Australian government's audit commission foreshadows deep spending cuts

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16 January 2014

Appearing before a Senate committee yesterday, the Abbott government's audit commission declared that deep spending cuts were needed to prepare for another "almost inevitable" global economic shock.

Commission chairman Tony Shepherd refused to rule out cutting welfare payments, imposing punitive "co-payment" charges to see doctors under the Medicare health scheme, privatisating Australia Post and other public assets, and raising the rate of the regressive Goods and Services Tax (GST).

"Everything is on the table," Shepherd said, "that is our instruction." He spoke of eradicating the "legacy of unsustainable largesse."

Shepherd's remarks reflect a further deterioration of the Australian economy under the impact of the worsening global economic crisis. They are a further warning of the austerity plans being secretly drawn up by the Liberal-National government of Prime Minister Tony Abbott to make the working class pay for the ongoing post-2008 breakdown.

The government is clearly nervous about the public reaction to the cuts being prepared, but confronts insistent demands from big business to proceed. Acting Prime Minister Warren Truss said the government would have to make "some unpopular decisions" that would further undermine the government's public support, which has fallen sharply since last September's election.

Reflecting the government's concerns, Treasurer Joe Hockey announced that the Commission of Audit's initial report, due at the end of this month, and its final report, due at the end of March, would be kept secret before the May budget, in which the government will unveil its program.

During its campaign in last September's election, the Coalition pledged to insulate key areas of social spending, such as health and welfare, from any cutbacks and denied that the GST would be increased. The hand-picked audit commission, appointed by the government last November, is clearly drafting measures that will junk these promises in a bid to eliminate the looming budget deficit of nearly $50 billion and produce a budget surplus by 2023–24.

Since September, the economy and the budget bottom line have been hit by a new wave of job cuts throughout manufacturing, spearheaded by the decisions of Ford and General Motors to end production in Australia. The mining and construction industries have been severely affected by the end of the previous mining investment boom, which depended heavily on continued high growth in China.

The government's November financial statement, released last week, showed another $6 billion fall in tax revenues. There was a $2.5 billion drop in anticipated pay-as-you-go (PAYG) taxes on wages—an indication of the widespread job destruction and driving down of pay levels.

Reporting the figures last weekend, the *Australian Financial Review* said they "show a shift in the budget pain from the slowing mining industry across the economy." The PAYG tax fall is adding to the haemorrhaging of government revenue due to lower corporate and mining tax receipts.

Shepherd's remark that "everything is on the table" does not extend to higher taxes on the ultra-rich. He rejected suggestions that new revenue-raising measures were needed, saying higher taxes would add new burdens to the economy. Thus Shepherd, who heads the Business Council of Australia (BCA)—representing the largest corporations operating in the local economy—made it clear that the corporate elite will continue to dictate the terms: the working class must be

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made to bear the "budget pain" of boosting profits.

No one at the hearing suggested reversing the huge tax concessions handed to big business and the wealthiest layers of society by successive Labor and Coalition governments over the past three decades. Since the 1980s, the company tax rate has been lowered from 49 to 30 percent, and the top income tax rate from 60 to 40 percent, reducing revenues by far more than enough to cover the budget deficit (see: " Three decades of tax breaks for the wealthy in Australia ").

Yesterday's Senate hearing, convened by a Labor-Greens-sponsored inquiry into the audit commission, was a political charade. Predictably, it produced no details of the government's plans. That was not its purpose. Rather, it was designed by Labor and the Greens to feign opposition to the budget-slashing and to position themselves as a safety valve for anger over the policies.

Newly-installed Labor Senator Sam Dastyari told the hearing: "The commission of audit risks becoming nothing more than a Trojan horse to deliver the Business Council of Australia's policy agenda."

What a fraud. For six years the previous Labor government, under both Kevin Rudd and Julia Gillard, did everything it could to deliver the demands of the financial and corporate establishment. In its final year in office, Labor reduced public spending by the greatest amount on recent record. As head of the BCA, Shepherd had a key role in Labor's Business Advisory Forum, which helped drive its program of economic "restructuring" and "deregulation," generating an avalanche of job and wage cuts.

Labor's record included drawing up plans to shed 14,500 federal public sector jobs over the next several years. It was revealed in yesterday's hearing that the depth of this job shedding, which only became fully known weeks after the September election, caused the Abbott government to write to the audit commission last November 21, asking its advice on how and where to impose its own plan to eliminate another 12,000 positions.

The Greens also bear full responsibility for all the pro-business measures enforced by the Labor government, in which they served as de facto coalition partners.

Greens acting leader Richard Di Natale, who is chairing the Senate inquiry, criticised the government's decision to keep secret the audit commission's reports. "There's got to be some transparency, some faith in the process, and we've got to be sure this is not just a smokescreen for brutal cuts," he declared.

Di Natale is echoing the anxiety voiced within the business elite that the government is not moving fast enough to slash spending and making a mistake by not disclosing more of the audit commission's deliberations, in order to condition public opinion to the "pain" required.

Today's *Australian Financial Review* editorial declared: "Rather than keep the audit's interim report secret, Mr Hockey should promptly release it to remind Australians of the size of the budget mess… The government will have to grasp the nettle at some stage. It needs to cut through the daily news cycle, prepare voters for what is coming and welcome serious national debate."

While both Labor and the Greens now claim to be opposing "slash and burn" cuts, Di Natale's plea for "some faith in the process" reveals their true concern: the need for a political mechanism to contain the inevitable opposition among ordinary working people to a further deep assault on living standards. The Greens and Labor are making clear that their services are available.

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