

Australian treasurer defends austerity budget as “fair”

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One month after handing down his May 13 budget, Australian Treasurer Joe Hockey has been forced, by widespread and rising public anger, to mount a defence of the Coalition government’s plan—not just for the immediate, sweeping austerity measures contained in the current budget, but for the complete dismantling of the welfare state over the next few years.

The budget has come as a shock to broad layers of working people, who regard policies such as lifting the pension age to 70, a co-payment to see a doctor and stripping the dole from unemployed youth, as callous and unjust impositions on the most vulnerable layers of the population. The sense of outrage has been further fuelled by the fact that the well-off and the super-rich will be virtually untouched and, moreover, can look forward in the future to further tax cuts. The issue of social inequality has come rapidly to the fore.

For the financial and corporate elite, a government back-down on the budget would be intolerable. The temporary cushion provided by the mining export boom to China and Asia has evaporated, leaving Australian capitalism vulnerable as the global crisis continues to deepen. As far as the ruling class is concerned, Hockey and the government have botched the job of selling the budget measures. Editorial after editorial in the establishment press has insisted that government ministers take action to reverse the tide of public opinion and push the budget through the upper house—the implication being their jobs depend on it.

With that in mind, Hockey delivered a speech entitled “A budget of opportunity” last Wednesday to the right-wing think tank, the Sydney Institute. It was a desperate attempt to defend the indefensible, marked by evasions, lies and fiddled statistics. But its essential content was the naked defence of an economic system that benefits a tiny layer of the super-rich at the direct expense of the vast majority of society.

Hockey started by turning reality on its head. He dismissed comments about inequality in Australia as “largely misguided,” citing figures purporting to show a rise in average household income over the past two decades. With

staggering arrogance, he declared that, far from the “rich getting richer... everyone is getting richer as a result of economic development.”

This sleight of hand ignored the fact the inequality is measured not by average income, but by examining the gap between rich and poor, which has greatly widened. Real income for the bottom 90 percent of the population rose by 34 percent between 1980 and 2010 while the top 1 percent experienced income growth of around 178 percent. The further down the income scale, the smaller the rise. As one study explained, cumulatively, there has been a \$403 billion transfer during the course of the three decades from the bottom 99 percent to the top 1 percent.

These figures also make a mockery of Hockey’s central theme that while the government could not ensure “equality of outcomes,” its budget did provide “equality of opportunity.” He referred specifically to tertiary education. The reality is that the budget will further erode what is already a two-class education system by slashing federal funding to the states and deregulating university fees—putting access to university, especially the elite universities, beyond the reach of many young people.

Moreover, to claim that working-class youth in rundown public schools have “equality of opportunity” with the sons and daughters of the wealthy elites, who attend exclusive private schools, is absurd. Even if they manage to obtain a university place, many students are compelled to work to make ends meet, study in institutions that are being stripped of staff and resources—a process that will be accentuated by fee deregulation—and are left with massive debts that the budget aims to gouge back at higher interest rates.

The thrust of Hockey’s budget was not “equality of opportunity” but the capitalist law of the jungle. At the Sydney Institute, he again referred to his 2012 speech on ending the “age of entitlement”—that is, dismantling the post-war welfare state and severely restricting or ending access to essential social services such as public education, health care and welfare. The goal is to drive the disabled, the elderly, single parents, the unemployed to search for jobs under

conditions of rising unemployment, thus vastly increasing the pool of cheap labour to be used to batter down wages and conditions.

Hockey's budget hits hardest those least able to bear the burden. Estimates by the National Centre for Social and Economic Modelling (NATSEM) demonstrate that families in the bottom 20 percent of the population will suffer an average 5 percent cut in disposable income compared to those at the top end, who will experience a 0.3 percent drop. A single mother of two teenage boys is expected to lose 10 percent of her income. Unemployed people under the age of 30 will have no income at all for six months, before being able to access poverty-level benefits.

In his Sydney Institute speech, Hockey sought to drive a wedge into the working class by pitting "the average taxpayer" or the "lifters" against the "leaners"—a slur against all those who rely on pensions and welfare payments to survive. "The average working Australian, be they a cleaner, a plumber or a teacher, is working over one month full time each year just to pay for the welfare of another Australian," he declared.

The truth is that the budget also hits middle-income earners—the cleaners, plumbers and teachers. NATSEM estimated, for instance, that single-income families with two children, earning between \$50,000 and \$100,000, could lose more than \$6,000 a year as a result of its measures.

More fundamentally, the basic premise of Hockey's speech is that governments have no responsibility to ensure social equity. Echoing former British Prime Minister Margaret Thatcher's infamous phrase—there is "no such thing as society"—Hockey declares that "individuals have to accept personal responsibility for their lives and their destiny."

Modern society, however, is not simply a collection of individuals, but an interconnected social organism based on a complex division of labour. Under capitalism, however, every aspect of social and economic life is subordinated to the market and the private profit requirements of the corporate and financial elites. The limited post-war reforms that constituted the welfare state were not simply granted by the state; they were the by-product of the struggles of the working class. Now, amid the deepening global crisis, finance capital is demanding the removal of what it now regards as an intolerable imposition on profit. And all those who cannot contribute to creating that profit—aged pensioners, the disabled, the unemployed, the sick—are simply regarded as surplus to requirements, to be consigned to destitution on the social scrapheap.

In his Sydney Institute speech, Hockey declared that welfare spending was "unsustainable." But this raises the question: for whom? Amid intensifying international rivalry,

the corporate elites are demanding drastic reductions in corporate and top income tax rates in order to compete with financial centres in Asia and the rest of the world. As Hockey emphasised, the richest corporations regard the tax system as "unfair" because it leaves them "vulnerable to increasing global competition with significantly lower rates in the United Kingdom (21 percent), Singapore (17 percent) and Hong Kong (16.5 percent)."

Hockey does not speak for the "average Australian" but for the affluent and privileged few. His notion of "fairness" coincides with theirs. He complains that the tax system, where the top 10 percent pay nearly two thirds of all income tax, the top 2 percent contributes one third and just 1 percent of companies pay 62 percent of all company tax, is already unfair. As far as the super-rich are concerned, they should have no obligation whatsoever to contribute to those down the income scale. They have a "right" to the profits and wealth that are, in the final analysis, produced by the working class.

There was an element of truth in Hockey's declaration that governments have never been able to achieve "equality in outcomes." "Only in a closed economy, based on old-style socialism, can a government hope to deliver uniform equality of outcomes," he stated. What Hockey meant by "old-style socialism"—and by that he was referring to the post war capitalist welfare states and the former Stalinist regimes in the Soviet Union and Eastern Europe—had nothing do with genuine socialism. The previous reforms won by the working class were based on nationally-regulated economies that, over the past three and a half decades, have been shattered by the globalisation of production. That is why Hockey's socially-regressive agenda parallels that of every capitalist government around the world, whether conservative, Labor or ex-Stalinist.

Hockey's speech is testimony to the impossibility of the working class achieving the most basic social right to a job and a decent standard of living as long as the private profit system remains. The fight for fairness and social equality requires the struggle for socialism—for the establishment of a workers' government that will nationalise the banks and major corporations and place them under the democratic control of the working class, to provide a decent, fulfilling and productive life for all, not just a small, privileged, minority.



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