Australian treasurer warns of spending cuts, declining living standards

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In his first major speech in Australia since the Liberal-National coalition took office in September, Treasurer Joe Hockey warned last Friday that he is preparing major spending cuts in next May's budget, as part of the government's efforts to dismantle public healthcare, education, welfare and other basic services.

The speech followed Hockey's trip to the US last month, where he met with G20 finance ministers and central bank governors, International Monetary Fund and World Bank officials, and the major credit ratings agencies. Having received his orders from the most powerful representatives of global finance capital, Hockey is preparing sweeping austerity measures, modelled on the cuts to bedrock social programs implemented in recent years in the US and Europe.

Both in his public remarks in the US, and Friday's speech in Sydney, Hockey reprised the central themes of an address he gave last year declaring the end to the "age of entitlement." Hockey, then shadow treasurer, insisted that in every country, public funding of "a range of social programs, including education, health, housing, subsidised transport, social safety nets and retirement benefits" would have to be eliminated or radically reduced. Claiming that "very harsh political and social decisions" were required, he concluded that austerity measures were "likely to result in a lowering of the standard of living for whole societies as they learn to live within their means." (See "Opposition MP demands end to 'age of entitlement'")

Hockey has since made clear his determination to implement this class war agenda, involving a concerted assault on working people's wages, conditions and access to basic public services.

The treasurer chose to deliver Friday's speech before the Centre for Independent Studies (CIS), a corporate-funded "free market" think-tank. This was itself revealing—the CIS has been at the forefront of the media-business austerity campaign. Its "Target 30" campaign has agitated for spending cuts of about $60 billion every year for the next 10 years. This massive sum is equivalent to eliminating all pensions and family benefits, or ending all federal spending on hospitals, education and the military. Hockey praised "Target 30" in his speech, explaining that it "has the same ultimate goal of restraining government's share of the economy so that the private sector has room to grow—I commend CIS's work in that regard."

In his address, the treasurer declared that "fiscal sustainability" required "winding back some spending that people have come to take for granted." He continued: "A key part of our job will be starting a national conversation about how we can live within our means, and how we can afford to pay for the things we really need, now and in years to come."

This proposed "national conversation" is a fraud. There are more than sufficient resources to fund high quality and freely accessible services to all who need them, and guarantee a living wage to every member of society, but society's wealth is currently controlled by a tiny layer at the very top. Around the world, governments have responded to the capitalist breakdown that emerged with the 2008 financial crash by making the working class bear the full burden of the crisis. As a result, the ultra-wealthy have been able to accumulate unprecedented personal wealth, while working people are told "there is no money" to continue to fund pensions, healthcare, education and other government programs.

Hockey declared: "The fact is the United States, Europe and many other jurisdictions know that they can no longer afford their lifestyles, there's no more money to borrow to pay for their lifestyles, and that's a lesson we have to heed."

Blaming an ageing population for rising healthcare expenditure in Australia, the treasurer continued: "Unless we change our ways, the size of government will creep ever upwards as a share of GDP [gross domestic product]. We cannot afford to get to the level of social expenditure seen in European countries of around 25 percent of GDP … That is why we have committed to reining in spending, reducing the tax burden on business and taxpayers, and reducing the overall size of government."

Hockey plans to release a mid-year economic and fiscal outlook (MYEFO) in mid-December. It will reportedly reveal a near-$50 billion budget deficit, substantially higher than the $30 billion deficit forecast by the Treasury Department last August.

On top of the deficit caused by falling government revenues, including from the mining sector, the Liberal-National government has helped create a higher deficit by rescinding some tax measures of the former Labor government. This included a planned tax on annual superannuation earnings greater than $100,000. Reversing this tax points to the government's corporate and upper-middle class constituency. At the same time, the government is effectively hiking the tax rate on superannuation retirement funds of working class people earning less than $37,000 a year.

The government is also rapidly implementing its plan to destroy public service jobs, imposing a hiring freeze designed to eliminate at least 12,000 positions. Last week, it ordered 14,000 temporary public service workers to be terminated at the end of their contracts. Three-quarters of these workers earn $42,000 a year or less. The Commonwealth Scientific and Industrial Research Organisation (CSIRO) will be especially hard hit, with up to 1,400 scientists and researchers reportedly threatened with retrenchment.

These measures are just the first instalment. Prime Minister Tony Abbott's commission of audit, headed by Business Council of Australia president Tony Shepherd, will target entire government spending programs for elimination, ahead of the budget next May.

The austerity offensive forms one aspect of the government's pro-business economic restructuring agenda. In Friday's speech, Hockey spoke about "periods where living standards actually decline," warning that a massive increase in productivity growth was required. He stated that to maintain national income growth at its 30-year average, annual labour productivity growth would have to rise to more than 3 percent a year.

This is nearly double the average rate in recent years. Ratcheting it higher will mean even greater workplace speedups, layoffs and wage cuts. Already large sections of manufacturing are facing wholesale restructuring, with the future of the entire Australian vehicle industry and tens of thousands of jobs now in doubt. The understated official figures for unemployment and underemployment are already rising. A drive to double productivity will dramatically accelerate these processes and make further deep inroads into the social position of the working class.