

## **Austerity for Oz by any other Name**

by trudy *Wednesday, Apr 2 2014, 11:06am*

international / prose / post

Does the Australian public really have to endure this claptrap from Abbott's conservative government in view of the grotesque fact that company directors and CEOs are taking home tens of millions in 'wages,' not shares or other benefits. Do not dare mention increasing the cost of living with increased GST while allowing Corporations to rape our nation's/OUR wealth and take the profits offshore to avoid their full tax responsibility to the people.

Ian McLeod, MD of Coles took home an obscene [\\$55 million](#) pay packet last year a feat he will not be able to repeat yet wages for workers have remained at the same comparative level when CEOs were making one million dollars per year. But you see that is how the ruling elites are engineering the new world economy -- 'we take all and you eat shit!'

It should also be noted that Ian McLeod was determined to get his bonuses regardless of cost to the nation and his reputation -- the Oz regulator (ACCC) accused this less than honourable foreigner of, "deceptive, misleading and dishonest" trade practices so we'll leave it at that. But to read the following story in view of the current reality, is pushing matters -- wouldn't you think?

### **Lift the GST, cut income tax, says Martin Parkinson**

by Jacob Greber

Treasury secretary Martin Parkinson has made the strongest case for raising the goods and services tax and cutting personal income tax by any senior Treasury official in years, a sign the Abbott government wants to prepare Australians for major changes to the taxation system.

Australians' standard of living is threatened by weak productivity growth, falling commodity prices and an ageing population, he said.

"Arithmetic suggests the dice are loaded against us" and there is little chance the budget, which is expected to be \$44 billion in deficit this year, will "whirr" back to surplus as the economy expands, he said.

Without significant changes in the May 13 budget, the government would still be in deficit by 2023-24 and almost \$25 billion in today's terms short of the government's surplus target of 1 per cent of gross domestic product, he said.

That doesn't include the Coalition's aspiration to increase defence spending by \$32 billion.

By 2023-24 spending on health will have risen 79 per cent to \$116 billion a year, pension payments will cost an additional \$39 billion a year and the national disability insurance scheme another \$11.3 billion.

The government's challenge is to cut income tax – to encourage people to keep working as they enter higher tax brackets – and to close the gap between expensive policies and weak tax revenue. To do this, Australia should rely more on indirect taxes like other developed nations do, Dr Parkinson argued, a reference to the GST.

He used a pie chart to show that Australia's mix of tax collection hasn't changed much since the 1950s.

"Research consistently says that reduced reliance on income taxes and increased reliance on other, more efficient sources of revenue, including indirect taxes, can support higher growth and higher living standards," he told the Sydney Institute on Wednesday night.

"If we do not start making these changes and simply keep drifting along, we will be increasingly vulnerable to the next global crisis."

Dr Parkinson was speaking as cabinet's expenditure review committee worked on the budget in Perth and the night after Prime Minister Tony Abbott extended his tenure until at least the G20 leaders meeting in November.

The speech, which was seen by Treasurer Joe Hockey's office before delivery, suggests Treasury has advised the government that the budget is in dire shape and big policy changes are needed if living standards are to improve much.  
Australia is vulnerable

The Labor opposition rejects assertions the budget is in crisis and accuses the government of creating angst over spending to justify ideologically motivated spending cuts.

Without changes, incomes will grow only 0.7 per cent a year over the coming decade – leading to a \$13,000 per person gap between "what Australians might hope for and expect, and what might come to pass on the basis of a reasonably benign scenario."

For the budget to be repaired through growth alone – without spending cuts or tax hikes – the economy would need to expand by a massive 5.25 per cent a year to return to surplus within five years.

Such a staggeringly high rate of growth – even if it was possible – would be around 40 per cent quicker than average and the biggest increase since the 1960s. It would also likely generate a massive inflation break-out after only a year and send official interest rates sky-rocketing.

Even current projections for no surplus within 10 years assume Australia will have 33 years of uninterrupted growth, an achievement almost unparalleled in modern in history.

Excluding Japan, the nearest among developed nations was the Netherlands, which grew for 26.5 years from 1981 to 2008 on North Sea oil exports.

The second assumption was that personal income tax receipts would be allowed to surge

through so-called fiscal drag, in which wage inflation pushes workers into higher tax brackets.

Dr Parkinson said this implied there would be no personal income tax cuts for another decade – something he warned was unlikely to be politically feasible and would hurt the economy by driving more people out of the work-force as their marginal and average tax rates surged.

“If either of these two assumptions turn out to be false – and it is quite likely they will both be inaccurate – the fiscal situation, and the question of how to ensure fiscal sustainability, will be even more challenging,” he said.

Undermining the budget outlook is the reality that commodity prices will continue to decline in coming years, just as a wave of baby boomers hit retirement, pushing the ratio of workers to retirees to 2.7 in 2050 from 5 in 2010 and 7.5 in 1970.

Dr Parkinson also pointed to the fact that labour productivity was unlikely to offset the falling terms of trade or ageing population, crunching income growth to about a third of the rate Australians have becoming accustomed to.

He said those threats would inevitably widen the gap between community expectations and what governments could realistically do, as well as the cost of those services.

Rejecting claims that a “magical” return to the Howard-era income tax rates would solve Australia’s budget woes, Dr Parkinson cautioned about the risk of an ever-rising reliance on taxes that hit workers’ pay packets.

He concluded by warning that failure to address these difficult changes would mean Australia was increasingly left vulnerable to the next global crisis.

“The exceptionalism of the ‘lucky’ country will become just a distant ironic memory and our children may really end up ‘doing it tough,’” he said.

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*[Nevertheless the fact remains -- if mega-mining companies and other transnational corporations shouldered their proper tax burden like the rest of us, this country would be in the black not red. However, the plutocrats have ensured that the population remains financially oppressed while they live high off the hog -- that's fair. So please Tony, just do it so we can get on with it; the sooner the global population realises how easily political puppets are dealt with the better.]*

[http://www.afr.com/p/national/lift\\_the\\_gst\\_cut\\_income\\_tax\\_says\\_jAfGS2aJCx9jSGnxqeYtQM](http://www.afr.com/p/national/lift_the_gst_cut_income_tax_says_jAfGS2aJCx9jSGnxqeYtQM)

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Jungle Drum Prose/Poetry. <http://jungledrum.lingama.net/news/story-1081.html>