

# Australian budget update foreshadows sharp austerity cuts

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Australia's Liberal-National government used yesterday's release of the Mid-Year Economic and Fiscal Outlook (MYEFO) to foreshadow sharp austerity measures against the working class in its first budget next May.

Revised budget figures outlined by Treasurer Joe Hockey in the MYEFO reflected a rapidly worsening economic situation. The deficit forecast for this financial year is now \$47.6 billion, substantially higher than both the \$18 billion deficit anticipated when the former Labor government delivered its last budget in May and the \$30 billion figure issued by the Treasury Department just before the September 7 federal election. Hockey declared that the current budget trajectory would see deficits recorded for the next decade, with debt rising to \$667 billion.

The worsening deficits are mostly due to lower growth and deteriorating government revenues, reflecting the end of the mining investment boom and lower than expected income tax receipts because of rising unemployment and stagnating wages received by working people. According to the government figures, real gross domestic product growth will fall to 2.5 percent next year. The official unemployment rate will rise from 5.8 percent to a 10-year-high of 6.25 percent within 18 months, and remain at that level for the following four years.

These figures, which themselves mask the real extent of joblessness, are a significant underestimation of what is emerging. Hockey admitted that the "transition" from economic growth driven by the mining and energy industries to other sectors was "unlikely to be seamless." Treasury documents warned of higher than forecast unemployment if "the pace of rebalancing [to non-mining sectors] disappoints further."

Behind all the Treasury data is an escalating economic and social crisis. The China-driven mining commodities boom provided Australian capitalism with a limited buffer from the full impact of the 2008 financial crash and subsequent slump, but the world economic breakdown is now making itself directly felt. The economic restructuring drive carried out on behalf of finance capital and the ultra-wealthy, first by the former Labor government and now its Liberal-National successor, has triggered an avalanche of mass layoffs. Up to 200,000 jobs are threatened by the unfolding shutdown of the Australian car industry, the entire manufacturing sector is mired in crisis, nearly 80,000 construction jobs are forecast to be destroyed in the next period as the mining investment boom comes to an abrupt halt, and state and federal governments are eliminating tens of thousands of public sector jobs.

The austerity measures being prepared by Prime Minister Tony Abbott's government will further undermine working people's living standards.

Hockey yesterday reprised the central theme of his 2012 "end of the age of entitlement" speech, which declared that governments could no longer provide welfare or basic services, including publicly funded healthcare and education. "Taxpayers can no longer afford old government spending priorities," he declared as he unveiled MYEFO. "Australians will now have to adjust their expectations of what government can sustainably provide, otherwise our nation's prosperity and our people's quality of life will be at risk."

This statement is, on the face of it, self-contradictory—according to the treasurer, people have to adjust to government cutbacks that worsen their quality of life, because unless this is done, their quality of life will be at risk. The meaning, however, is clear in light of the class issues behind Hockey's statement.

“Working class people,” the treasurer might have said if he were being honest, “will have to adjust to the elimination of basic government services and programs upon which they depend, otherwise both the profits of the banks and major corporations and the fortunes of the ultra-wealthy elite will be at risk.”

Hockey declared there were “no free lunches” from the government, and complained that “much of the projected growth in [government] spending is from social programs—including welfare, education and health.” He added that “difficult choices” would be made on such programs: “Returning the budget to sustainable surpluses will not be achieved by piecemeal savings here and there. It will require a sustained and fundamental structural overhaul of expenditure... All options are on the table.”

While the treasurer issued warnings of European-style austerity, the government still insists it will keep its pre-election promise of maintaining aggregate spending on health and education.

This pledge has not prevented it from already implementing a series of regressive measures in both areas—yesterday’s release of MYEFO was itself accompanied by a \$150 million cut to public hospitals and facilities in working-class areas of western Sydney. The government is nevertheless under pressure from the financial elite and its media mouthpieces to go much further and rule out any restrictions in how far it will cut into basic services depended upon by millions of ordinary people.

Australian Chamber of Industry and Commerce chief executive Peter Anderson declared there were no “pain-free solutions” available to the Abbott government.

The *Australian Financial Review*’s editorial today warned that a failure to implement sweeping cuts in next year’s budget “would be a disastrous mistake ... given [credit] rating agencies have indicated the nation’s AAA rating could be in play.” It added: “Piecemeal cuts here and there won’t right this ship. Much of the projected growth in spending is from social programs—health, education and welfare—and that is where the government will have to turn its sights... The government’s expenditure review committee is looking for savings with one arm tied behind its collective back, given the government’s undertakings not to take away spending from health or education and to increase defence spending. All options have to truly

be on the table.”

Murdoch’s *Australian* denounced Hockey for failing to announce major cutbacks yesterday, declaring the treasurer’s call for people to “adjust” to the elimination of government programs as “just talk therapy ... actions speak louder than words.”

The Abbott government is conscious that it won the September election based on a populist campaign against the former Labor government’s economic record, including the escalating cost of living affecting working people. The Liberal-National coalition kept secret its real agenda of implementing even sharper austerity and economic restructuring measures. As it proceeds, the highly unstable Abbott government will quickly confront determined opposition from within the working class.



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