MALCOLM FRASER, MEMBER FOR WANNON
comments on
TAXATION AND THE CONSTITUTION

One of the first jobs that Parliament did when it
re-assembled was to pass a Bill which made it possible for the all-
Party Committee on Constitutional Reform to continue its hearings.

There are many problems that this Committee will consider
but among the most important should be the question of uniform taxation.
I think everyone knows - certainly everyone in Victoria knows - that this
particular State is challenging uniform taxation in the High Court,
but whatever may be the legal outcome of that particular struggle, it
is my own belief that this particular problem should be solved on a
political level in the interests of every Australian. There is no
reason to say or to believe that the legal outcome will be the best
political outcome for the smooth and democratic government of the
States and of the Commonwealth.

The Commonwealth Government at the present time has great
power and great responsibility. Among its powers is the power to tax
and, with the exception of the monies raised by the Loan Council, it
has power to say Yes or No to many requests from the States for extra
funds. With this power, the Commonwealth carries extraordinarily
heavy responsibilities. It must account to the taxpayers of Australia
for the money it raises and for the money it spends. It is
responsible not only for the money that it spends on its own account
but also, in part at least, for the money that it makes available to
the States.

As the main financial power in the country, it is responsible
for pursuing policies of full employment and stability and, from time
to time, it must use its powers to see that full employment and our
national progress are maintained. It is, perhaps, easier for the
Commonwealth to do this under a system of uniform taxation than it would
be with six semi-independent States also levying their own taxes; but
another consideration comes in which I now believe is more important.
It is a plain fact that Governments that have the power to spend money
should also have the responsibility for raising that money.
I think you will all be able to bring to mind countless occasions in the past when a State has asked for more money to do this or to do that and nearly always it will be for a worthy and for a just cause. And the Commonwealth must reply either Yes or No, taking into account general economic considerations.

It is wrong that properly elected State Governments of the people of Australia should have the power to spend money without the responsibility for raising that money. It lowers their dignity and the status of their Government if they must continually ask the Commonwealth Can we do this? Will you give us some money for this or that? It is bad for the Commonwealth itself to have the power to say to the States Yes or No when it concerns a function that belongs strictly to the States.

I think there are few people who will seriously disagree with this and although I know it is Opposition policy that power should be centralised at Canberra, I believe there are many things that the States can do for themselves far better than the Commonwealth could and we don’t want to see too much power concentrated in one place.

The whole situation is summed up, I think, in this way. If a Government has power to spend money without the responsibility for raising that money then it may become irresponsible. It can continually blame the Commonwealth for not doing the things that it wants to do and it is extraordinarily difficult for the people themselves to judge whether it is the State or the Commonwealth that is to blame. On the other hand, if the Commonwealth has the power to raise all the money and has the power to give money to the States - to say Yes or to say No - then that in itself can lead to its own obvious abuses.
I hope the States are forced to tax themselves once more so that they may meet their obligations without constant calls on the Commonwealth. If, however, the Uniform Tax laws are valid then politically we should seek ways and means of forcing the States to accept their responsibilities. A few years ago when Mr. Menzies offered the States their taxing power, not one State accepted. Since then, Victoria has realised she must regain her taxing powers if the State Government is to retain its true status and responsibility. Other States should follow her example.

If Uniform Tax remains, more and more duties will devolve upon the Commonwealth and the States will eventually cease to be important organs of government. This must not happen.

4/4/57.