Further cuts to hospitals, schools, childcare

'Surplus' Budget in Australia deepens social assault

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Despite warning signs of the severe implications of the deepening economic crisis in Japan and East Asia, the Howard government in Australia has handed down a 1998 Budget that predicts 3 percent growth and a $2.7 billion government surplus.

The transparent purpose of Tuesday night's Budget is to clear the way for an election to be called as early as possible, before the economy deteriorates under the impact of the Asian meltdown. Within the next month, the forecast surplus will be used to underwrite a highly deceptive taxation package. Cuts to taxes for high and middle income earners and companies will accompany the introduction of a regressive consumption tax, or Goods and Services Tax (GST).

This agenda was summed up in the headline of *yesterday's Australian Financial Review*: 'Back on track ... for a GST'. It hailed Treasurer Peter Costello for announcing the first Budget surplus since the 1990-91 recession. Before Costello delivered the Budget in national parliament, Prime Minister Howard told government MPs to be ready for a snap poll, perhaps as soon as July.

Both Howard and Costello have presented the hoped-for $2.7 billion surplus as a return to solvency -- 'putting Australia back in the black'. They use the analogy of a household getting out of debt. This analogy is fatuous. The surplus represents a massive transfer of wealth to the corporate sector at the expense of the jobs, living standards and social services of millions of people.

In the first place, it has been achieved through $7 billion worth of cuts to health care, education, aged care, childcare, labour programs over the past two years. These cuts have deepened in the latest Budget:

• Spending on childcare subsidies was slashed by a further $300 million over the next three years, reflecting the withdrawal of thousands of children from day care and before-and-after school centres by parents no longer able to afford the fees, because of earlier reductions in fee relief.

• Public hospitals were denied any extra funding, despite being flooded with extra patients because of soaring private health insurance premiums and an ageing population. As a result, 1.43 million patients will be unfunded over the next five years, causing waiting lists to grow, according to state health ministers.

• A new impost of $9,000 was imposed on immigrant families seeking to bring their parents or other relatives to Australia to live. In addition, $50 visa charges were imposed on visitors from poor or war-torn countries regarded as high risk in terms of people illegally over-staying their visas. Immigrants from New Zealand will be denied social security and medical benefits for their first two years.

• The number of public service workers will be reduced by another 9,000 in 1998-99, accounting for a large part of the $2.4 billion decrease in public sector costs. This brings the total job losses since 1996 to 77,000 -- a reduction of more than 20 percent. Many of this year's job cuts will come from the abolition of the Commonwealth Employment Service and other reductions in services to the jobless and those on welfare.

As a result of ongoing cuts to training and other labour market programs, as well as public and private sector downsizing, the government anticipates that the official unemployment rate will remain around 8 percent, or nearly 800,000 workers.

On the other side of the ledger, business and the rich will reap a profit bonanza from a series of measures.

• The transfer of funding from government to private schools will accelerate, with federal grants to private institutions rising by 6.4 percent in 1998-99, to $2.2 billion.

• Companies stand to gain an undisclosed amount, in excess of $1 billion over four years, through generous tax concessions to fix Year 2000 'millennium bug' computer problems and to upgrade or buy new software systems.

These handouts, however, will be dwarfed by the boost that the wealthy will receive from the government's planned consumption tax. By its very nature, a GST will shift the tax burden further onto those on lower incomes because they have to spend the highest proportion of their earnings on living expenses. Already a number of reports have shown that those on incomes over $100,000 a year pay the lowest average rates of income tax, but the consumption tax will be more direct in its regressive impact.

The Labor Party leaders have criticised the government for producing its surplus at the expense of those who can least afford the cuts to social services. Behind the scenes, however, Labor's deputy leader and shadow treasurer Gareth Evans has recently assured several business forums that a Labor government would not reverse any of the Howard government's cuts since 1996. His message was repeated by one of his lieutenants, former Australian Democrats leader Cheryl Kernot, in a speech to welfare groups on the eve of the Budget.

Markets sceptical

Regardless of whether Labor or the Liberals win the coming election, the onslaught on the social position of the working class will intensify. It is highly likely that the Budget estimates will be swamped by developments in the world economy.

Global financial markets reacted negatively to the Budget, sending the Australian dollar down to a 12-year low of less than 63 cents to the US dollar. The bankers and financiers were said to be concerned by the size of the planned current account trade deficit -- $31 billion or 5.25 percent of Gross Domestic Product -- and the government's dismissive attitude toward the Asian crisis.

The exchange rate last plumbed such depths in 1986, when falling export commodity prices led the then Labor Party Treasurer Paul Keating to declare that Australia was headed for 'banana republic' status if government spending was not slashed. Keating used that crisis to cut billions from social services, finally producing a budget surplus in 1988-89.

At that time, Keating claimed he was 'bringing home the bacon,' in much the same way that Costello is now boasting of getting the country 'back on track'. Within 18 months of Keating's statement, a recession hit world capitalism, shattering his claims and sending the official jobless rate to 11 percent.

A decade later, the prognosis is even worse. Costello unwittingly underscored that fact by declaring that Australia would have the highest growth rate in Asia this year -- hardly a reason for confidence. Over the past decade, the Asian region has accounted for half the growth in the world economy. Now the financial meltdown underway since last July is starting to spread via debt-riddled banking systems to basic industry in key countries such as Japan, South Korea and Indonesia.

Moreover, this economic crisis was not predicted by any capitalist economist or government. Australian capitalism, which relies heavily on mineral and agricultural exports to Japan and the rest of East Asia, is particularly vulnerable to this shockwave -- hence the alarm over the current account deficit.

In its editorial on the Budget, the *Australian Financial Review* gave the government a list of instructions on behalf of big business. It declared that the government had to deliver 'policy measures that should have been implemented years ago'. At the top of the list were 'a tax system that rewards enterprise and thrift; an efficient waterfront which doesn't burden the country's exporters; a much more flexible labour market; and more market-oriented education and health systems.'

Translated from business jargon, this means further cutting corporate and high income taxes at the expense of working people, removing all restrictions to creating a casualised low-wage workforce, and gutting desperately needed social programs such as education and health care.