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Please write 1000 words on the difference in the political economy of the introduction in Australia of the GST compared to emissions trading.

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The Political Economy of GST and Emissions Trading in Australia Comparative Analysis of Two Landmark Policy Introductions Introduction Australia’s political economy has been shaped by several transformative policy changes over the past few decades. Two of the most significant reforms were the introduction of the Goods and Services Tax (GST) in 2000 and the various attempts to implement emissions trading schemes aimed at addressing climate change. Both policies fundamentally altered economic and social landscapes, but their political economies—how political forces, economic interests, and institutional dynamics interacted—differed markedly. This essay examines the key differences in the political economy surrounding the GST’s introduction compared to those of emissions trading, focusing on stakeholder interests, public debates, party politics, institutional frameworks, and ultimate policy outcomes. Background: GST and Emissions Trading The GST is a broad-based consumption tax, introduced by the Howard Government, replacing several inefficient state and federal taxes. Its purpose was to simplify Australia’s tax system, increase revenue, and promote economic efficiency. In contrast, emissions trading schemes, including the proposed Carbon Pollution Reduction Scheme (CPRS) and later iterations, aimed to use market mechanisms to reduce greenhouse gas emissions, aligning Australia with global climate action. Political Economy of GST Introduction The introduction of the GST was a classic case of economic reform driven by a combination of political leadership, institutional negotiation, and public persuasion. Prime Minister John Howard and Treasurer Peter Costello campaigned on the GST platform during the 1998 federal election, making it a central electoral issue. The GST’s political economy was shaped by several factors: Stakeholder Interests: Business groups largely supported the GST, seeing it as a way to streamline taxation and reduce compliance costs. State governments were also incentivised, as the GST revenue was earmarked for them, replacing state-based taxes. However, some consumer groups and unions worried about regressive impacts, fearing the GST would disproportionately affect lower-income Australians. Party Politics: The Liberal-National coalition championed the GST, while the Labor Party vociferously opposed it, arguing it would increase the cost of living and hurt the vulnerable. The Democrats, holding the balance of power in the Senate, negotiated amendments to mitigate regressive effects, notably exempting basic food from the GST. Institutional Dynamics: The Federal-State relationship was crucial, as GST revenue was distributed to states. The negotiation process with the Australian Democrats in the Senate ensured the policy’s passage, demonstrating the importance of parliamentary institutions in shaping outcomes. Public Debate: The GST was subject to intense public scrutiny. The government invested heavily in public information campaigns, framing the GST as essential for economic modernisation. Opposition parties and unions countered with campaigns highlighting potential negative impacts. Policy Outcome: After extensive negotiation and public debate, the GST was legislated and implemented in July 2000. The reform is widely considered successful in terms of implementation, although debates about its social impacts continue. Political Economy of Emissions Trading Emissions trading, or carbon trading, had a far more turbulent political journey in Australia. The Rudd Government’s CPRS and subsequent attempts under Gillard and Abbott governments saw repeated proposals, amendments, and repeals. The political economy here was shaped by distinctive dynamics: Stakeholder Interests: The fossil fuel industry and energy companies were major opponents, fearing increased costs and loss of competitiveness. Environmental groups and many scientists strongly supported emissions trading as a step toward climate action. Business associations were divided, some supporting market solutions, others fearing economic disruption. Party Politics: The Labor Party, particularly under Kevin Rudd and Julia Gillard, championed emissions trading. The Liberal-National coalition, especially under Tony Abbott, opposed it, labelling it a “carbon tax” and warning of

economic harm. The Greens supported stronger action but often found proposed schemes too weak. Institutional Dynamics: The policy's passage depended heavily on Senate negotiations, with shifting alliances and party positions. Unlike the GST, emissions trading was not a central electoral mandate and faced significant crossbench opposition. The failure to secure enduring parliamentary support led to repeated policy reversals. Public Debate: Climate change debates were polarising. Media coverage amplified controversies, with misinformation and ideological disputes. Public opinion fluctuated, influenced by economic conditions and global climate trends. Policy Outcome: The CPRS was defeated in the Senate in 2009. The Gillard Government introduced a fixed-price carbon scheme in 2012, which was repealed by the Abbott Government in 2014. The lack of policy stability undermined business confidence and Australia's international reputation. Comparative Analysis: Key Differences The political economy of the GST's introduction differed fundamentally from that of emissions trading in several key respects: Consensus and Coalition-Building: The GST succeeded because Howard's government built a coalition of support across business, states, and minor parties, and made concessions to secure Senate passage. In contrast, emissions trading failed to build a durable coalition, facing entrenched opposition from key economic sectors and fragmented political support. Electoral Mandate: The GST was introduced as a clear electoral promise; Howard went to the polls in 1998 explicitly seeking a mandate. This gave the policy legitimacy and a basis for negotiation. Emissions trading, however, was not consistently presented as a central electoral issue, and shifting party positions undermined its legitimacy. Stakeholder Alignment: Economic stakeholders were more aligned on the GST, with broad business support and state government buy-in. Emissions trading saw deep divisions, with powerful fossil fuel interests mobilising against it, environmental groups pushing for stronger action, and business groups split. Institutional Stability: The GST benefited from a relatively stable institutional environment, with Senate negotiations leading to compromise. Emissions trading suffered from shifting alliances, party leadership changes, and crossbench volatility, resulting in policy instability. Public Discourse and Framing: The GST debate was largely economic, focusing on efficiency and fairness. Emissions trading became deeply ideological, tied to broader debates about climate science, globalisation, and national identity. Media framing contributed to polarisation, with misinformation and scare campaigns playing a significant role. Policy Outcomes: The GST was implemented and has endured, albeit with ongoing debates about its regressive effects. Emissions trading failed to achieve stable policy implementation, with schemes introduced and repealed, leaving Australia without a comprehensive carbon pricing mechanism. Lessons and Implications The contrasting political economies of the GST and emissions trading illustrate the importance of coalition-building, stakeholder alignment, electoral mandates, and institutional stability in major policy reforms. The GST's success was underpinned by effective negotiation, compromise, and a clear mandate. In contrast, emissions trading was hampered by fragmented support, powerful opposition, and unstable political institutions. For future policy reforms in Australia—whether in climate, tax, or other domains—the lessons are clear: broad stakeholder engagement, clear electoral mandates, and stable institutional processes are essential for enduring change. The experience with emissions trading also highlights the risks of ideological polarisation and the importance of credible information and public debate. Conclusion The introduction of the GST and the attempts to implement emissions trading represent two pivotal moments in Australia's political economy. Their divergent outcomes reflect differences in political leadership, stakeholder interests, party politics, and institutional frameworks. While the GST stands as a model of successful economic reform, emissions trading remains a cautionary tale of policy failure. Understanding these differences is crucial for navigating the complexities of future reforms in Australia's dynamic political economy.