Australian officials, economists warn of declining living standards

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Senior Treasury department official David Gruen last week warned that incomes in Australia were set to stagnate for at least the next decade. The statement is among the more optimistic of a series of negative assessments recently issued by a number of leading economists, forecasting permanently high unemployment and plunging living standards for working people while advocating sweeping austerity measures.

Addressing the Australian Business Economists' annual conference last Thursday, Gruen predicted annual per capita income growth of just 0.9 percent, lower than any of the past five decades. Describing the shift as a "significant transition," he said average growth in the next period would be "significantly slower than at any time you've seen in your lifetime."

"[Even] if we achieve productivity that is similar to its long-run average, the next decade will see the slowest income growth in Australia in half a century, by a lot. It will halve," he warned.

A day earlier, Gruen spoke before a Senate estimates committee in Canberra and explained the impact of the worsening global economic crisis on the Australian economy. Using the guarded language typical of Treasury officials, he said "global growth prospects remain subdued" and "emerging markets have slowed … there are a range of risks, including the possibility of further fiscal battles in the US early next year and a possible re-escalation of the crisis in Europe." Within Australia, he continued, "investment in the resources sector is now expected to slow more rapidly than previously expected" and "the transition to non-mining sources of growth also appears to be occurring at a slower pace than previously expected."

Gruen concluded that to maintain recent levels of average income growth, labour productivity would have to increase by an annual average of 3.2 percent—a level never before seen, and around twice the current rate. Any increase in productivity will be at the expense of jobs, wages and working conditions.

Behind the dry economic statistics and forecasts lie advanced preparations within ruling circles for an unprecedented assault on the working class. The Liberal-National coalition government of Prime Minister Tony Abbott has been installed in office by big business and finance capital in order to build on the regressive economic restructuring and budget cutting measures implemented by the Rudd-Gillard Labor governments, and make working people bear the full burden of the ongoing breakdown of the global capitalist system.

Like their counterparts in the US and Europe, the Australian ruling class has concluded that the only way to protect the personal fortunes of the ultra-wealthy, and the profits of the largest corporations, is to cut wages, dismantle workplace protections, and eliminate virtually all government spending on basic services, including healthcare, education, welfare and pensions.

Prominent economist Ross Garnaut, an adviser to several former Labor governments, is among the most forthright advocates of this bipartisan agenda. He has published a new book, *Dog Days: Australia After the Boom*, which argues that in the best-case scenario "we will endure a period of moderate falls in living standards." This is in the event that the Abbott government ruthlessly proceeds with slashing costs for business, including cutting wages. "Minimum wages of unskilled workers, high by international standards in the 1990s, are further out of line with other countries now," Garnaut declared. "At the exchange rates of early 2013 they were twice what minimum wages are in the United States and one and a half times those of

European countries with similar systems."

The economist assesses that under the most likely future scenario, "we can look forward to economic instability, inflation, stagnation and high unemployment … large falls in living standards, social tension and growing dissatisfaction with our institutions."

Garnaut's reference to social tensions, popular hostility and anger toward the government and the entire parliamentary setup reflects the acute awareness of the financial oligarchy that its agenda has no support among ordinary people. This problem is frequently mentioned in the slew of reports, now being published on a near-daily basis by think-tanks, economists and corporate lobby groups, urging government austerity measures.

Yesterday, the Grattan Institute issued another report, "Balancing Budgets: Tough choices we need," which included entire sections on "Preparing people for pain" and "Packaging reform." Explaining that its proposed budget cuts included "sacred cows" and that "even to raise them may sound crazy-brave," the corporate- and government-funded thinktank insisted that governments had to "make tough choices," none of which would be "politically easy."

The report's proposals included: extending the regressive goods and services tax (GST) to cover food, health, and education; raising workers' retirement age as a means of slashing spending on the aged pension; and reducing annual spending by $23 billion though cuts to areas such as "health services, pharmaceuticals, school class sizes, higher education subsidies, [and] transport infrastructure."

The ruling class has identified, as a major problem, "excessive" healthcare spending on people who are allegedly living for too long.

The Productivity Commission, an official body connected with the Treasury Department, issued a report last Friday, "An Ageing Australia: Preparing for the Future." It urged that the retirement age be lifted to 70, building on the former Labor government's hike in the pension age from 65 to 67, which was the first increase since the pension was introduced in 1909. Australia's ageing population, the Productivity Commission claimed, could be responsible for average income growth in the next 50 years falling to less than half the recent rate. Forcing the elderly to work until they were 70, the report concluded, would slash spending on the pension by $150 billion over coming decades.

This reactionary recommendation was widely hailed in corporate and media circles. *Australian Financial Review* economics editor Alan Mitchell declared that a retirement age of 70 "will happen: it's only a question of when."

In *Business Spectator* today, Alan Kohler noted that when the retirement pension was first enacted, the eligibility age for men was set one year higher than average life expectancy, whereas life expectancy is now 16 years longer than the pension age. "The great achievements of modern medicine have ruined the budget," Kohler declared. "Balancing the books was so much easier when life was 'solitary, poor, nasty, brutish and short', to quote Thomas Hobbes."

Like their counterparts around the world, the corporate and financial elites are declaring that "there is no money" for the further provision of basic social services for working people, while unprecedented wealth is being accumulated at the apex of society. The accelerating divide between the ultra-wealthy and everyone else is setting the stage for violent social convulsions.