

Australian budget advances “free market” agenda

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The Howard government's budget, brought down by Treasurer Peter Costello on Tuesday night, is another step in the “restructuring” of Australian society according to the nostrums of the “free market” such as “user pays”, “deregulation” and “privatisation”. The two key planks of the budget will further erode the provision of free, universal health care and university education.

Under the changes to the health system, Medicare—foreshadowed several weeks ago—doctors will be able to charge their patients more than the so-called scheduled fee (the amount refunded to them by the government). The difference will be paid directly by patients as an upfront “co-payment”. This provision will see the eventual elimination of so-called “bulk billing” under which patients pay no fee, simply presenting their Medicare cards.

The same philosophy—the scrapping of universalism and its replacement with the principle of “user pays”—forms the basis of the sweeping changes to university education announced in the budget “shake-up.”

Under the new provisions, universities will be free to set their fees up to 30 percent above the level determined by the Higher Education Contribution Scheme (HECS). Currently, students repay a portion of their HECS fees through increased tax payments once they join the workforce.

While Costello claimed that with the increased “flexibility,” some universities might reduce their fees, the \$5 billion worth of cuts imposed by the Howard government since it came to office in 1996 virtually guarantees an increase. Like medical patients, students, besides paying fees through the tax system, will be required to provide an up-front “co-payment”. Those unable to afford it, will be forced to take out a loan.

According to National Union of Students President Daniel Kyriacou the new measures will create a “generation of debt.” “Student loans will be like a ball

and chain around the ankles of graduates, affecting their life choice for decades.”

One of the effects will be to cut the number of university students from middle and lower income families, for whom the additional payment will form an insurmountable obstacle on the increasingly difficult path to higher education.

In the long-term, however, the second budget initiative regarding university education may prove even more significant. From now on, universities will be allowed to provide 50 percent of their undergraduate places to students with lower entrance marks who pay the full fee up-front, compared to the present level of 25 percent. Funding will be available via a new scheme—the cynically named Higher Education Loan Program (HELP)—under which these students can take out a loan at an interest rate of 3.5 percent above the rate of inflation.

This will ensure that university entrance is further weighted towards students with wealthier parents. Moreover, the introduction of HELP will see the eventual scrapping of HECS, in which fees are funded by the government or through the tax system, and the introduction of interest-bearing loans for all students.

These health and education measures form part of a broader agenda. As *Sydney Morning Herald* political editor Geoff Kitney noted: “The changes announced in the budget are part of a blueprint for a remodelled Australia which has only become clear as the extra elements are added to it, budget by budget.”

Under the guise of greater “flexibility” and more “freedom of choice” the overall impact will be to increase social inequality by making quality health care and higher education dependent on wealth.

In the field of health care, a two-class system will become entrenched. Those who cannot afford to meet co-payments to their doctor will be increasingly forced into the public hospital system—adding to the strains under

which it already operates.

Likewise in education, a two or three-tier university system will develop in which the best staff and facilities are available only to the students of wealthier families. Universities that cannot attract a sufficiently high number of up-front fee paying students will downgrade the quality of their courses, or cut them altogether. Eventually, some may be forced to close.

A significant pointer to the direction of government policy was provided in the budget papers, which revealed that private schools are about to attract more government funding than universities. Non-government schools will receive \$4.37 billion in 2003-04—an increase of \$1 billion over the past three years—while universities will get just \$4.31 billion.

In line with the Howard government's participation in the US-led onslaught against Iraq and the so-called “war on terror,” Costello framed his budget speech with an emphasis on “security.” It was the government’s “first priority” since the country confronted “rising terrorism” and the need to deal with “weapons of mass destruction.”

Of course, despite devoting a quarter of his speech to these issues, Costello did not feel obliged to explain why more than a month after the taking of Baghdad not a single “weapon of mass destruction” had been discovered. Neither the Labor Party opposition nor the media were going to question him on this score.

The treasurer revealed that spending on the Iraq war amounted to almost \$750 million on top of the defence allocation in the last budget. As well, Australian armed forces remain in East Timor, a commitment that will cost around \$500 million. Overall, defence spending will increase by \$2.1 billion over the next five years, in addition to the 10-year increase of \$27 billion announced in last year’s budget.

Faced with widespread popular opposition to its moves on Medicare and university funding, the government decided to announce a surprise tax cut. The mass media duly obliged with supportive commentary. The *Sydney Morning Herald*, for example, led its budget coverage with the headline “A tax cut for every Australian.”

The actual increase in take-home pay for the average worker, however, will amount to just \$4 per week—the equivalent of a loaf of bread and a litre of milk. But the tax cut was never aimed at lifting living standards. Its purpose was to stymie the Labor Party, which had been calling for tax cuts in its pre-Budget attacks on the government.

Labor’s main criticism of the budget was that the tax

cuts were the smallest in history. And while it will denounce the government’s health and education measures—and even oppose them in the Senate—Labor has no disagreements with the “user pays” program underpinning them. After all, the Hawke and Keating Labor governments initiated it.

While editorial comment was generally favorable, significant sections of the ruling elite want a far more aggressive approach to “free market reform”.

Murdoch’s newspaper the *Australian* welcomed the “reforms” in health and education as “generally in line with the government’s worthy philosophy of encouraging a more self-reliant economic and social culture.” But there was much more to be done, in particular in the field of health spending which “deserves to be the centrepiece of a courageous budget in the future.”

Similar themes were taken up in the editorial of the *Australian Financial Review*. So far, it said, only “piecemeal reforms” had been introduced. The changes in doctor’s payments were to be welcomed but “no steps have been proposed to introduce market disciplines into the hospital sector.” Nor were there any plans to “rein in” the pharmaceutical benefit scheme while “measures to arrest growth in the \$71 billion social security budget are similarly absent.”

Nothing less is being demanded than the complete transformation of health, education and social welfare on the basis that these services, so necessary for modern life, are no longer a social responsibility. They must be thrown back onto the individual and his or her “capacity to pay.”

Such an agenda cannot be defeated by piecemeal opposition—much less on the basis of the policies of the Labor Party, which has no fundamental disagreement with the Howard government. What is required is the development of a program that begins to challenge the very foundation of the socio-economic order—the capitalist profit system itself.



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