Austrian government adopts austerity budget

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On 25 October the Austrian grand coalition of the social democratic SPÖ and the conservative Austrian People's Party (ÖVP) agreed to a rigid austerity budget which involves massive social cuts. At the same time, the government plans to raise taxes primarily for lower and middle income brackets.

The cuts are especially severe in the sphere of health care benefits. The budget envisages cuts for those already affected by previous spending programs, as well as reducing the benefits on offer. Many patients requiring care are to be re-evaluated, meaning cuts of up to €130 per month for many.

Accessibility to health care is to be made more difficult—a measure affecting an estimated 11,000 already dependent on such care. These latest cuts take place against a background of steadily deteriorating services. Existing health care insurance only covers on average 58 percent of total costs, and inflation has also steadily eaten away at health insurance coverage.

Austrian universities, which are already chronically under-financed, are also to be subjected to further cuts. The education budget for universities is to be cut by a total of over €28 million by 2014, and it is expected that many institutions will be forced either to amalgamate or close altogether. A further €9 million is to be cut from the budget for equipment and furnishings for universities, and a further €81 million slashed from building costs.

State assistance for low income families is to be cut by between 10 and 45 percent and total cuts to family welfare payments are aimed at saving €380 million by the year 2011.

The foreign ministry has been called upon to save around €72 million by the year 2014, and Development Aid (EZA) is to be slashed. The EZA budget is to be cut by €9.4 million next year, rising to a total of €33 million in savings by 2014. The already announced plans for savings have been severely criticised by the OECD.

Contributions for debt relief to underdeveloped countries are to be reduced to just €40 million by 2014. Last year, the Austrian government gave a total of €800 million for development aid, a figure which represents just 0.3 percent of GDP and is one of the lowest rates for a developed nation worldwide.

The government has also agreed to raise the price of gasoline by 6 cents per litre—a measure which once again mainly affects lower and middle income brackets. The measure is extremely unpopular and rejected by an overwhelming majority of the population, according to one opinion poll for the *Wiener Standard*. Of those polled, 57 percent reported that gasoline was already too expensive.

The same opinion poll reported that a majority of Austrians favoured a reintroduction of the tax on luxury items first introduced by the social democratic finance minister Hannes Androsch in the 1970s. The majority of those polled also favoured higher taxes for banks and profits arising from speculative investment.

Today the SPÖ utterly rejects such measures. The government's minimal tax for the country's banks and speculative investment are merely symbolic gestures and have actually been welcomed by representatives of the banks and finance community as entirely "acceptable". At the same time, the government has introduced legislation which makes life easier for the banks. To cite just one example: the tax on credit contracts has been dropped, saving financiers a total of €150 million.

The current budget is just the first step. The government has announced that further austerity measures will be introduced up to 2013.

The cuts have already provoked a broad wave of opposition from social welfare organisations, family associations, and above all, students. Two weeks ago thousands of students demonstrated in the cities of

Vienna, Graz and Salzburg. In Vienna, student organisations reported a turnout of 30,000, with 4,000 protesting in Graz, 1,500 in Salzburg and 1,000 in Linz.

The government has remained defiant despite all criticism. Finance Secretary Andreas Schieder (SPÖ) told the *Standard* newspaper, with evident satisfaction, that in the course of implementing its cuts, the government had “slaughtered some holy cows”, while chancellor Werner Faymann insisted that the government would not be swayed from its course by protests.

Criticism of the state budget by the Austrian Greens is utterly hypocritical. Although the party has publicly denounced the budget as “unjust”, the Greens are in the process of finalising a coalition with the SPÖ in Vienna. According to the Green Party fraction leader Maria Vassilakou, if everything goes according to plan, a social democratic-Green coalition will take over city hall in mid November.

Following huge losses by the social democrats in the local elections at the start of October and losses in the Austrian capital which have left the SPÖ dependent on a coalition partner in Vienna for the first time in nearly 20 years, the Greens have declared they are prepared to support the right-wing policies of the social democrats.

Under the mayor of Vienna, Michael Häupl, the social democrats have for the past decade led the way in implementing attacks on social, welfare and housing conditions. In coalition discussions, Häupl and the leadership of the SPÖ have made clear that they will support the central government’s budget consolidation policy. At the same time, the SPÖ has stressed that the issue of “integration” must be taken more seriously, a euphemism for further attacks upon immigrant workers.

With its policy of backing harsh austerity measures, plus its insistence that a firmer hand is necessary against immigrants, the SPÖ is driving voters into the clutches of the extreme right. In the absence of a party able to provide a progressive outlet for widespread social discontent, the extreme right Freedom Party (FPÖ) has been able to profit.

This is shown not only in the recent election in Vienna, where the FPÖ was able to clearly increase its share of the vote; according to a recent poll, if federal elections were to take place on Sunday, 24 percent of Austrians would vote for the Freedom Party. This is an increase of four percent compared to a previous poll carried out two months earlier. The social democrats would pick up just 30 percent of the vote (two months previously it was 33 percent) and the ÖVP 28 percent (33 percent in September).