

BUDGETS, CLASS WAR, AND LEGISLATIVE SETBACKS

Emeritus Professor Roger Scott

1. Budget and Class War in Queensland

The State budget has been an embarrassment for the Newman Government, to judge from the response of economists to the confection of a debt crisis and a dodgy mechanism for privatisation by stealth. The main media coverage related to an extraordinarily swift back-flip. Using the excuse of the Abbott government's own nastiness to the under-privileged to justify cutting concessions to pensioners was never going to wash politically. The idea lasted three days in Brisbane. Voters know that Abbott and Newman belong to the same political party.

It will be interesting to see how long Abbott can 'maintain the nastiness' in the face of the diverse collection of opponents arrayed against him in the Senate and inside his own ruling coalition. Pensioners are just as unhappy at the national level. Perhaps he is 'gaming' the voters and those opposing him by intending to make concessions in forthcoming negotiations just as unidentified senior Liberals claim to have 'gamed' the National Party into accepting the electoral consequences of rising petrol prices. This was represented as an acceptable lesser evil compared to removing the current protective concessions regarding excise on diesel fuel. Perhaps Abbott hopes everyone else will thank him when he negotiates away some of the rougher edges of the axes chopping away at those identified in the party's narrative as the undeserving poor - just as Queensland pensioners are assumed to be grateful for being spared the cuts threatened in the original State budget.

The nub of the problem is that there is no 'heavy lifting' being done by those most able to afford to make a greater contribution, no closing of gaping taxation loopholes. What should be clear to those making policy at both levels of government is the evidence revealed in the *Per Capita* think tank survey (http://www.percapita.org.au/01_cms/details.asp?ID=722). This accords with plain common sense: the electorate is suspicious of a combination of policies which leave the wealthiest members of the community untroubled by the higher percentage of income that others pay in tax. They have been protected from any budgetary incursion into their capacity to maximise profits and protect their wealth. The voting public is justifiably suspicious that the current taxation arrangements are grossly unfair to the rest of the community and they recognise that the divide between rich and poor is made wider by the budget.

2. Budget and Privatisation: Fooling Some of the People?

The discussions on the Queensland budget were mainly about the government's careful attempt to make it boring, typified by the immediate back-flip over pensioners to close off discussion. The main selling effort remains the focus on the privatisation scheme announced in the budget after an expensive and ultimately unproductive exercise in community consultation.

Governments in Queensland as well as other States pretend that privatisation will solve debt problems rather than funnel assets and thus profits away from taxpayers to the private sector. The *Per Capita* survey suggests that the bulk of the Australian population has resisted the siren song of a generally compliant media. In Queensland, the electorate has been subjected to a massive public relations campaign to add to the pressure but remains unconvinced. The poll evidence continues to suggest that the Newman LNP Government is being seen to focus on rewarding its special friends and is no more willing than the Abbott Government to levy real costs on the wealthy elements in the private sector. Indeed, they are either left alone by removal of accountability mechanisms or positively assisted through the acquisition of public assets.

John Quiggin, the world-class economist who serves on the Ryan Foundation Board, has addressed the puzzling question of why Queensland (and other states like NSW) persist with privatisation schemes despite their demonstrated lack of popular support.

Here is what Professor Quiggin wrote in Crikey last week:

“Presumably both Queensland and NSW governments are calculating that their massive majorities and the weakness of the Labor opposition will protect them from the electoral disaster that has befallen so many previous advocates of privatisation, particularly at the state level. ...

Given the clear unpopularity of privatisation, why are governments still pursuing it? The simplest explanation, and clearly the most important one, is that they believe that privatisation gives them access to a large pot of money that can be used to fund desirable, and politically popular, investments in projects that cannot be justified by the financial returns they generate.

This belief is almost universal among the political class, including political journalists. Yet it is unanimously rejected by economists (including both supporters and opponents of privatisation) and is not shared by the vast majority of the general public. The economic reasoning is simple: in general, selling an income-generating asset and using the proceeds to repay debt makes no difference to the net financial position of a household, corporation or government.

Both the NSW and Queensland governments have found a new spin, which they hope will enable them to sell privatisation in the face of overwhelming public scepticism. In Queensland, the new spin is the idea that new investments can be financed with private equity but remain under public ownership. It's called a 'non-share equity interest' (NSEI), and the [Treasury web page](#) explains its appeal to the government:

The state retains 100% ownership of the ordinary shares in the network businesses and assets. The private sector contribution will equate to the net funding for the capital expenditure and therefore represent new capital injections. The NSEI security is debt in its legal form but classified as equity for tax and accounting purposes, and these characteristics give the security its [sic] 'hybrid' form.

In other words, the government is replacing debt raised by the Queensland Treasury Corporation from the private sector with an instrument that's almost identical, but is classified as equity, and can therefore be presented as a reduction in debt. Whatever the accounting treatment, my reaction as an economist is simple. If it looks like a debt, walks like a debt and quacks like a debt, it is a debt.”

3. Legislative Defeats and a New Front in Another Class War

Legislation was rushed through in the earliest days of the Newman Parliament that appeared to be motivated by one of two objectives: clear the way from the private sector to operate free from any previous requirements for public accountability (vilified as 'red tape'); or impose rigorous legislative regimes to stifle opposition in the name of fighting crime and maintaining 'law and order'.

An example of the former was passing an Act to overturn, to the benefit of a sand-mining company, a carefully negotiated agreement between the Bligh Government and the Quandamooka people, traditional owners, and Native Title holders, of Stradbroke Island. The Newman Government moved quickly to allow the sand-mining lease to be extended to 2035 (rather than 2019) - the most flagrant example of using legislative action to reward special interests. The sand-mining legislation is part of a whole panoply of legal changes passed from 2012 through to the end of 2013 (discussed in the first TJRyan Research Report, on this website). Resistance to their passage came from a wide variety of sources, ranging from the environmental lobby concerned about Stradbroke Island sand-mining and threats to the Great Barrier Reef to the bulk of the legal profession over the heavy-handed law and order legislation.

Now some of these chickens are coming home to roost. Courts generally, and now the Australian High Court, have cast doubt on the validity as well as the wisdom of these actions. The article by Amy Remeikis in the Brisbane Times records that the Court of Appeal struck down sex offender legislation which gave the government power to overrule court decisions, and there are appeals in progress on aspects of the VLAD section of the 'bikie' laws relating to freedom of association and the imposition of mandatory sentences and a defamation action against the Premier and the Attorney-General.

<http://www.brisbanetimes.com.au/queensland/jarrod-bleijie-distances-himself-from-overturned-laws-20140605-zryic.html>)

Of more general significance to the wider community, the Government has also faced legal action over so-called 'union transparency' laws preventing trade unions from embarking on public campaigns costing over \$10,000 without balloting their members. A decision by the High Court over a similar government initiative in New South Wales made it clear that such laws were an infringement of an implied right of free speech and free association in the Constitution (which binds National, State and Territory governments).

From the beginning the Queensland Government was aware that its own laws were on equally shaky ground. Its strategy seems to have been to use taxpayers' funds to keep these unconstitutional laws operating by delaying proceedings in the High Court. This would ensure that unions would not be free from constraints on campaigning until after the next State election. The NSW decision made continuing delay untenable. Faced with these setbacks, the Queensland Attorney-General, in a radio interview, began to distance himself from the flaws in these laws, appearing to shift the blame for the legislative weaknesses to his public servants on the one hand and Cabinet processes on the other. He remained unrepentant about the intent of his activism, including making extravagant claims about the statistical evidence about crime reduction, which the TJRyan Foundation will examine later in more detail.

Unions, pensioners and lawyers were not the only butt of Government criticism. The debate about the economic rationalist ideology that underpinned the budget, and the LNP's electoral promise to reduce living costs, unexpectedly raised again discussion of class privilege and the tolerance of social inequality. In introducing the changes in electricity tariffs in pursuit of its climate-denialist policy preferences, the Treasurer attacked the ALP for initiating a scheme to reward those who paid the capital cost of installing domestic solar electricity, a scheme which was continued under two Newman budgets. The arrangement was then drastically modified in the most recent budget on the grounds that the electricity generating authority was being forced to subsidise solar users at the expense of the majority of regular consumers.

Here the class targets were those assumed to be ALP-Green sympathisers who had responded to government encouragement to convert to solar-generated power, a group now demonised by the Treasurer as 'champagne sippers and the latte set' seen as taking advantage of middle-class welfare through their capacity to invest in solar infrastructure. Evidence-based research immediately gave the lie to this association.

<http://www.theguardian.com/news/datablog/2014/jun/10/solar-panels-lose-sheen-queensland-latte-set>).

Solar users can be presumed to include doctors and lawyers but also a raft of far-sighted pensioners, moderately affluent workers, self-employed business owners and particularly inhabitants of rural Queensland.

Once upon a time, this diversity of social groups was identified as the LNP electoral heartland.