A WEEKLY COMMENTARY

ON TARGET

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The price of Freedom is eternal vigilance –

Print Post Publication Number 381667 00258

Vol.34, No.31 August 21st, 1998

THOUGHT FOR THE WEEK: *"While a few years ago no one would have believed it possible that a scale of taxtion such as that at present existing could be imposed upon the British public without revolution, I have every hope that with skilful education and propaganda this scale can be considerably raised."*

– Sir Josiah Stamp, Director of the Bank of England, quoted by C.H. Douglas in his address, *Dictatorship by Taxation,* delivered November 24th, 1936, in Belfast, Northern Ireland

GST THREE CARD TRICK by Eric D. Butler:

With the aid of the mass media, and a Labor Party Opposition which offers no genuine alternative to what is being proposed by the Coalition Government, Prime Minister John Howard and his colleagues are now playing their last card in a desperate endeavour to cling to office for a further term. Under the prevailing system of debt finance it can be demonstrated beyond argument that the basic problems affecting Australia's future cannot be solved. But in defiance of simple arithmetic, the Government boldly proclaims that "Every Australian will be better off". This recalls the famous promise by former Prime Minister Bob Hawke that because of his Party's "reforms" within a few years no Australian child will live in poverty. It is an appropriate time to recall the promises made by John Howard before the last Federal elections. Not one of these promises has been fulfilled. Even misrepresenting the unemployment figures cannot disguise the fact that unemployment has not been reduced. **Total debt**, both Government and private, has steadily increased. Treasurer Peter Costello boasts of his budget surpluses, and predicts a debt-free situation for the Commonwealth by the turn of the century. But this result is being achieved by selling off public utilities and assets.

The ***Australian Financial Review*** of January 27th of this year reported: "An expected $80 billion of privatisation projects in Australia should be strongly supported by foreign investors over the remainder of the decade thanks to a lower Australian dollar and continuing turmoil in Asia, a new report has found. The report, by the investment bank J.P. Morgan, found that Australia ranked second in the world in 1997 for privatisation activities, boasting projects valued at almost $15 billion and beaten only by Brazil . . . ." A Government responsible for a programme which is progressively stripping Australia of contol of its vast resources and real credit, and engaged in spending millions of the Australian taxpayers' money to finance its massive pro-GST programme, is brazenly asking the Australian people to endorse a revolutionary programme imposed under the guise of "tax reform" which will result in the worsening of Australia's basic problems. It is elementary that if some taxpayers are to obtain any benefits, however temporary, these must be at the expense of others. Not surprisingly, the building industry is most concerned about the effects of the GST on home-building. The GST will add tens of thousands of dollars to the cost of building a new home. This is a strange way to foster John Howard's alleged concern for the struggling traditional Australian family. Proposals to fractionally increase pensions will be more than offset by taxes on food and other basic items in average domestic economies. As has happened in New Zealand and other countries which have adopted a GST, there will be a progressive centralising effect in the economy as smaller business organisations are turned into unpaid tax collectors. Bigger organisations can more readily absorb increased costs associated with the task of maintaining GST records, etc. It is highly significant that multinationals favour a GST compared with smaller business organisations. As yet, relatively few people have grasped the wider implications of the proposal to permit the States access to the anticipated billions from the GST in exchange for the abolition of many State taxes and charges. This proposal will leave the States almost completely at the mercy of the financial policies of Federal Governments of the future. It is certain the GST will not solve the problem of increasing inflation and its insidious effects. And as for the view that the GST will eliminate the cash economy and increase the Government's tax revenue this can only be taken as either a sick joke or a manifestation of the triumph of wishful thinking over reality. But perhaps it is anticiapted that one way to attempt to deal with unemployment is to engage a new army of bureaucrats in an attempt to track down and penalise those attempting to operate a cash economy.

What is now clear is that the stage has been set for an early election. Mr. Howard and his advisers are hopeing that by bringing on an election as soon as possible they will avoid a long campaign during which electors would have the opportunity of asking searching questions about many aspects of the Coalition's GST which requires more indepth examination than has been the case to date. The Coalition is attempting to make a virtue out of their tax reform rather than face the truth that is a last throw of the political dice to avoid political disaster at the elections. But the obvious turmoil in the Australian political scene at the moment provides Australian electors with perhaps their greatest opportunity to elect a set of politicians pledged to be more responsive to the views and wishes of the electors. It is important to stress once again the importance of supporting only those representatives who support the concept of an Australian-type citizen's initiative. As the campaign starts, electors must concentrate on ensuring that irrespective of the formation of the next Federal Government, it does not have a monopoly of power. This means a strengthening of votes for independents and minor parties in the Senate. Australians should be ever thankful of the wisdom of the founding fathers of the Constitution in providing checks and balances inside the Constitution, these being the main bulwark against the threat of any form of totalitarianism.

HOW HIGH WILL A DEAD CAT BOUNCE? by David Thompson:

The release of the GST package last week starts the clock ticking on the timing for the next election. Prime Minister Howard must judge it carefully; how soon can he go before the Asian crisis flows on to the Australian economy? How long can he wait before the tax reform detail is digested, and found to be less-than-miraculous? How soon can he go, without being accused of calling an election on an issue – tax reform – before people have had time to consider the major changes fully?

Already the polls are showing that the Coaliton are receiving support for their tax reform initiative. This was expected by political pundits on the basis that if the Government **does something** it is much better than doing nothing. One commentator likens the GST-tax reform to a dead cat. But even a dead cat will "bounce" if hurled down hard enough, and it is clear that Mr. Howard, Costello, et al, will be out selling this package as hard as possible. But will it "bounce" high enough to get Mr. Howard and his colleagues off the hook, and back into office? Even if Mr. Howard's timing is perfect, and there are no political slips? This is most doubtful.

It is impossible to believe that voters will support the tax package as an informed decision. While not as bad as "Fightback" the detail is mind-numbing, and the eyes soon glaze over. The Opposition will argue that even if tax reform is necessary (which it is), the GST is not necessarily an essential component. Reforms could take place in other ways. Of course they could. We could do something revolutionary, like taxing the 4,000-odd foreign corporations who do well in Australia, but pay either a token tax, or none at all.

ON MORALITY AND GAMBLING: One issue that is likely to explode in the Government's collective face, is the use of projected budget surpluses to fund the tax package, and other election promises. Last week's news was that Mr. Costello could announce that the budget surplus was much bigger than originally predicted, and has come in a year early! What good news! Not only this, but back in May, budget papers forecast a surplus of more than $8 **billion** for 2000-2001, with an incredible $14 **billion** predicted for the following year!

What is happening here? Before being carried away, have we forgotten that **this is our money?** It won't come down with the rain, or off a tree; it will be ripped out of taxpayers' pockets. There has been two years of Costello's cost-cutting, privatisation and erosion of services in order to provide an artificial "surplus" – a type of slush fund with which to pay for the revolutionary tax package, in which is wrapped the dreaded GST.

Mr. Howard is reported to have refused a number of bets that he can't win an election on the GST, "because he is a Methodist". What has this to do with it? Is it that Methodists disapprove of gambling? The GST-election has to be the biggest political gamble Mr. Howard has ever seen! If it is a matter of morality, where is the morality of milking the taxpayer viciously, then feeding the milk back to him, mixed with a tax he hates like poison? It is one thing to be forced to pay the $10 million GST "sales pitch" that the Government is funding (which might yet be the subject of a court challenge), but it is entirely another thing to be taxed mercilessly only to have the "surplus" used to fund the GST. In reality, these are not "budget surpluses" at all. They are morally dubious Government profits, that could also be regarded as institutionalised theft.

The pretence that this tax package is "fair" may also begin to unravel once someone does the figures. The one-off cash rebate to pensioners and some social security beneficiaries is pitifully mean. What about the year after, when the GST is still biting? And the pea-and-thimble trick where personal tax cuts are concerned is extraordinary. It is inevitable that the GST will contribute to higher inflation. Treasury has admitted this. Inflation eventually forces wages and salaries into higher tax brackets. "Bracket creep" was not really a derogatory term for Mr. Keating, but a description of this process.

This is a gaping hole in the tax package; why was the problem of "bracket creep" not eliminated by indexing the tax brackets? Because this is anathema to politicians; we cannot expect Mr. Beazley to be hounding Howard on this one.

This is hardly a tax package at all: this is a political offering designed to make Mr. Howard's mark on history, and, as it happens, the last shot in the locker of a desperate Government facing re-election. A kind of political memorial as well as a desperate all-or-nothing gamble. The challenge before Mr. Howard is to prevent his memorial including the epitaph "he went down with the ship".

THE NEW STATE IN THE NORTH:

The promise of Statehood for the Northern Territory is something that is driven from Canberra, not Darwin. The original promise was made by none other than Malcolm Fraser, when he was caretaker Prime Minister before the 1975 double dissolution election. Fraser made the surprise announcement of Statehood "within five years", perhaps because he thought this was what Territorians wanted to hear, and would win Coalition votes.

But there has been little interest, let alone demand, for Statehood in the Territory itself. In fact, some Territorians are wary of Statehood; would it mean that the Territory could expect to be funded like a State, rather than a Territory? After all, the present funding is extraordinarly generous: $1.6 billion for a population of 182,000.

That is, a vast area which has a population smaller than any State capital receives immense funding from Canberra, and always has. By comparison, the Gosford City Council, with about 150,000 population, has a budget of $200 million.

But this is not primarily about money. It is about power. Surprise, surprise! This is a constitutional matter, because the creation of a new State, for which the Constitution provides, also carries with it a change to the balance of constitutional power. The Constitution can be changed by a majority of voters **and a majority of States**. With six States, a majority in any three can prevent constitutional change. With seven States, **a majority in any four** would be required to prevent dangerous or silly constitutional change.

The composition of the Northern Territory voters is interesting. There is a large proportion of Aboriginal voters, who may well favour the centralisation of constitutional power if it came to a referendum. A proper analysis on this is presently unavailable.

But it is also a fact of life that a new State would also be represented in the Senate **by more Senators**. Does Mr. Howard expect the Coalition to be able to win more Senate seats here? Does he hope that the new State could provide the Coalition with control of the Senate once more in 2000-2001? Answers to such questions would be revealing.

"ON TARGET" is printed and published by The Australian League of Rights,
145 Russell Street, Melbourne. Telephone: (03) 9650 9749, Fax: (03) 9650 9368.
Subscription $40.00 p.a.