Australian prime minister outlines budget attacks on welfare and health

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Australian Prime Minister Tony Abbott used an address to the right-wing Sydney Institute last night to foreshadow a series of measures targeting working-class and lower-income families in the Liberal-National government's first budget, to be brought down on May 13.

The speech was delivered as part of an ongoing propaganda campaign, led by Treasurer Joe Hockey and backed by major corporate think tanks and financial institutions, alleging that worsening fiscal conditions mean Australia must stop living "beyond its means" and that the "age of entitlement," based on the provision of social services, has to end.

When governments, of whatever political colouration, organise attacks on the economic wellbeing of working people, the claim is always advanced that the changes are for the good of the "country."

Abbott's speech was no exception. "This will not be a budget for the rich or poor; it will be a budget for the country," he said.

An examination of the measures so far canvassed makes clear they are targeted at those on the lowest incomes.

While Abbott ruled out, for the next three years, an increase in the pension eligibility age from 67 to 70, and said changes to the age-pension indexation system would not be made immediately, he made clear these restrictions did not apply to other pensions and entitlements.

At present, age pensions, like disability pensions and carers' payments, are indexed against whichever is the highest—male average weekly earnings or inflation. The government is now considering tying pension increases to the lowest of these indices. Disability pensions and assistance to carers could be hit by these changes from as early as the start of the new financial year on July 1.

"There are other social security benefits where indexation arrangements and eligibility thresholds should be targeted now, so that our social safety net is to be preserved for everybody's future," Abbott said.

The government is also considering major changes to Family Tax Benefits. Couples who jointly earn up to $120,000 receive a Part A benefit, while for single income families to receive an extra Part B benefit the upper limit is $150,000. Abbott indicated that the A and B divisions of the system could be rolled into one, with a means test cap set at $100,000.

Abbott acknowledged that a family with a joint income of $100,000, especially one paying off a capital city mortgage, is not well off.

In Sydney, the median house price is now $660,000, requiring mortgage repayments, even at the current historically low interest rates, of around $4,000 per month. In other words, a family receiving $100,000 would have to spend almost half its income just on housing.

The other major target of the budget plans is the health system. The government intends to introduce a $6 co-payment for visits to a GP or a public hospital. These are presently often free of charge under the "bulk billing" procedures embodied in the Medicare national health system.

Abbott said his pledge before last September's federal election not to cut health-care spending did not rule out "making health spending more efficient."

The planned measures—which will impact most heavily on the poorest sections of society, for whom $6 can be a significant amount—are not aimed at increased "efficiency." Rather, this is the first step in what will be an ongoing onslaught on the national health system. The ultimate goal is to transform Medicare from a system of universal coverage into an under-resourced service for those on the lowest incomes.

In pushing for the co-payment, Abbott followed the same line of attack the government has used in relation to the aged pension—that those in receipt of benefits are somehow living at the expense of others.

There had to be more “price signals” in the health system, he said, because “free services to patients are certainly not free to taxpayers.” This is a completely specious argument because the Medicare system is financed by a tax levy that people pay all their working lives.

The reactionary ideology driving the changes is the individualist principle of “user payers” in which decent health care is available only to the wealthy, while the rest of the population must make do with an ever-more flimsy “social safety net.”

Abbott tried to cover over the class character of his government’s austerity measures by issuing an assurance “that everyone will be involved, including high income earners such as members of Parliament.”

This claim is false to the core.

As a general rule, the higher up the income scale one goes, the greater the level of tax avoidance. As the late Professor Russell Mathews, who conducted a tax inquiry in 1977, once commented, the chief problem was not getting the wealthy to pay more tax, but getting them to pay any tax at all.

Mechanisms for tax avoidance include the differences between the highest rates of personal and corporate tax, as well as capital gains concessions and “negative gearing,” which allows interest payments on housing investments to be written off against tax.

In the more recent period, there have been tax concessions on payments into superannuation funds. The highest income earners can put tens, or even hundreds, of thousands of dollars into their superannuation funds and have them taxed at just 15 percent, compared to the top marginal rate of 45 percent.

According to Treasury data, the cost of tax concessions for self-funded retirement is $35 billion a year and rising. About 30 percent of that sum goes to the top 5 percent of income recipients, while the bottom 20 percent gets nothing.

The Abbott government, following the practice of the Gillard and Rudd Labor governments before it, will make no changes in this area.

The government is also reportedly considering a “budget deficit levy” on workers receiving more than $80,000 a year. This proposal may be dropped after corporate interests voiced strong opposition, citing concerns over its impact on spending and profit levels. Business lobby groups are instead pushing for an expansion of the goods and services tax, which hits disproportionately at lower income earners.

In his speech, Abbott claimed that while there would be complaints, “the budget pain will be temporary” and “economic improvement” permanent.

In fact, the Treasury Department has forecast the weakest period of growth for the past 50 years. Nominal gross domestic product, the value of goods and services in money terms, is expected to grow by only 3.4 percent in 2014–15, barely more than half its 20-year average of 6.3 percent.

The growth rate’s contraction is the outcome of the ongoing economic breakdown that began with the financial crisis of 2008. This has seen the onset of near deflationary conditions in much of the world, leading to falls in the prices for commodity exports, with a consequent heavy impact on government revenues.