

Australia: Finance Department “razor gang” commits to savage spending cuts

Patrick O'Connor
5 October 2010

A 109-page briefing document prepared for the Labor government’s new finance minister Penny Wong by the Department of Finance and Deregulation has recommended a series of deep spending cuts to health, aged care, public sector jobs and welfare, including aged and disability pensions. Consistent with the government’s response a fortnight earlier to similar advice issued by the treasury department, Wong has immediately committed to implementing the brutal austerity agenda outlined by her department.

The document, authored by finance department secretary David Tune, was presented to the government last month and publicly released last Friday, but with highly significant redactions. It began by emphasising “the need for fiscal consolidation to be the primary focus for the government in this term”.

The finance department explained that: “The government’s fiscal policy objectives will be difficult to achieve for a number of reasons.” These included the reliance of budget projections on continued economic growth—“there are downside risks to the global economy which have the potential to slow the projected growth in export prices and government revenues ... the persistent threat of a ‘double-dip’ global economic downturn strengthens the case for rapid fiscal consolidation to build a fiscal buffer in the event of a further negative economic shock”.

This frank assessment of the highly precarious position of the national economy stands in stark contrast to the long-standing media position that the global economic crisis had somehow bypassed Australia. None of the parliamentary parties—Labor, Liberal, or Green—discussed the real state of the world economy during the recent federal election campaign.

The finance department went on to advise Wong that “the budget faces a number of pressures, including on the [projected] surplus in 2012-13, which are not taken into account in current figuring”. This includes all overseas military operations now costing about \$1.7 billion annually. The *Age* explained: “On reasonable assumptions, continuation of Australia’s commitment to Afghanistan, Iraq, East Timor and

the Solomon Islands at current levels would cost \$2 billion a year by 2012-13. In theory, that would wipe out half of the \$3.8 billion surplus forecast for that year.” Moreover, spending on Australia’s neo-colonial commitments could escalate further in the likely event the Labor government deploys more troops or resources to Afghanistan.

The finance department noted that in addition to the short- and medium-term fiscal calculations, “longer-term budget pressures, particularly those associated with an ageing population, will necessarily require structural changes”.

These changes will involve the systematic and permanent lowering of the living standards of broad layers of the population. The document stated: “Areas for particular attention are health, aged care and retirement income policy ... a substantial program of structural and other savings will be required.” This will entail “a re-evaluation of who pays for health and aged care services and whether more of the burden should fall on those users who have the capacity to contribute more than at present”.

In other words, a comprehensive “user pays” system should be introduced, with the government abandoning any obligation to publicly fund the health and aged care needs of the population.

Particular attention was paid to the Pharmaceutical Benefits Scheme (PBS), which subsidises selected medicines and drug treatments. The scheme, the document noted, involves nearly \$10 billion in annual public spending—a figure that has increased at a nominal rate of 7.8 percent every year since 2003-04. The section of the document, “PBS—fiscal challenges”, was the most heavily redacted of all, except for those that covered military and national security spending. Seven of the section’s eleven paragraphs were entirely blacked out, evidently including those detailing the finance department’s proposed cutbacks to the PBS scheme.

Any curtailment of the subsidy program will involve winding back existing coverage of medicines and preventing new and

expensive drugs from being approved for listing on the PBS. The inevitable outcome will be to restrict the best available treatments to those wealthy enough to be able to afford their full market price, while the working class and poor will either go without or be plunged into enormous debt in the event of serious or protracted illness.

Among the other measures outlined by the finance department, the document recommended that more workers be forced to postpone their retirement by “tightening eligibility for the pension and increasing the superannuation preservation age to the age pension age [soon to be 67 years]”. It similarly advised that new measures be introduced limiting access to the Disability Support Pension, because “past changes to tighten eligibility for DSP have not worked”.

The document also raised the potential for public sector job cuts, stating that “government functions could be delivered by fewer bodies, eliminating areas of current duplication”.

Not a single one of the proposed cuts outlined in the finance department document was floated by the Labor Party in the course of the recent election campaign. The series of diversions and endlessly repeated sound bites that dominated the official campaign were consciously aimed at concealing from working people the agenda being worked out behind closed doors with key representatives of big business and finance capital. The series of deeply anti-democratic developments in Australian politics over the last four months—from the coup against Kevin Rudd to the election campaign and subsequent negotiation of a business-backed minority Labor government—were driven by a decision, within key sections of the ruling elite, to fashion a more right-wing government capable of implementing the kind of measures that are only now being publicly acknowledged.

The Gillard government has responded by boasting of its determination to implement the measures recommended by the treasury and finance departments. The *Sunday Age* interviewed Penny Wong about her policy briefing document and reported that the minister “has warned MPs and the public to brace for a tough era of austerity to push the budget back to surplus within two years, as promised”. Wong told the newspaper: “Bringing the budget back to surplus is not something we can negotiate on.”

Like Gillard, Wong is a long-standing Labor “left”, and as a university student was reportedly briefly associated with one of the petty bourgeois ex-left organisations. Now, after serving as climate minister during Labor’s first term in office, she has stepped in to assume responsibility for enforcing the diktats of global finance.

The media, led by the Murdoch press, seized on the finance

department document to maintain its pressure on the Labor government to deliver the austerity agenda.

The *Australian’s* economics editor Michael Stutchbury yesterday wrote on the issue under the headline, “Time is now to cut fat from welfare state”. He stated: “On the heels of Treasury’s Red Book, the release of this Finance advice can only be interpreted as a welcome bureaucratic push to get Australia’s economic reform agenda back on the rails in defiance of Canberra’s political breakdown... [Gillard] can only do this by cutting the fat out of Australia’s bloated welfare state.”

Treasurer and acting Prime Minister Wayne Swan said that the government would wait for the official Mid-Year Economic and Fiscal Outlook before considering the specific recommendations contained within the finance department document.

However, he pointedly ruled out one of the recommended cuts—to defence spending. The document suggested that the government’s pledge to maintain military spending growth at 3 percent annually for the next two decades could be reviewed in light of the “scale of the fiscal task ahead and the very large enhancements to defence and national security funding in the last decade”. But Swan was having none of it. “We’ve locked in a long-term funding profile for our defence forces,” he declared on ABC Radio. “I can rule out the sort of speculation that is floating around this morning. Our troops will get all the support that they need on the ground in Afghanistan.”

This statement underscores the class character and militarist agenda of the Labor government. Pensions, aged care, jobs, access to healthcare and prescribed medicines—all options for cutbacks in these areas remain on the table. But the armed forces and their criminal activities in Central Asia, the Middle East and South Pacific are sacrosanct.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact