

# Australian business chief demands wage cutting and budget slashing

Mike Head

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Speaking on the eve of this week's resumption of the Australian parliament, Maurice Newman, the head of the new Abbott government's Business Advisory Council, laid out the agenda demanded by the corporate and financial elite.

It consists of drastic wage cutting across the board, the gutting of social spending, including on schools and the disabled, the scrapping of so-called workplace "rigidities," radical de-regulation of business and the termination of car industry subsidies, effectively shutting it down at the cost of 150,000 jobs.

Newman's speech on Monday night received a standing ovation from the business leaders and bankers at the annual dinner of the Committee for Economic Development of Australia, a corporate thinktank. His remarks—littered with references to combating "laziness and complacency," disturbing many people's "comfort zone" and tackling the country's "high cost over-regulated economy"—echoed the themes of Treasurer Joe Hockey's speech last Friday, in which he reiterated calls for ending "the age of entitlement" and foreshadowed declining living standards. (See: "Australian treasurer warns of spending cuts, declining living standards")

The *Australian Financial Review* reported today that Newman's "fire and brimstone" address was prepared after close consultation with Prime Minister Tony Abbott. It said Newman had met with Abbott "at least weekly and sometimes more often than that," since the Liberal-National Coalition government was elected on September 7.

Newman, a major figure in the financial establishment, is clearly preparing the way for a deep and ongoing assault on the jobs, working conditions and social position of the working class. The former Deutsche Bank managing director, stock exchange

chairman and Australian Broadcasting Corporation chairman (retained by the previous Labor government until last year) warned of a decline in national income, resulting from the end of the mining boom, so severe it will feel "like hitting a brick wall."

After two decades of growth, Australia's gross national income (GNI) was likely to fall by 1 percent over the next decade, driven by a "still uncertain global economic environment." Newman provided a grim picture of the continuing breakdown in the world capitalist economy since 2008, including recession across Europe and climbing debt in the US. Fed by the Federal Reserve's monetary policy, "the stockmarket has detached itself from economic reality, leaving it exposed to a major correction," he warned. "Next time round, there may be no China to save us."

Falling mining export prices had already seen Australia's terms of trade fall by 15 percent since the 140-year peak in 2011, cutting GNI by \$32 billion, and were projected to fall by a further 20 percent by 2025.

Wages would have to be reduced, and longstanding working conditions reversed, if Australian capitalism was to compete with other developed economies, let alone the cheap labour markets of Asia. Newman essentially declared the need to halve pay levels, saying the minimum wage was far higher than in the UK, US, Canada Europe and New Zealand.

"When we're \$US33,500 and the US itself is only \$15,080, you can see there's an enormous disparity," he stated. "[W]e cannot hide from the fact that Australian wage rates are very high by international standards, and our system is dogged by rigidities. We have long since breached our salary cap, not just by the standards of our low cost regional neighbours, but also our peers."

Newman lamented that Abbott's Coalition, before the

last election, “had limited its options by promising to spare health, education, defence and pensions from the budget axe.” With hindsight, this may have been “hasty.” He backed Abbott’s stance, for now, only because otherwise the “political process” would remain discredited in the eyes of the public.

“But, balancing the urgency for reform against keeping the people’s trust, all the while risking another external shock, is a fine political judgment,” Newman said. In other words, means must be found to drop the election pledges, despite the mounting discontent and political disaffection already produced by growing unemployment and deteriorating social conditions.

Nor could Australia any longer afford “corporate welfare” in the form of support to the car industry and food processors. “Giving taxpayer subsidies to ailing companies has proved to be like giving aspirin to the terminally ill,” Newman insisted. “It temporarily relieves the pain but does nothing to combat the underlying disease of being uncompetitive.”

In order to boost profits, he called for sweeping economic deregulation, particularly in environmental standards, and a watering down of laws against corporate collusion and other “anti-competitive” conduct.

Unless the economy was restructured, the international financial markets and credit ratings agencies would intervene. “As Standard & Poor’s reminded us last April, without demonstrable progress with debt reduction our triple-A credit rating is at risk.” The “lazy and complacent mindset” and “fuzzy feelings” of many people had to go. “Defiant rejection along the lines that ‘we won’t compete with low-wage countries,’ don’t stack up any more.”

The Abbott government’s commission of audit, headed by Business Council of Australia president Tony Shepherd, which will target entire government spending programs for elimination in next May’s budget, is only the first item in this class war agenda.

Newman denounced the previous Labor government for “reckless spending, economic waste, class warfare, particularly aimed at business, and the mindless destruction of Australia’s international competitiveness.” The truth is that the Rudd and Gillard governments, after bailing out Australian capitalism with stimulus packages in 2008-09, waged war against the working class to impose the burden of

the global crisis, slashing billions from social spending, backing mass retrenchments by one major corporation after another, and doing everything else they could to satisfy the requirements of the corporate elite.

The worsening impact of the worldwide breakdown, compounded by the unravelling of the mining boom, however, means that this offensive must be stepped up. This is an essentially bipartisan agenda, underscored by the silence of the Labor and Greens opposition on Newman’s speech.

Today, on the first day of parliamentary business, Labor and Greens sent a signal to the markets of their commitment to budget slashing by opposing the government’s legislation to raise its debt ceiling from \$300 billion to \$500 billion in one hit. Labor leader Bill Shorten and Greens leader Christine Milne used identical language in denouncing “an increase in the nation’s credit card” beyond \$400 billion without a further explanation from the government.

Throughout the entire corporate and political establishment there is fundamental agreement that working people, already facing an avalanche of retrenchments, welfare cuts and social devastation, must be stripped of the most basic, hard-won conditions in order to match the kind of low-wage exploitation and social spending cuts being imposed on workers elsewhere around the world.



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