# Australian budget: a blatant appeal to the rich

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**10 May 2006**

Australian Treasurer Peter Costello last night handed down an annual budget that aims to widen the gulf between the wealthiest layers of society and the vast majority of the population. More than any other of its 11 budgets since taking office in 1996, this one embodies the economic and political modus operandi—and mounting contradictions—of the Howard government.

Economically, it is banking on its coffers continuing to brim with record revenue from the current "commodities boom"—soaring corporate profits, above all based on high prices for mining exports fuelled by China's expansion. Politically, it is redistributing these profits to the wealthy in a blatant appeal for renewed support from the corporate and media elite. As the *Australian Financial Review's* Chanticleer column trumpeted, this budget was "unashamedly directed at helping the rich get richer".

The 2006-07 budget delivers the third hefty tax cut to high-income earners and business in a row. The latest income tax handouts are worth an estimated $60 billion over the next four years, on top of business tax cuts of more than $4 billion over the same period.

The government and the mainstream media have presented the 2006-07 budget as "good news" and a boost to "middle income Australian families". Yet the tax tables show that low-income workers, on less than $20,000 a year, get just $7 a week in reduced income tax, and average income earners on $60,000 receive less than $10 a week. By contrast, the top 2 percent of taxpayers, those earning more than $150,000, obtain at least $120 a week. Those on $1 million or more will rake in an extra $450 a week, or in excess of $20,000 a year—which is more than low-wage workers are paid.

This means that the corporate elite have been handed "tax relief" worth 64 times more than those on low incomes. The estimated 10 percent earning more than $95,000 have been given tax cuts of more than $50 a week.

Last year, Costello resisted calls from the Murdoch media and big business to cut the top tax rate from 47 percent, asking his critics to imagine the popular reaction if millionaires like Kerry Packer walked away with an extra few thousand a week. Now he has delivered just such a windfall, and promised more. In his budget speech, he declared that the tax cuts were merely an "instalment" in "income tax reform".

For millions of ordinary working class people, however, the budget will do nothing to relieve the mounting financial stress produced by soaring fuel and other prices, and rising interest rates and credit card debt, on top of the wage and penalty rate cuts, slashed working conditions and job losses starting to flow from the government's new industrial relations regime.

Over the past two years, petrol prices have nearly doubled to around $1.40 a litre, costing average families $40 a month, and interest rates have risen by 0.75 percentage points, adding nearly $200 a month to repayments on a $300,000 home loan. Child care fees have risen by 60 percent over the past four years, with medical bills not far behind. The beneficiaries have included the oil companies, banks, private child care operators and pharmaceutical companies—all making super profits under the government's free-market and user-pays agenda.

Rupert Murdoch's Sydney tabloid, the *Daily Telegraph* last week warned the government that average annual family bills had risen by $4,200 over the past year alone. Yet, even this average figure masks the way the impact falls most heavily on young working class families with pre-school and school-age children, especially those living in outlying suburbs of major cities, driving many kilometres to work and paying hefty mortgages.

One indication of the strain is that nearly one million applications were made for new credit cards in the first three months of this year—a 27 percent rise from a year earlier—even though credit and charge card debt is already $35 billion in a population of just 20 million. Over the past decade, the level of household debt has doubled from 70 percent to 150 percent of average household disposable income.

Costello claimed that "middle income" families with children would benefit from increased family tax benefits. This is largely a mirage. As the *Australian Financial Review* calculated, even after child-based benefits were factored in, a "single person on $100,000 a year will receive more than double the tax cuts than a family with two children on a combined income of $70,000 a year. The family will receive only $1,160 in extra disposable income compared to $2,700 a year for the single high-flyer."

"High-flyers" who can accumulate large superannuation nest eggs for retirement will further benefit from the abolition of taxation on superannuation payouts for retirees aged 60 years or more. Costello boasted that the removal of taxation constituted a "super" and "radical" step to improve the lives of the elderly. But only someone who builds up funds of more than $650,000 will gain substantially—perhaps $200 a week. Retirees with an average payout, around $168,000, will barely be better off, because the first $130,000 is already tax-free.

All those dependent on social security payments—the unemployed, the sick and disabled, family carers, elderly pensioners and students—will get nothing from tax cuts. Instead, many of them are being pushed off welfare by the measures announced in last year's budget to pressure them into low-paid jobs. In a cynical sop to struggling retirees and carers, Costello announced some one-off "bonus" payments of $100, $600 or $1,000, which are hardly going to ease the burden on people living well below the poverty line.

At the same time, the essential health, education and social programs that ordinary people rely upon—such as public hospitals and health care services, public schools, technical colleges and universities, and affordable housing schemes—are still being driven into the ground. Total social spending will rise by just more than the inflation rate. Spending on education as a proportion of total government spending will actually fall from 8 to 7 percent.

Despite promises to address the child care crisis—rising fees and long waiting lists—only $10 million was set aside for 25,000 new places. In a typical move to favour private child care chains, however, a previous cap on funding for new child care centres will be lifted, giving profit-making operators a free hand to seek government subsidies.

Pledges to improve national infrastructure also proved misleading. The only substantial funding announced is for interstate and regional road and rail projects that will help trucking-based transport companies, as well as possibly buying votes for the rural-based National Party.

Amid all the media hype about the budget, one damning milestone passed without mention. For the first time, military spending next year—of $18 billion—will outstrip that on education—$16.6 billion. It is a sure sign of the Howard government's militarist agenda. While running down public education, the government is clearly preparing for new wars and military interventions, particularly to assert the strategic and economic interests of Australian capitalism in the Asia-Pacific region.

Military spending will rise by $10.7 billion over the next five years, including $2.2 billion for heavy-lift aircraft to facilitate rapid deployments in the region, such as last month's dispatch of 300 soldiers and police to bolster the Australian-led intervention in the Solomon Islands. More troops were also recently sent to Iraq and Afghanistan.

Equally revealing is another $1.5 billion boost in spending over four years on the political police and intelligence agencies, taking the total increase since 2001 to $9 billion. The internal spy agency, the Australian Security Intelligence Organisation (ASIO) will be tripled in size to more than 1,800 agents and back-up personnel. In the guise of combatting terrorism, Canberra is building a police-state apparatus whose activities will be increasingly directed against social unrest and political dissent.

Despite being awash with funds from the present commodities and profits boom, the Howard government is sitting astride brewing social discontent and underlying economic weakness. The largesse being pumped into the pockets of the affluent is only possible because the corporate tax take has been rising by 13 percent a year, producing record government surpluses.

Much of this is dependent on the continued growth of the Chinese economy. Last year, Australian earnings from sales of iron ore and nickel to China grew by 100 percent; of coal 50 percent; of copper 41 percent; and of other ores 100 percent. Australian firms also supply most of China's wool and wheat, while multi-billion dollar sales of natural gas are about to commence. Rising prices for iron ore and coal—chiefly because of demand from China—will account for more than half Australia's GDP predicted 3.25 percent growth this financial year.

Riding on the back of Chinese growth, however, is unsustainable. The Treasury's budget papers themselves forecast that the commodities boom will collapse over the next two years, while expressing hope that the rapidly expanding Chinese economy "may cause commodity prices to remain higher for longer than past cycles".

Business and media commentators have warned of the enormous economic risks involved, particularly where, despite the Chinese boom, the current account deficit is running at dangerously high levels, around 6.5 percent of Gross Domestic Product, and foreign debt and other liabilities are more than 60 percent of GDP. Once the Chinese "bubble" bursts, as the housing price bubble has already, the economic basis of the Howard government will disintegrate.

At the same time, the corporate media has criticised the budget for not cutting high income taxes enough, and for not spending enough on economic infrastructure. Much more is needed, they have insisted, to make Australian capitalism "competitive". According to the *Australian Financial Review*, Costello has only "tinkered" and "dipped half a foot into the tax reform stream". In the event of a sharp downturn, these demands will only intensify.

The budget has also underlined the other central feature of official political life: the increasingly complete unanimity between the Howard government and the Labor Party opposition. Last year, Labor made a pretence of opposing the granting of huge tax cuts to the wealthy. This year, its spokesmen, such as shadow treasurer Wayne Swan, have wholeheartedly embraced the tax changes.

Labor's only criticism of the budget, echoing the views in corporate boardrooms, is that the government has not done enough to boost productivity and crack down on "waste". Labor is pitching for exactly the same constituencies as Howard and Costello: the business and media executives and the most privileged professional and small business circles.