

Abolish GST

At present John Key and National are floating the idea of raising GST (goods and services tax) from 12.5% to 15 percent, while lowering income tax for all and also reducing company taxes. Key and his pals present this approach - lowering direct taxation and increasing the tax on consumption - in a populist way, as if it would benefit workers. Key has added that the Working for Families package could be increased, along with some other measures, to help offset any losses for lower-waged workers and the minimum wage has been increased (minimally) by 25c an hour. Once again, there is nothing for beneficiaries.

The first thing to note about GST is how it affects people on lower incomes the most. GST was introduced into New Zealand by the fourth Labour government, back in 1986. At the time it was set at 10 percent. Whereas a similar tax in Tory-ruled Britain, VAT, excluded basic family items, the only things Labour here excluded from GST were financial services, real estate transactions and the operations of very small firms. The low-waged and beneficiaries were to be especially screwed over by it.

The imposition of GST significantly raised the level of indirect taxation. The proportion of government income derived from indirect tax rose from 22.5 percent before GST to 33.2 within just the first two years of the new tax. In 1989, Labour increased GST to 12.5 percent and extended it to cover all goods and services.

Victoria University economist Bob Stephens has pointed out the overall effect in the 1980s of the partial replacement of income tax by indirect tax. Between 1982 and 1988, "effective average tax rates including GST for couples on average earnings with two dependents increased from 18.7 percent to 24.1 percent. Average tax rates for similar couples on three times the average income declined from 40.3 percent to 34.9 percent." So we can see that indirect tax means the wealthy pay less of their income in tax while workers, especially the poorest, have more of their income taken in tax.

This becomes even more clear if we compare someone on the dole and a top company CEO. If an unemployed person is getting \$200 a week on the dole and they buy something which costs \$100 plus GST, then they are paying \$12.50 in indirect tax and this is 6.25 percent of their total weekly income. If a top CEA on \$3 million a year salary buys the same item for \$100 and pays the same GST, her or his indirect tax payment only makes up about 0.0002 percent of their weekly income!

When GST is accompanied by reductions in direct tax – income tax, in particular – then it's not hard to see why the rich favour indirect tax such as GST.

However, there is another vital aspect to the proposed series of changes in the tax system, whether GST or direct tax is involved. Workers' labour-power under capitalism becomes a commodity and, like all other commodities, its value is determined by the socially necessary labour that goes into creating it. Basically, this means that the value of workers' labour-power is the value that is required to house, cloth, feed and otherwise maintain the worker in a sufficient state to turn up to work each day to produce profits for the employers. If that value translates into \$500 a week, this is the value of the worker's labour-power and will be roughly reflected in the wage. The worker, however, can create a value much greater than this – say a thousand dollars worth of goods or services. The extra \$500 is surplus-value, and in the hands of the boss. (To simplify matters, I'm disregarding the part of total value that comes from the use of machines, raw materials, rather than adding that on to the \$1,000.) In good times, and with strong workers organisation, the tax on workers' wages (PAYE) has to come out of surplus-value and therefore lessens the amount of surplus-value that the boss can convert into profit.

During boom periods, the bosses are OK about this because they have so much surplus-value and they are prepared to buy peace with the working class. However, when capitalism goes into slump, the capitalists want to cut down on anything which reduces the amount of surplus-value they can convert into profit. They do this in a number of ways – eg, by cutting government expenditure on health and education, since this is financed out of surplus-value, and by shifting tax from being a deduction from surplus-value into being a deduction from the value of labour-power. Indirect tax is a useful weapon for doing this.

Now, instead of the worker getting the \$500 value of their labour-power per week and, say, \$150 income tax coming out of the \$500 surplus-value, there may be only \$100 direct tax coming out of the \$500 surplus-value and \$50 indirect tax coming out of the worker's \$500 wage.

What has happened is that the worker's share of the \$1,000 has fallen from \$500 to \$450, while the bosses' share has risen from \$350 to \$400, and the government continues to get \$150.

Moreover, GST allows the bosses to immediately pass on costs. In this sense, it doesn't really cost the bosses anything. If they pay GST on some item they need for their factory or office, that cost is factored into the cost of their finished product. A product costing \$100 plus \$12.50 GST, making a total of \$112.50, will now simply cost \$115, because the GST has risen by \$2.50. Workers, on the other hand, cannot simply 'factor in' GST to their incomes, because they don't set the price of their labour-power. You can't turn up at the job and tell the boss that you're now charging him an extra 2.5% for your capacity to work. Or, in the case of beneficiaries, turn up at WINZ and tell them they have to pay you an extra 2.5%.

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GST shouldn't be increased – it should be abolished. What should increase is the minimum wage - to at least \$15 an hour immediately. These are things that we need to fight for.

More importantly, however, we need to think not about stopgap measures to improve workers' incomes and living standards, but how we can get away from a situation where we're always struggling to catch up and make ends meet.

We need to start about thinking about taking the whole of the economy out of the hands of a handful of rich people and the chaos of capitalism. Workers create all the goods and services that make the world go round. We should think about taking possession of the economy and reorganising it so we can have production, distribution and exchange based on providing us with the best lives possible. **The full version of this article is in the Spark, and on the Workers Party website.**



Workers Party

We aim to build a workers' organisation that represents the class interests of the international working class and fights for those interests on the ground in New Zealand.

Any political organisation that does not stand unreservedly for working class interests is bound to protect capitalism and preserve the austerity measures that the capitalist class continues to impose on the working class. This has been the experience of the working class under the New Zealand Labour Party and now National Party.



The capitalist class consumes the labour-power of the working class. Your work produces their wealth. As long as the capitalist class exists it will prevent the working class majority from obtaining wealth or essential items. It will maintain discrimination on the basis of gender, ethnicity, national origins, and sexuality. It will prevent society from becoming completely democratic. It will also prevent the majority of people from living up to their full potential as individuals. These are the structural barriers that capitalism presents to humanity, and we would like to see these barriers smashed.

Only the working class majority can put an end to capitalism by taking power and establishing a new society. We aim to help this process and we aim to play a leading role in it.

Activists within the Workers Party, who produce *The Spark* magazine, treat Marxist theory as the analytical tool that underlies our assessment of culture, society, and the economy. This helps us to determine the direction and activity of our organisation.

This is what we do:

Our members produce theoretically informed, experience—based, and up—to—date analysis of local and international issues. Our analysis is regularly presented in our newspaper *The Spark* magazine. Our analysis corresponds to the concrete situation of the class struggle in New Zealand.

As workers, unpaid organisers, and paid organisers, our members take up responsibilities in unions. Our union work includes organising, agitating for the best possible economic demands, fighting for union democracy, and advancing revolutionary and internationalist politics.

Our members participate in anti—war/anti—imperialist groups and help build the anti—war movement. In this work we are concerned with providing a focus against New Zealand imperialism, winning local workers to the cause of Third World workers and peasants, and encouraging other individuals and groups in the anti—war movement to support the right of workers in the oppressed countries to fight invading/occupying forces.

The Workers Party participates in local and general elections. This means we have a clear position and trajectory in national politics. We do not give electoral support to any capitalist parties. We use elections to spread out ideas to the public and to militant sections of the working class.

The point is to change the world. In order to change it we need to understand it. Workers Party activists study Marxist theory, engage in contemporary debates, follow new research, and promote an atmosphere of lively and tolerant debate.

We aim to maintain a presence on the main campuses. We aim to recruit and work alongside students who are serious about fighting capitalism and defending working class interests.

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