems of all industrialised nations, including unemployment, where is the example of success among the many nations which have had this type of taxation imposed upon them? The reality is that all developed nations have basically the same problems. The extent of the problems is but one of degree. In some countries the polarisation of society between the excessively wealthy and the poor is producing revolutionary conditions. John Howard's Government, already becoming desperate politically, is taking Australia down a road which is already placing strains on social stability. Violence and growing suicides are one indication of what is happening.

If a G.S.T.-type tax "reform" is the answer to Australia's problems, why has it taken John Howard so long to suggest such a "reform"? True, he said before the last elections that he would not introduce a G.S.T. during the life of the first Howard Government. But his failure to solve the unemployment and other problems has forced him and his "advisers" to consider measures which might be politically palatable. His greatest asset is an ineffective Labor Opposition, although Labor leader Kim Beazley is beginning to realise that his only hope of success at the next elections, is to at least create the impression that the Labor Party is attempting to return to its lost roots. But if one listens carefully to what veteran Fabian Gareth Evans is saying, he and those backing him envisage a return to office to carry on the Fabian international programme under slightly different labels.

The situation facing the Australian electors is one where they cannot afford to rely on any of the major political parties. There is as yet no evidence that the Pauline Hanson party has evolved a coherent political structure with realistic political and economic objectives. Which leaves only the Australia First movement led by Graeme Campbell, and the possible election of a number of genuine Independents in the Senate to break the present monopoly of power exercised by the major parties.

SHACKLED TO THOSE "ASIAN TIGERS" by David Thompson:

Once Prime Minister Hawke and the "world's greatest treasurer" Paul Keating had begun the process of internationalising the Australian economy in the mid-1980s, expert advice was sought on how next to proceed. The advice of Professor Ross Garnaut was sought, and Garnaut, an "expert" on Asia, produced what became known as the "Garnaut Report" late in 1989. Its full title was "Australia and the North-East Asian Ascendancy". In it, Garnaut made the case for merging the Australian economy with the emerging "Asian Tigers" as the vigourously expanding economies to our north were known.

Australian business circles were extremely excited by the Garnaut Report, and demanded immediate implementation of its suggestions about intimate economic, trading and financial arrangements with countries like Japan, South Korea, Taiwan, Thailand, China, etc. It was from the release of this report that Australians began to hear what became a Paul Keating mantra about Australia becoming "a part of Asia". Why? Because "Asia" was so vital to Australia's future in a trading and economic sense, and we could not allow cultural, social or any other reservations to stand in the way of "prosperity".

What then, are we expected to make of the "ungluing" of the economies of one of these "Asian Tigers" – Thailand? How is it that obviously fragile economies like that of Australia are expected to come to the rescue of one of these economic powerhouses when their currency crashes, and banks begin to close? How is it that a country, in which we are repeatedly warned about adverse balances of payments, high foreign debt, farcical levels of foreign ownership and high unemployment, can offer \$1.3 billion to bail Thailand out?

Prime Minister Howard assures us that the billion-dollar-bailout of Thailand is in our best long-term economic interests. How can we regard ourselves as good international neighbours if we turn our backs on a nation in our region out of parsimony? But Mr. Howard's motives might actually be other than entirely humanitarian.

Mr. Howard admits that the decision to lend \$US1 billion to Thailand was only reached after his Cabinet learned that other regional countries, like Singapore, Malaysia and Hong Kong were offering \$US1 billion. Our original offer was to be \$US500 million, but how could we face our international neighbours without matching their contributions?

But how do we explain to struggling Australian industries and businesses that their problems are not of quite the same priority as those of Thailand? How do we explain to the unemployed that their bellies can be filled by first filling those of Thailand?

It is almost certain that the most significant feature of the Thai bail-out which led to the generosity of the Australian response is that it was an **International Monetary Fund operation**. The I.M.F. whistles, and Australia jumps, and only then asks whether we jumped high enough. What if the I.M.F. asked us to do something really crazy, like introduce a goods and services tax? Would we be mad enough to do this, too? Apparently we would.

Australian policy decisions are now more often made according to what the "international community" expects of us than according to what Australian voters and taxpayers require. The Thai bail-out should be regarded as an example of how sovereign nations would be expected to respond to the world government. But never mind – the \$1.3 billion is only a loan!

THE BURDEN OF THE NEW HEROIN TRIALS: It is reported that the new State-sponsored heroin trials will require the importing of 184kg of heroin from overseas. The source of supply and the question of who will pay the estimated \$10 million required for the experiment has not been made clear. Illegal users of this most vicious and destructive drug normally support their habit by stealing from the community. It now appears that the State will expect the community to fund the same heroin habits, and perhaps others who might be encouraged to become involved in the "experiment".

Perhaps someone might suggest to the relevant authority that Thailand be invited to assist in this matter. Having exported huge volumes of heroin to Australia over the years, generating huge profits, surely the Thais would be keen to assist in exchange for Australia's \$1.3 billion financial bail-out?

"SELLING" THE G.S.T.: While initially testing the water on the G.S.T. and tax reform, a number of Government Ministers entertained the possibility of a referendum being put to those who must bear the burden of the tax – taxpayers. This was quickly rejected by Treasurer Costello. Perhaps we might give the incorrect answer – "thanks, but no thanks".

This exemplifies the arrogant attitude of our political "masters", to whom representative government appears to be anathema. Whenever major policy decisions, or budget provisions, are "handed down", Government Ministers and backbenchers alike are dispatched to "sell" such changes to the electorate. Every opportunity to actually consult the long-suffering electorate seems to be avoided like the plague.

When the I.M.F.-trained Dr. John Hewson led the Liberal Party, he and his colleagues (including John Howard and Peter Reith) attempted to "sell" the G.S.T. to the electorate during the 1993 election campaign. In this case, the electorate actually had a sanction – the vote – and Dr. Hewson managed to lose the "unloseable election".

The future of many of Mr. Howard's backbenchers might depend upon how well he is able to "sell" the 1998 version of the G.S.T.

NEW APPOINTMENT TO THE HIGH COURT: The announcement last week that Justice Kenneth Hayne will replace the retiring Sir Daryl Dawson has been welcomed by those who are suspicious of an "activist" High Court, like Deputy Prime Minister Tim Fischer. Justice Haynes was believed to be a "conservative" appointment to replace the "conservative" Justice Dawson. But is Haynes really a conservative?

Former Victorian Solicitor-General and Crown Counsel, Greg Craven, is quoted as saying that *"there is strong reason to think the Howard Government has just blown its attempt to create a constitutionally conservative High Court" (The Australian, 14/8/97)*. Craven himself is a critic of the activist High Court, and is constitutionally conservative in the sense that he once pointed out that Australia consists of not one "kingdom" but seven "kingdoms" – the six sovereign States and the Commonwealth.

Professor Craven believes that Justice Hayne's *"comments in the Dargi case appear to represent the view of a radical judicial activist, at least on constitutional issues"*. The Dargi case arose from disputes about B.H.P.'s. Ok Tedi mine, which was tried in the Victorian Court of Appeal in 1995 by Justice Haynes.

Justice Haynes introduced the question of whether some common law values are so deeply entrenched that Parliament cannot override them. The conventional view is that Parliament is sovereign, and can override "judge-made" common law, and that the law-making power of State Parliaments is generally not limited.

Hayne's questioned whether, on matters of common law, the Parliament could override the courts, even if it was acting within the provisions of the State Constitution. Professor Craven and other legal figures believe that this excites speculation that Justice Haynes might be expected to favour the "activist" role of the High Court.

By next May, Chief Justice Sir Gerard Brennan and Justice Toohey are also due to retire. Justice Toohey, a "liberal" judge, could have been replaced by a "conservative" judge, subtly altering the balance of the Court. But if Justice Hayne transpires to be a judicial liberal anyhow, Howard and Attorney-General Williams may have botched their chances for change.