

Australian budget targets workers and youth

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14 May 2014

The Abbott Coalition government's first budget is a vicious attack on the working class—targeting young people, the unemployed, the chronically ill, the disabled and young families in the interests of the rapacious drive by the financial and corporate elites for the accumulation of ever greater wealth.

As Treasurer Joe Hockey made clear in his speech last night, the budget is only the “first word” in what will be an ongoing and deepening offensive, with “much work” still to be done to bring the budget back into surplus.

Building on cuts in the final budget of the previous Labor government, which initiated the most significant reversal of real government outlays in four decades, the 2014–15 budget is not a “one-off” measure.

It is part of a ruthless strategy to cut government spending and thereby open the way for major cuts in high-income and corporate tax rates, as finance capital strives to meet what Hockey described as “the emerging competition in Asia.”

This is what is meant by ending the “age of entitlement,” which formed the framework for the budget. It is a program aimed at nothing less than imposing ever-widening social inequality by dismantling the entire system of social welfare and government spending established since World War II.

Over the next four years, almost \$30 billion is to be cut from government spending, of which \$25.8 billion will come from health and social services. The rest will be cut from education, assistance schemes for small and medium-sized businesses and foreign aid.

Throughout his speech, Hockey repeated ad nauseam that the budget measures were in the “national interest,” to which “we all must contribute.” The class and social reality that this bilge water was intended to drown is illustrated by one glaring statistic.

It has been estimated that the budget would cut the income of a 24-year-old unemployed person by \$2,500 a year, whereas someone receiving \$250,000 a year would pay increased taxes of just \$1,400 under the government's 2 percent tax levy on income over \$180,000.

Moreover, the tax hike, introduced in an attempt to cover the fact that the budget measures are targeted at the poorest layers of society, is temporary, lasting only three years, while the welfare cuts are permanent and their impact will increase over the next decade.

In addition, the government revenue raised by the levy will

not even compensate for the lowering of the corporate tax rate from 30 to 28.5 percent.

Hockey insisted that in ending the “age of entitlement,” the government was not replacing it with an age of austerity, but of “opportunity.” Young people should “move into employment before they embark on a life on welfare.”

However, Treasury projections, on which the budget is based, show that the official jobless rate will rise to 6.25 percent in 2014–15 and remain there for the next year. As numerous surveys and other data make clear, this official rate masks the real situation, in which unemployment is running at around twice this rate.

The “opportunities” in the budget are not for young people but for corporate and finance capital.

A Medical Research Future Fund will provide vast “opportunities” for venture financial capital to make a killing through the establishment of start-up companies providing new drugs and treatments. The fund is to be partly financed by introducing a co-payment of \$7 for a visit to a GP and for the provision of X-ray and other diagnostic medical services, and an extra \$5 for pharmaceutical prescriptions, which will hit hardest those who can least afford it.

An infrastructure program, based largely on road construction, and financed partly out of previous allocations made by the Labor government and revenue from re-indexing the fuel levy, will bring great profit “opportunities” for construction companies as investment in mining drops sharply.

Under conditions where major corporate and financial institutions are demanding reductions in wages, the attacks on the unemployed and the disabled will provide widening “opportunities” for companies to enhance their bottom line.

The changes to unemployment benefit provisions, however, involve much more than the development of a mechanism for cheap labour. They are a foretaste of what ending the “age of entitlement” signifies in all areas of social policy.

Under the government's measures, people under the age of 30 will have to wait six months before they can apply for unemployment benefits, and then undertake “work for the dole.” In other words, unemployed young people are to be returned to Depression-like conditions.

Such socially-retrogressive measures are being matched in other areas. While it was not mentioned in Hockey's speech, the budget papers reveal that the federal government intends to

slash funding to the states for schools and hospitals by \$80 billion over the next decade.

With resources in this area already stretched to the limit because of previous cuts, the states will be forced to close schools and hospitals, as well as seek to raise revenue through increased taxation.

The government's clear intention is that, faced with a cut-off of federal funds, the states would call for the widening and deepening of the Goods and Services Tax, which is the basis of state funding. Hockey brushed aside media questions about this, saying merely that the federal government ran no schools or hospitals and that it was a question for the states.

Amid the wide-ranging cuts in other areas, military spending received a significant boost of \$2.3 billion, representing an 8.1 percent increase and taking it to the equivalent of 1.8 percent of gross domestic product. The rise is in line with the government's commitment to lift military spending to 2 percent of GDP within a decade.

The increase in military spending follows criticism both from within Australia and from the United States that marginal cuts in outlays under the Labor government's last budget were out of step with Australian participation in the Obama administration's anti-China "pivot" to Asia.

The budget received a largely positive response from sections of the corporate media that have been the forefront of the campaign for sweeping cuts. The *Australian Financial Review* described the budget as a "purposeful and modest start" but said the government's game plan did not get the budget into the black quickly enough.

The *Australian*, the mouthpiece of Rupert Murdoch, took a similar position. It praised Hockey for holding to his "age of entitlement" rhetoric, but said his actions in the budget did not "strictly match the efficiency of his words."

The central theme of the Labor Party's criticism of the budget was that Abbott had broken his election promises. Labor leader Bill Shorten claimed the party would oppose the Medicare co-payment scheme as a fundamental attack on the universal health care system but has yet to indicate its attitude on other issues.

Significantly, opposition treasury spokesman Chris Bowen initially opposed the tax levy on high income earners on the basis that the government should be bringing down top marginal tax rates, not increasing them.

As the reactionary content of the budget becomes clearer to wider sections of the working class and youth, and anger and opposition grows, the various pseudo-left organisations will be on hand to try to channel it behind the Labor Party.

Their efforts will be centrally directed to covering over the fact that the measures undertaken in this budget build on and continue those begun under Labor prime ministers Rudd and Gillard. For example, of the 16,500 job cuts announced in the public service, some 14,000 will be the result of an "efficiency dividend" imposed by the previous government.

The changes in higher education, allowing universities to set their own fees, creating the conditions for a "two-tier" system, flow directly from the "competitive market" mechanism put in place under Gillard's "education revolution."

The attack on the poorest and most vulnerable sections of society was started when the Gillard government slashed payments for single mothers in 2013.

The decision to lift the age of pension eligibility to 70—the highest in the world—was set in motion by the former Labor government, which upped the pension age from 65 to 67.

Significant as they are, the measures announced in the budget are based on optimistic assumptions about the direction of the Australian and world economy. The Treasury projections assume that growth will remain positive for the next decade. Such an outcome would mean that the Australian economy would have experienced 34 years without a recession.

This rosy scenario is contradicted by a series of economic developments, above all in China, upon which the Australian economy is highly reliant. There are growing concerns about the state of the Chinese financial system and warnings of major problems in steel and other basic industries.

The iron ore price, upon which the profits of mining companies and Australian government tax revenue depend, has dropped by as much as 14 percent in recent months, with the prospect of further falls to come.

When the global financial crisis struck in 2008, the response of the Rudd government, with the support of the financial elites, was to initiate a stimulus package to shore up the position of the banks and corporations. But with the turn to austerity by international finance capital in 2009, the Labor government initiated a program of cuts on the basis that the budget had to be brought back into surplus. Now this austerity drive is being intensified. As this budget makes clear, the response of the ruling elites to any future economic shock will be to demand ever deeper inroads into the living standards of the working class and youth.



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