



A WEEKLY COMMENTARY

ON TARGET

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The price of Freedom is eternal vigilance –

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THOUGHT FOR THE WEEK: *"Just as in a coral reef, the remains of previous generations constitute the physical protection of the species, so in Britain the fossilised heritage of the past gives checks and counterchecks to society, most strikingly in the vestigial, symbolic presence of the monarchy which commands a loyalty owing nothing to power. Power must always be partisan; it belongs to money or the military, to Republican or Democrat; left or right, capital, labour or bureaucrat – to those in power. To have a non-power above power seems to me to be the ultimate safeguard."*

– Yehudi Menuhin, *"Unfinished Business"*

GST PLACES DEMOCRATS ON THE POLITICAL RACK by David Thompson:

The deep divisions within the Democrats about their role in Australian politics has been exposed by the tensions over the "deal" with the Coalition on the GST. Victorian Senator Lyn Allison has acknowledged that the party has lost members and support over their agreement to pass the GST with food exemptions. She made the significant comment: *"This will sort out those who are serious about the Democrats being a possible third force with a chance to be a government."*

This demonstrates the basic cleavage between the will-to-power, and any suggestion that a political party could successfully provide a **service** – keeping the governing parties "honest". As we suggested last week, it seems that the Democrats, by negotiating to pass the GST, have now joined the other parties in a quest for naked political power.

As a result of this philosophical division, the friction within the Democrats began to boil over in Victoria last weekend, when 150 grassroots members took Senator Allison to task, and demanded a national ballot of all members on the GST. This is being strongly resisted by the leadership, as it could jeopardise Senator Lees' agreement with Prime Minister Howard and Treasurer Costello.

To add to the pressure, South Australian Senator Natasha Stott Despoja strengthened her opposition to the package, announcing that she now opposes the **entire GST package**, not just the tax on books. As deputy leader, she has called on the party to reconsider the agreement on the GST, and dissident elements have supported her strongly.

As the internal pressure to drop the package continues to grow, so do the external pressures on the Democrats. The Society of St. Vincent de Paul has produced a "blistering analysis" of the package, which is reported to describe it as "a bonanza for the rich, and cruel hoax on millions of Australians". Together with growing confusion about what foods will be taxed, and what foods will not, the pressure on the Democrats to abandon this tax package is becoming relentless.

Last week Senator Lees also made the damaging concession that the income tax cuts that are intended to compensate for the introduction of the GST will be completely eroded, and will be right back to the pre-GST levels by 2005. This is the result of the impact of inflation on wage levels, which forces taxpayers into higher tax brackets, a process known as "bracket creep". This simply confirms our view that once introduced, any imagined advantages of the GST will be quickly undermined by inflation, and by the irresistible temptation within the bureaucracy to expand the scope and the rate of the GST itself.

Adding even more fuel to the anti-GST fire, now threatening to become a fireball, small business representatives are warning of the costs and difficulties associated with the practical administration of the GST. One industry tax consultant points out that businesses whose products or services are "fully in" the GST face significant costs to change their record-keeping systems. But for those whose products are only "partly in" the GST, there is a nightmare of administration and compliance opening up before them.

Ray Regan, of the Council of Small Business Organisations of Australia, estimates that small businesses face a \$1 billion bill to establish their accounting systems. These costs will obviously be passed on to consumers. *"Small businesses have no choice other than to charge an additional 10% on GST-free food to recover the \$1 billion in compliance costs. If not, they will go broke,"* he said (*Sun Herald*, 6/6/99).

Taking all the relevant factors together, it is clear that the battle to reject the GST is far from over. It will not be over until the final vote is cast in the Senate. The introduction of the GST in Australia is **not inevitable**. In fact, if the principle of representative government was to be applied, there is every chance that the GST could be scrapped and the nightmare averted. This simply depends upon whether enough Australians are determined to make representative government work.

CURRENT ACCOUNT DEFICIT – ANOTHER RECORD HIGH by Jeremy Lee:

As the Howard Government continues with its insane commitment to a globalised free market, with all forms of protection for Australians banished, the inevitable is happening before our eyes. Our exports are stagnant and our imports are burgeoning. The value of imports over exports (the Current Account Deficit) has hit another record high, totalling \$8.85 billion in the March quarter, up from the December quarter's \$8 billion, which was itself a record. The March quarter deficit was running at over \$26 million a day – well over \$1 million **an hour** over the period.

Each month's CAD is consolidated into the foreign debt, which has been accumulating for many years. The current net foreign debt is just short of \$242 billion (\$13,400 per head of population), while net foreign liabilities are over \$354 billion. (Net foreign debt is all that we owe overseas, LESS what Australia has invested abroad.)

Part of the Government's complacency is because the public share of the foreign debt is going down, paid off by the sale of assets and the growth in taxation. In fact, if the Government is able to overcome the Australian peoples' objection to the sale of the remainder of Telstra, it is looking to being debt-free in the next two or three years.

The debt burden has simply been shifted off the public sector onto the private sector. Mortgages, farm debt, credit-card debt, business debt, household debt, etc., have never been at such levels in Australia's history. Families and businesses alike simply live by borrowing. A massive part of this

borrowing is spent on imports, often dumped at prices which cannot be matched by local industries. The simple Peter Reith answer is that Australians should accept lower wages and salaries to compete with our importers. That is the major objective behind his "work-place reform". But the massive infrastructure of taxes and regulations simply pushes an increasing percentage of the population below the poverty-line.

The average Australian (man, woman and child) has to pay just over \$200 per week to cover Commonwealth and State direct and indirect taxes, plus local government rates. The average mother, father and two children have a total tax-bill exceeding \$800 per week – over \$40,000 a year.

As we pointed out last week, the Commonwealth now has a surplus budget, achieved on the back of a massive increase in revenue of \$34 billion in just four years, from \$121 billion in 1995-96 to \$155 billion in 1999-2000 (Terry McCrann, *The Weekend Australian*, 15-16/5/99). The average Australian's tax bill has gone up nearly \$2,000. The average working Australian's tax bill by over \$4,000 a year.

Will the GST (with or without cooked chooks) reduce this tax level? Of course not! Whatever other arguments, it was designed, as *The Sydney Morning Herald's* Alan Ramsay pointed out, to take in an extra \$27 billion, and hand back \$13 billion. But it will turn all Australian industries into unpaid tax collectors, and make the paper-work for small businesses a nightmare. It will do nothing to make Australia more competitive, nor will it improve the lot of those slipping backwards into poverty. It will do nothing to provide a vision for young people.

Opinion polls show the majority of Australians **against** the GST. The feeling will be nothing to that which will develop once this miserable tax is introduced. We predict the Howard Government – if it survives the coming constitutional referendum, the undoubted financial recession that's approaching on all fronts, the increasing invasion of boat people, the millennium bug, the obvious deficiencies in our defence system, the already scandalous financial rorts in the Olympic Games, a further blow-out in the foreign debt and the already planned final foreign takeover of our assets and industries – will become the most hated government in Australia's history when it finally implements the GST in July 2000.

MALAYSIA WINS THROUGH: Malaysia's Prime Minister Dr. Mahathir, having taken the unprecedented step of telling the IMF what he thought of it – which wasn't very complimentary – and then acting **unilaterally** in imposing capital controls aimed at checking the international stockmarket gamblers from wrecking the Malaysian economy, has every reason to feel pleased with the results. *The Australian* (2/6/99) reported:

"Malaysians are 'starting to betray unhealthy signs of smugness', according to a financial analyst in Singapore's Straits Times newspaper last week – and that was before the highly successful launch of Malaysia's \$US1 billion global bond issue. Malaysia's Prime Minister Mahathir Mohamad and Finance Minister Daim Zaihuudin were elected as foreign fund managers who had treated them like pariahs a year earlier scrambled for a share of the Malaysian paper which was oversubscribed by 300 percent . . ."

LETTING YOUNG AUSTRALIANS IN: With the average Australian family now having to find \$800 a week to cover all Commonwealth and State taxes, plus local government rates, we are now in what is in reality a **rental society**. As secure jobs diminish and become a premium, the chances of young married couples becoming debt-free home-owners – even in their old age – recede the whole time. Tony Abbott's sentiments about "job-snobs" is easy from the privileged position of a former Oxford graduate in the Howard Ministry. But work-for-the-dole is not a temporary fill in before

bigger opportunities arrive in the career game. For many it looks like a lifetime occupation as the only alternative to inactivity.

Ours is the first civilisation that has mortgaged the whole of life to such a degree. Consider the evolution of the English village in the Middle Ages. There were no town planners and building inspectors. Yet the cottages built then, usually debt-free, outlast their modern counterparts.

Land for a young couple to build was cheap or free, and all village residents, as well as their own garden allotments, had access to "the Common" where householders could run their geese or cattle free.

The English village that developed from this organic approach was charming and beautiful, still one of the main tourist attractions in Britain and Europe.

Today's rat-race demands interest-bearing tribute for virtually every action taken through life. The dubious statement "there's no such thing as a free lunch" has been compounded by the usury of modern finance into a form of slavery that has every man and woman trapped in one form or another. A recent study by KPMG Consulting, in the words of *The Australian* (4/6/99) "... painted a black picture of the withering of rural Australia . . . many small communities were struggling to survive. The study cited the Shire of Perenjori in Western Australia, north of Bruce Rock, where the population had declined by 46 percent in just two years to 1998. . . . There were similar falls in communities in Tasmania and South Australia, and the greatest losses in other States, about 35 percent, were in the NSW Riverina, Victoria's Mallee and Queensland's Longreach . . ."

The same article, by John McIlwraith, gave the inspiring story of one of the remotest and driest shires in Western Australia.

"... It is now seven years since the Shire Clerk of Bruce Rock, John Murphy, on the spur of the moment, offered free land to people who would build houses in a district which had lost almost half its population in the previous quarter of a century, and seemed likely to decay further. . . . John Murphy, who had gone there as a young man to work for the shire council, had seen a fall in population from 2,200 to 1,200, businesses closing, houses standing empty. The offer of free land created a response which no one could envisage.

"The council received 2,000 written applications for what were eventually 60 blocks of town land. People drove hundreds of kilometres to queue in the shire offices to seek information. Only houses were built on the free land, but the nationwide interest attracted by the offer led to the purchase of 25 vacant houses in Bruce Rock . . . The council implemented other imaginative policies, building 28 housing units, giving away industrial land, building and renting small factory sites and encouraging new businesses . . ."

The Bruce Rock Council, realistically, warned there was no seaside beach or nearby river, no inspiring views, and few job opportunities. Nevertheless, the population of the once-dying town has increased by 15 percent, with a livelier business community.

What was it the new arrivals were after? Not wealth and glitz, appaently. The attraction was the chance of their own home, debt-free.

As the KPMG report recorded, there are 198 rural municipalities in Australia that recorded a loss of population over the 22 years to 1998, and 75 of these lost more than 20 percent.

Yet in the cities we now have about a quarter-of-a-million Australians without a roof over their heads! Free land, and the opportunity to build their own debt-free homes might offer one solution besides offering hope to young Australians where currently there is none.

