

# Australian opposition leader adopts Labor's social spending cuts

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In his budget reply speech last night, Liberal Party opposition leader Tony Abbott embraced the deep structural cuts to welfare, health and education spending announced in the Labor government's budget. He also outlined further cuts and vowed to deepen the austerity program.

Abbott declared that a "budget emergency" required the adoption of Labor's \$43 billion cutbacks—directly aimed at working class families and people on low incomes—despite describing many of them as "objectionable." His invocation of the language of "emergency" is a warning of the even more vicious measures that will be unveiled after the scheduled September 14 election, regardless of which party forms government.

While, for electoral purposes, Abbott avoided spelling out the full details of the social welfare cuts that a Liberal-National coalition government would impose, he was anxious to meet the demand of the corporate and media establishment and demonstrate that he and his colleagues would be up to the task of ending what Treasurer Wayne Swan and Liberal shadow treasurer Joe Hockey have called "the age of entitlement" to social welfare.

"The coalition won't shirk the hard decisions needed to get the budget back into surplus," Abbott declared. This was not "mindless austerity", he claimed, but "simple prudence". He announced that an incoming Liberal government would not oppose any of Labor's measures, and would "reserve the option" to implement all of them, even if Prime Minister Julia Gillard does not enact the cuts before parliament shuts down for the election.

Labor's measures include abolishing the \$5,000 "baby bonus" and reducing other family payments (worth \$7 billion over five years), slashing Medicare

payments and "safety net" allowances (more than \$2 billion over four years), and cutting funding for universities and students (\$2.3 billion over four years). These cuts set in place permanent, structural reductions in social spending.

In addition, Abbott vowed to abolish supplementary payments to the unemployed, students and parents worth \$330 million a year, and defer an increase in the compulsory superannuation levy on employers. Previously, the Liberals had already committed themselves to cut the SchoolKids Bonus, saving \$1.2 billion a year, eliminate 12,000 public sector jobs, recouping \$1.75 billion a year, and reverse an increase in the humanitarian refugee intake, clawing back \$1.3 billion over four years.

Abbott said these measures would help fund Labor's proposed National Disability Insurance Scheme (NDIS), which the Liberals have also embraced. Far from being a "progressive" reform, the NDIS will outsource and privatise disability services, and push tens of thousands of disability support pensioners into the low-paid workforce.

The opposition leader refused to specify other cuts, but signalled a further offensive against the unemployed, designed to coerce them into low-wage work. "We will revitalise work for the dole because people who can work, should work, preferably for a wage but, if not, for the dole," he said. "Work for the dole," introduced by the previous Howard Liberal government, and retained by Labor, forces the unemployed to perform various services in return for below poverty-line benefit payments.

At the same time, Abbott pledged to deliver yet another cut in the company tax rate and further unspecified "tax reform". In media interviews, he refused to rule out increasing the 10 percent Goods and

Services Tax (GST), a regressive tax that transfers the tax load from corporate profit and income to working people's living expenses.

By the time that Abbott delivered his reply, it was already obvious that the budget delivered by the Labor government two nights earlier was based on misleadingly optimistic economic predictions, just as its previous budgets were. The budget papers themselves revealed a systemic deterioration in tax revenues since the global financial crisis began in 2008. Total taxes have recovered only a third of what they had lost after the crash, and corporate taxes are forecast to recover only half the post-2008 losses.

These shortfalls reflect the extent to which the financial and corporate elite have already shifted the burden of the worldwide breakdown onto the backs of working people. The impact will be even greater if, as numerous economists have warned, mining export prices continue to decline because of the global slump and downturn in China. Goldman Sachs yesterday estimated that a sharp fall in commodity prices and a continuing high value of the Australian dollar could strip another \$90 billion off tax revenues over the next three years.

Speaking in Beijing, high-profile economist Ross Garnaut declared that Australian policymakers needed to make an "immense adjustment" if the country were to avoid a deep recession brought on by the end of the China resources boom. He added that an "unprecedented" 22 years of economic expansion without recession in Australia had generated "unsustainably high expectations" of rising incomes and living standards.

Plans are already being laid out, through the pages of the financial press, for a "crisis" mini-budget to be implemented once the election is out of the way.

In today's *Australian Financial Review*, columnist Laura Tingle ridiculed Abbott's budget reply rhetoric of promising voters a return to the supposed "golden age of prosperity" under Howard, whose government benefited from the peak of the mining boom. She insisted that an Abbott government would "have to contemplate a particularly large, immediate spending cut, with a corresponding economic impact, if it decides on a mini-budget later this year and wants to actually make an impact."

Yesterday, a *Sydney Morning Herald* editorial laid

out a list of proposals for an Abbott government. It included "overhauling" disability pension rules to force more recipients into employment, cracking down on health care "overservicing" under Medicare, raising the pension age to compel people to work longer (Labor has already raised the age from 65 to 67), broadening and raising the GST, and abandoning Abbott's promised parental leave scheme.

Abbott's proposal to strike a 1.5 percent levy on large firms to fund parental leave, as well as his "direct action" climate change policy, remain unacceptable to big business. The corporate elite has been exerting mounting pressure on the opposition to demonstrate that it is prepared to implement historic cuts to social spending, regardless of popular opposition. In its editorial yesterday, the *Australian Financial Review* warned that it was "committed to pursuing" the "open question" as to whether Abbott, Hockey and their team were "up to it". Today's *Australian* editorial added that "Abbott must continue to flesh out his fiscal strategy."

Gillard and Swan's budget sought to convince the financial and corporate chiefs that the Labor Party remained the most reliable instrument for imposing their demands on the working class. In keeping with this pitch, Finance Minister Penny Wong last night welcomed Abbott's support for the government's budget savings, saying he had "recognised the rigour in the government's budget while railing against it." Her remarks highlight the bipartisan unity within the political establishment on carrying through an austerity offensive to match the kind of social reversals being inflicted on the working class across Europe and globally.



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