comply. On Lenore Walker’s own evidence not all battered women experience the cycle of violence, nor the learned helplessness which are features of BWS. There is the risk that women who do not conform to the prescribed pattern will be judged harshly for failing two tests of reasonableness—the allegedly neutral male standard of existing legal doctrine and the BWS standard. This has occurred in some jurisdictions in the US, where women have been deemed to be ineligible to use BWS in support of their defence because they do not conform precisely to the criteria of the syndrome. In such cases a construct—the battered woman syndrome—which may have value in describing the experiences and behaviour of some battered women, has been interpreted in such a way as to prescribe what can be considered to be reasonable responses by battered women.

The use of BWS evidence is likely to leave fundamental problems in legal doctrine and legal practice unchallenged. The account offered of the actions of a woman who kills a violent partner will continue to be re-interpreted by the courts and the media as a departure from conventional standards of reasonableness. It will also be viewed as consistent with cultural representations of women as victims or as psychologically dysfunctional. Finally, it is likely to contribute to a distorted representation of women and woman battering—one which highlights individual psychology and fails to emphasise the social, structural and political dimensions of the problem. This is to the detriment of all women.

JULIE STUBBS and JULIA TOLMIE teach in law at the University of Sydney.

**Countback!**

Lights! Camera! Action! The curtains parted and the Great Dirty Tricks Campaign commenced. In a remarkable coalition of forces, the Treasury, the ABS, the Teachers’ Union and, for all we know, the Queensland supermarket that filled Dr Hewson’s ‘representative as far as it went’ basket with Harpic and dog food, conspired with Prime Minister Keating to derogate the notion that everyone will benefit immediately by adoption of the Fightback! package. Except that ‘smokers are losers’. Well, possibly they are in more ways than one.

The lights have now gone out and the journalists have moved to the next media event, but Australians are still left with the stark reality of the Treasury analysis. In March, three months after the release of the Fightback! package, Treasury finally concluded its distribution analysis of the winners and losers.

According to Treasury, far from providing net benefits to all groups in the community, the Opposition package would lead to over 70% of full-time wage and salary earner households and 60% of self-employed and farm households becoming worse off. The major beneficiaries would be the top 10%. For the average Australian worker on $25,000 a year, struggling to hold on to a job, with dependent spouse and kids to support, the choice is between a gain of $39.25 a week according to Fightback! and a loss of $7.50 a week according to Treasury: a difference of $46.75 a week or nearly $2,500 a year.

As claim and counter-claim fly, who should we believe? Well, let’s ignore the rhetoric and resort to logic of argument. First, Treasury adopts most of the underlying assumptions of the Opposition model and in fact assumes the package will have even less effect on prices than did the Opposition. That’s why the Treasury analysis suggests a greater benefit for the average sole parent under Fightback! than even the authors of the document.

But having conceded, and even enhanced, the price effect of the GST, Treasury then point out two major drawbacks. Fightback! ignores the costs to households of expenditure cuts and health policy changes; and it underestimates the compensation required to compensate households fully for the GST price effect and tax bracket creep.

Treasury has a valid point in respect of the so-called ‘nasties’. In fact it is a point that Fightback! itself acknowledges, or rather explicitly fails to incorporate. In a footnote to the relevant table of Fightback! the Opposition claims that the Net Benefits takes into account a whole range of factors but no mention is made of the net $6.5 billion expenditure cuts, increases in other taxes, or the medicare levy surcharge.

Treasury in its analysis has incorporated: the introduction of the proposed family income test for the dependent spouse rebate; lowering the income test threshold for family allowance; tightening of the income and assets tests; removing AUSTUDY where present eligibility is less than $30 a week; and introducing a Medicare levy surcharge for higher income groups.

However, Treasury has not calculated other directly redistributive expenditure cuts totalling $600m. These include raising the pension age for women to 65, a three-week extension of the waiting period for Job Search Allowance, or possible increases in...
The bracket creep question is less clear-cut. Treasury argues that the proposed income tax cuts do not compensate fully for the price impact of the GST over and above the underling rate of inflation so that real after-tax disposable income is maintained. Fightback! has calculated its $2.9 billion bracket creep on earnings growth of 3.5%. To the extent that the underlying inflation rate is greater than this the then announced tax cuts are inadequate to compensate both for the underlying inflation and the GST-induced price effect.

This debate is really about the level of real wages under Fightback! If inflation is greater than earnings growth, real incomes will decline, as will real disposable incomes. The question is whether the appropriate adjustment mechanism should be an increase in wages or prices? Treasury’s argument is that tax cuts are useless if the spending power of wages before tax is to be reduced to a greater degree.

This question goes to the heart of the Fightback! package. It’s up to Dr Hewson to indicate explicitly the basis of his mechanisms to calculate bracket creep and to return it, and that means giving some indication of the likely underlying inflation and wages growth rate as a consequence of the package.

On more certain ground, the Opposition could rightly argue that Treasury has not incorporated the impact of changes to superannuation and capital gains tax and the $1.4 billion wealth compensation package.

They also have a point in criticising the lack of consideration of the efficiency gains stemming from the distributional effects of Fightback! In fact, it is precisely this sort of behavioural shift that is at the heart of Fightback! In turn, these efficiency aspects will have further distributional consequences, and so on. It’s like dropping a pebble into a still lake.

The problem is that the Fightback and the Treasury ‘models’ are not economic models at all, but are more like accountancy automatons. Insert some assumptions and policies and, depending on how the mechanism is constructed, the appropriate result will appear. The danger is that the underlying parameters are often hidden and these are critical in determining the outcomes. Treasury has, in fact, been remarkably kind to the Fightback! model in not exposing its workings and critical assumptions by assuming the same underlying parameters. Hence, for example, its GST induced price effects are virtually the same.

Again, while accepting evasion and avoidance of the income tax system, both models appear to assume absolutely no evasion and avoidance of the GST. In 1985, Treasury assumed a yield impact of 5% on evasion of the then proposed 12.5% consumption tax. In international terms this was very low. Admittedly, a broad-based consumption tax is more amenable to evasion than the VAT-like goods and services tax. However, the extension into the previously untaxed services area raises the spectre of evasion, particularly when there is very little tax already paid on few intermediate goods to be recouped.

Just 1% evasion would cut revenue yield by $272m and certainly affect the capacity to provide compensation. If evasion reached 10% then this would wipe out almost entirely the return benefits of bracket creep.

Finally, both ‘models’ appear to assume that all of the cost reductions from the elimination of wholesale sales tax and fuel excise and half the payroll tax reductions will be passed on in lower prices. In view of the sheer number of transactions involved, Sir William Cole and his ‘tax-busters’ team are going to be very busy people indeed, ensuring that every shop-keeper passes on every tax reduction. If they don’t succeed, then the optimistic price impacts of both ‘models’ used for determining compensation spell despair for the recipients.

We don’t need a model to calculate the impact. If none of the cuts are passed on, overall prices will rise by about 12% (given that some goods and services are exempt or zero-rated); if all are passed on the overall price impact is about 4% as calculated by both models. Therefore, if only half are passed on the price impact is about 8% and those people, particularly pensioners, getting a 5% increase for compensation will suddenly find it buys 3% less. The point is that the accepted net outcome of both models is very sensitive to the parameter assumptions made.

Treasury has accepted without question the most favourable assumptions for the Fightback! package. Prime Minister Keating might like to ask them why—because they have certainly bent over backwards to ensure maximum benefits for Fightback! The unfortunate consequence is that the proper modelling of distributional consequences and effects may well get a bad name from such exercises.

Dr Hewson is to be congratulated in being the first opposition leader to have the courage and vision to attempt such an exercise rather than hide behind rhetoric and untested promises. He has at least forced the government to produce its vision in One Nation. The Australian people now have a clear set of alternative policies to judge.

The tragedy is that the ‘modelling’ differences are essentially technical ones which can be verified by reference to other Australian data and overseas experience. They are essentially questions of fact.

Australians are being forced to make a choice solely on the basis of who they believe. This is a gamble involving thousands of dollars for the average family. The very bare minimum that Australians should be able to expect from their politicians is the truth, to the extent it is known, about the impact of prospective economic policies.

PHIL RASKALL co-ordinates the Social and Economic Inequalities Project at the University of New South Wales.