

# Australian Labor budget sets up permanent cuts to social spending

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15 May 2013

The Australian Labor government's budget, brought down by Treasurer Wayne Swan on Tuesday night, sets in motion a series of permanent cuts to health, education and social welfare spending that will deepen after the scheduled September 14 federal election, whichever party comes to power.

The \$43 billion worth of spending cuts and tax increases over the next four years are directly aimed at working-class families and low-income earners.

The "baby bonus" payment of \$5,000 for the first child and \$3,000 for each subsequent child, which was introduced under the former Howard Liberal government in 2004, will be abolished. It will be replaced with a means-tested \$2,000 payment under the family tax benefits scheme for the first child and \$1,000 for each subsequent child. Together with other cuts in family payments, this will slash \$7 billion over the next five years.

Other measures include a \$2.3 billion cut in spending on universities, the scrapping of proposed increases in the family tax benefit and the elimination of a tax concession for annual medical expenditures greater than \$2,000.

Also being eliminated is the indexation of payments to doctors under the Medicare scheme, projected to save the government \$1.7 billion over four years. This will reduce the incentive for doctors to "bulk bill" their patients—a scheme under which doctors are paid directly by the government—and encourage them to charge their patients up-front fees.

The Labor government of Prime Minister Julia Gillard has claimed that the spending cuts are necessary to "make room" for the introduction of major changes to its school funding program, the so-called Gonski reforms, and the National Disability Insurance Scheme (NDIS). Both these measures have been hailed as "progressive" reforms. Nothing could be further from the truth.

The Gonski scheme is based on a free-market agenda that entrenches the flow of public funds to the wealthiest private schools and lays the foundations for the introduction of a voucher scheme that will further undermine the public education system.

The NDIS scheme is not a social welfare measure. It was drawn up on the basis of a report by the Productivity Commission, with the aim of pushing people receiving the

disability support pension back into the workforce on low wages. Almost no details of its operation have been released, but it envisages paying some 400,000 people—compared to the more than 800,000 currently receiving the disability support pension.

Gillard's low-wage agenda was underscored by her government's refusal to increase the base level of Newstart unemployment payments, which, at \$249 per week, lie well below the poverty line. A key decision in last year's budget was to force single parents, mainly women, who were receiving welfare payments under higher paying parenting schemes, onto Newstart, imposing an income cut of at least \$60 per week on one of the most vulnerable layers of society.

The government's only response to widespread calls for at least a \$50 per week increase in Newstart was to lift the amount recipients could earn before their payments were reduced, by a contemptuous \$19 per week.

In a letter to a Greens senator, federal employment minister Bill Shorten explained that lifting the Newstart payment would have "unintended and undesirable" consequences. It could induce some people already in employment to move on to Newstart, while those already receiving it might "no longer have an incentive to work."

In other words, even a small increase in the meagre Newstart allowance could cut off the supply of labour to ultra low-paying jobs.

While cutting social welfare and other benefits, the Gillard government is sparing no expense on its reactionary program of intercepting and detaining asylum seekers. The budget allocation for this notorious program in 2013–14 alone will be \$2.8 billion, with spending for the four years to 2015–16 amounting to more than \$8 billion.

Military spending is also being increased to finance Labor's militarist alignment with US imperialism's "pivot" against China in the Asia-Pacific region. The forward estimates over the next four years have lifted spending from \$103.2 billion to \$113.1 billion. The defence budget is projected to rise from around 1.6 percent of Gross Domestic Product to 2 percent over the next decade.

In his budget speech last year, Swan claimed that Australia was "one of the world's strongest economies" and that nothing

could “deny Australia this substantial achievement.” “The deficit years of the global recession are behind us. The surplus years are here,” he crowed.

In the 12 months since, these bogus claims have been shattered. In his speech last night, Swan reported that, with the fall in the monetary levels of gross domestic product—largely due to the rise in the value of the Australian dollar, itself a product of the deepening global financial and economic turbulence—tax revenues were \$17 billion below forecast levels. This marks the third largest revenue write off in Australia’s history, after the Great Depression and the 2008–2009 financial year, when the global financial crisis erupted.

Instead of the predicted surplus of \$1.5 billion, the projected budget deficit for 2012–13 was \$19.4 billion for 2012–13.

The government’s false projections for the 2012–13 budget are continued in those for 2013–14 and beyond. It has based its revenue estimates, for example, on the assumption that the terms of trade, measuring the ratio of export to import prices, which have dropped by 17 percent since the end of 2011, will fall by only 0.75 percent in 2013. This is despite the fact that the Chinese economy, upon which the Australian economy is increasingly dependent, is experiencing lower growth, and Europe has entered a virtually permanent recession.

According to the government’s own analysis, if the terms of trade were to fall by just another 4 percent, total tax receipts would drop by almost \$9 billion.

Another “heroic” assumption, to use the words of one commentator, is that gross domestic product, measured in money terms, will increase by 5 percent in each of the next four years. Last year the government predicted a 5.1 percent increase, but the actual rise turned out to be just 3.25 percent.

This year real growth, after taking account of inflation, is expected to be just 2.75 percent, with unemployment rising to 5.75 percent as a consequence.

In other words, under conditions of a deepening world slump, the government’s revenue estimates will once again fall short. The result will be the imposition of further spending cuts, either in the next budget, or, more likely, in a series of “emergency” measures taken by the next government in the immediate aftermath of the upcoming federal election.

The permanent character of Labor’s austerity program was underscored by treasurer Swan’s remarks in a pre-budget press conference. He referred to a speech delivered by Liberal shadow treasurer Joe Hockey earlier this month, where Hockey had repeated his insistence that the “age of entitlement” was over and that major inroads had to be made to public spending.

“We have made a choice and so does the opposition,” Swan said. “That choice for the coalition is between making motherhood statements about ending the age of entitlement and putting those empty words into action.”

Swan’s remarks point to the political objectives of the budget. It was aimed at convincing the ruling corporate and

financial elites that the Labor Party, rather than the fractured and divided Liberal-National coalition, remains the best instrument for imposing their demands for a sweeping restructuring of government spending.

Following the budget’s delivery, journalists peppered coalition ministers with questions about which cuts they would support and what measures a Liberal-National government would carry out to return the budget to surplus.

The establishment media’s focus on the budget deficit and constant demands for plans to be laid out for a return to surplus, are based on the fraudulent claims that “there is no money”, and that austerity measures have to be introduced in the interests of the “nation.”

This propaganda campaign is aimed at covering over the fundamental class interests that have shaped this budget and every other government decision—that the working class must pay for the crisis of the capitalist system, while the profits of the major corporation and banks remain untouched.

Last night’s budget provided a graphic illustration. The Mining Resources Rent Tax, which had been touted to raise as much as \$2 billion this year, and to “spread” the benefits of the mining boom to the “Australian people”, in fact netted just \$200 million, after being redesigned by Gillard in collaboration with the chief executives and accountants of the major mining corporations.

Moreover, the claim that there is “no money” is belied by the record profits, gouged by the four major banks out of the mortgages of home buyers—who are forced to pay among the world’s highest prices for their homes. Last year alone, the “Big Four” banks raked in record profits in excess of \$25 billion, more than enough to cover this year’s budget deficit.

While the budget cuts will intensify the deep hostility already felt in the working class towards the Labor government, the trade unions have embraced it with expressions of fulsome support. Media reports described ACTU president Ged Kearney as a rare “happy face” around parliament as the budget was being delivered.

“This is a good budget from a reformist government which balances jobs and growth and fairness and compassion, especially those with disabilities,” she declared. “There is much for workers and their families to be pleased about.”

On the contrary! The budget, and the austerity agenda on which it is based, underscores the necessity for the working class to develop an independent political struggle against the entire Labor and union apparatus for a workers’ government and the implementation of a socialist program, based on the interests of the vast majority, not a tiny wealthy elite.



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