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Editorial

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Workers and Taxes: some history

The political debate in Australia has again shifted to tax. According to Benjamin Franklin, ‘In this world nothing can be said to be certain, except death and taxes’. While taxes are a virtual certainty for wage earners, they seem to be optional for corporations and those with high income and wealth. For example, according to the Australian Tax Office, 579 of the 1,396 major corporations (40 per cent) paid no tax in 2013–14.

For wage earners it is ‘pay-as-you go’ income tax; GST at 10 per cent; beer excise at around 52 cents per stubby and, if you still smoke $9.40 per pack of 20. The richer professionals have plenty of outs — negative gearing to write off taxable income and even pay for a holiday home; big concessions for putting ‘surpluses’ into superannuation, large ‘work-related deductions, and even family trusts.

There is not much history written about tax and it tends to be about ‘tax revolts’ or a chronicle of legislative and policy changes. Some is important — Eureka and the revolt against the cost of mining licenses and lack of political representation; Gandhi and the 1930 sathyagraha against the salt tax.

Income tax was introduced in Queensland in 1902. This was a move to direct and progressive taxation on land and income and away from almost complete reliance on excise and duties. The early Labour movement pressed for land taxes. This was a political demand against the pastoralists and urban landowners and showed the influence of Henry George. The first Federal ALP Government of Andrew Fisher introduced a national land tax including on leasehold pastoral land. Federal income tax started in 1915 as a levy to pay for the war effort.

Tax, as part of public revenue, is the price of the ‘social wage’ — a term perhaps not favoured since the Accord years. Fred Argy, during the Accord years, defined the ‘social wage’ as that part of government spending which provides benefits, either in cash or kind, to individuals and families. It includes, health, education, housing, welfare payments and services, child endowments and allowances, childcare, pensions. It can extend to recreation, sport and culture. The critical thing is that the social wage 'decommodifies' labour by providing goods and services outside the market; usually based on universal or means tested entitlement. Done well, the social wage promotes equality and reduces the threat to workers of the 'reserve army of labour'.

There are very considerable histories of the growth and value of the social wage and the welfare state. Francis Castles' book The Working Class and Welfare of 1985 was seminal in the idea that welfare and the social wage developed differently in Australia and New Zealand than in Europe. Employment and fair wages were much more central here; state spending and universal provisions were much less. The differences allowed the total tax revenues to be less and made workers more dependent on having employment.

This is still the case. Australia's tax-to-GDP ratio is low by international standards. It has been in the bottom third of OECD countries since the mid-1960s. Currently, the ratio in Australia is 27.5 per cent, which is in the bottom five OECD countries along with Chile, Korea, Mexico and United States. The OECD average is 34.2 per cent and the Nordic countries, France and Italy are at over 40 per cent. The highest is Denmark at 50.9 per cent in 2014.

Across the western economies, including Australia, the 1950s to 70s were a period of increasing equality and less hardship for workers. Public services, the welfare state and redistribution through progressive taxation and public spending were keys to this. These were the results of political pressures through left of centre parties and industrial pressure through unions. Some recent Australian works celebrate this. They include Dennis Glover's An Economy is Not a Society (2015), Andrew Scott's Northern Lights (2014) and Winton Higgins & Geoff Dow's Politics against pessimism (2013). On a wider perspective, the writing of the late Tony Judt, most especially, Ill Fares The Land (2010) is essential reading. So too, Selina Todd's The People. The Rise and Fall of the Working Class (2014).

All of these directly challenge neo-liberalism and myths of 'small government'. Even so, the liberals and their financial and business backers have convinced us that 'debt' and 'deficit' are the 'real' problems. Moreover, the solution is to cut spending not to increase revenue. Indeed, there has been little emphasis on increasing revenue except through the proceeds of economic growth. In the 2000s, this was to come from the 'housing boom'; at least until the bubble burst. In the last five years it was to come from 'the mining boom', at least until that bubble burst as well.

In the beginning of 2016, the Federal ALP has proposed changes to 'negative gearing'. This is where losses from an investment made with borrowed money are charged against taxable income from another activity. Rental properties are the most prevalent form — the difference between rent received and all outgoings including interest paid can be charged against another business or professional income. There is no doubt that negative gearing increases housing prices and gives a big advantage to the already well-off. For example, nearly 30 per cent of anaesthetists negatively gear their properties, compared to just 3.6 per cent of cleaners. Negative gearing also helps pay for holiday homes for medical, legal and financial professionals on the Gold and Sunshine Coast and the Islands.

The ALP have proposed limiting negative gearing to new properties. The Prime Minister and other Liberals says this is scandalous because it will cut the resale price of housing. It is instructive of the continuing class nature of Australian politics.

Workers would be better-off with lower housing prices as this will reduce income and work pressures. Australian housing prices are among the highest in the entire world and housing unaffordability is well documented. Manufacturing and service industry employers should also welcome lower housing prices because this will reduce pressure for wage increases. The finance industry, however, will lose, because workers will need to borrow less and there will be some reduction in property speculation. In sum, the Liberals are voicing the interests of finance capital who make their fortunes from extracting economic rents from the rest of us.

There is an analogy in the pressures from the Liberal Party and the Productivity Commission to reduce penalty rates on weekends. The usual argument is that this will allow more cafes and shops to open at weekends. Part, if not all, of the lower wages will go to higher profits for the cafe and shop proprietor. However, the extra profit will not stay with the proprietor but will go to the owners of the land — for which in most cases read shopping centre — where they operate. This is exactly as David Ricardo and more especially Karl Marx described. If the shopping centre can restrict the space available (which it does by ownership, marketing and planning laws) it is able to appropriate some or all of the profits. It is enough to turn one into a Georgist and advocate a strong, if not single tax, on property. Perhaps back to the future is the best way of helping workers.

The articles in this issue of our journal cover some interesting aspects of the lives of workers and the ways in which their organisations — namely their trade unions — have contributed to this.

Ron Monaghan recently retired after eight years as General Secretary of the Qld Council of Unions. Our interview with him brings out some fascinating aspects of the big changes in the direction of the QCU under his leadership. His account of the struggle against the privatisation plans of the Bligh Labour Government is an insight into how all the unions affiliated with the QCU felt so strongly about that issue that they were willing to risk unseating an ALP government over it. Ron also details his commitment to the QCU campaign to fully recover the wages stolen from indigenous pastoral workers by successive Qld governments

There is a common perception in the union movement that the Shop Assistants Union (the SDA) is a very "tamecat" union, with no militant tradition and a very right wing leadership. Duncan Hart demonstrates in his article that at least during the 1970s, the NSW branch of that union had a very strong policy and practice of militantly standing up for better wages and conditions of retail workers, and achieving some stunning successes as a result, under the leadership of Barry Egan.

Ruby Ludski is a young labour historian who presented a paper at the BLHA seminar in 2015 on the involvement of the Trade Unions and the Indigenous Stolen Wages Campaign: the Qld Nurses Union, and we publish her paper here. John McCollow reviews a recent history of the National Tertiary Education Union, and Craig Buckley reviews the film "Blood on the Coal" — a history of coal mining, focussing mostly on workers and their experiences in the Qld mining indusrtry. Finally Snow Heilbronn and Ross Gwyther present some reminiscences and stories about Bill Fleming who passed away late last year. Bill was one of the unsung everyday heroes of the working class, with both a strong commitment to his union organisation where he worked, as well as building broader cultural activities amongst young people.