

Australian budget: A fraudulent bid for political survival

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The Abbott government's second annual budget, handed down last night, is a desperate attempt to rescue the government from a deep political crisis, while continuing its overall offensive on welfare and working-class living conditions.

"Get out and have a go!" exhorted Treasurer Joe Hockey at the end of his half-hour speech—contemptuously implying that ordinary working people are responsible for the deepening unemployment, intensifying cuts to health, education and social services, and worsening poverty and inequality confronting them.

Having suffered a "near death" experience in February, when Tony Abbott was almost dumped as prime minister by his own Liberal Party, largely due to widespread hostility towards last year's austerity budget, the government is making a cynical shift in tone, marketing this budget as "fair."

Last year's budget nakedly sought to impose the demands of the corporate elite for a wholesale assault on social spending. It marked "the end of the age of entitlement," Hockey proclaimed. Such was the popular outrage that Labor and the Greens, while passing the budget's main cuts to health and education, blocked key measures in the Senate, fearing for their own political survival.

The fraud of the "fairness" gloss thrown over this year's budget is exposed by a specially-published budget booklet, *Fairness In Tax and Benefits*. The second-biggest cut in the budget, worth \$1.7 billion over four years, is labelled "Strengthening The Integrity of Welfare Payments." It will involve ramped-up investigations against "welfare fraud," meaning intensified harassment of the unemployed, sole parents, the disabled and pensioners, who invariably live in poverty, to detect any who may have been overpaid.

By contrast, the government has not included a cent in increased revenue from its supposed "fairness" crackdown on multinationals that evade taxes by shifting their reported profits to overseas tax havens. For political effect, Hockey waved a copy of a new piece of legislation, "the Multinational Anti-Avoidance Law," telling parliament:

"When we catch companies cheating, they will have to pay back double what they owe, plus interest." This is a sham. The budget papers themselves forecast nothing except "an unquantifiable gain to revenue."

Such fraudulent claims run through the entire budget. Much-vaunted increases in child-care rebates for working parents, promised for 2017, will give the greatest benefits to higher-income earners, but strip unemployed parents of subsidies, making it even more difficult for them to find jobs. Moreover, the higher rebates will be paid for by abolishing family tax benefits for low-income families, as proposed in last year's budget, and eliminating the government's parental leave allowances where employers provide paid leave. In the budget's "fairness" doublespeak, this measure, designed to save \$968 million over four years, is listed as: "Removing Double Dipping From Parental Leave Pay."

On aged pensions, the government dropped last year's plan to cut indexation rates, but replaced it with a scheme to impose assets tests to deny pensions to ever-broader layers of working people. Initially, this will raise \$2.4 billion over four years, but inflation will increasingly work to eliminate pensions for anyone with superannuation or other savings set aside for their retirement. Hockey labelled the pension a "safety net," echoing calls by business to end the long-standing conception that workers are entitled to a pension when they retire.

Even a spending cut to children's dental benefits (\$125.6 million over four years) is dressed up as a step toward fairness by "broadly aligning indexation arrangements." That is just part of \$2 billion worth of "rationalising and streamlining" throughout the public-health system over the next five years, on top of the \$80 billion over 10 years stripped in last year's budget from funding to the states and territories for health and education.

Young jobless workers, aged under 25, remain a particular target. Instead of waiting six months for unemployment benefits, as proposed in one of last year's blocked measures, they will have to wait four weeks. This is despite the budget

papers forecasting that the official unemployment rate will keep climbing, from 6.2 percent to 6.5 percent by next June. Among young workers, the vastly under-stated official jobless rate is twice as high, yet they will be punished for being unable to find work.

While social spending is being slashed, the budget lifts funding for both war and surveillance. Defence spending will rise by \$2.5 billion to \$31.8 billion next year—up 8.5 percent—with most of the extra funds paying for new military hardware and Australia’s frontline involvement in the criminal US-led wars in the Middle East.

Overseas operations will cost an extra \$750 million next year, taking the total figure on foreign incursions since the 1999 East Timor intervention to more than \$16.6 billion.

The intelligence agencies will receive another \$450 million increase, on top of \$630 million announced last year, supposedly to combat terrorism, but mostly for electronic surveillance, directed against the entire population.

The increased surveillance is aimed at preparing for rising social unrest, under conditions of deteriorating social and economic conditions, and Australia’s growing involvement in the aggressive US “pivot” to Asia and its military encirclement of China.

The government will axe some federal public sector jobs, on top of the 17,000 already destroyed by the Abbott government and the more than 10,000 cut under the previous Labor government. This is decimating social services, in addition to the devastating cuts made to the funding of community services, which will see thousands of organisations throughout the country due to be totally cut off by July 1.

The budget displays similar callousness toward the world’s poor, with foreign aid cut by another \$3.7 billion over three years, after \$1 billion was slashed last year. Aid to Africa has been reduced by 70 percent and nearly halved to Indonesia.

In a bid to build a social constituency for the government’s brutal social agenda, Treasurer Hockey unveiled \$5 billion worth of tax concessions for contractors and small businesses with turnovers of less than \$2 million a year. For these businesses, the corporate tax rate will be reduced from 30 percent to 28.5 percent, and they will receive tax write-offs for equipment purchases totaling up to \$20,000 over the next two years. Hockey claimed that these measures would boost investment and the economy, but as financial commentator Alan Kohler pointed out, this is not credible. Any lift in output will soon take most small operators above the \$2 million a year threshold.

At the same time, workers on wages face tax hikes. Those forced to work on onerous “fly-in, fly-out” conditions in mining areas will lose remote zone allowances; other work-

related concessions will be scrapped; and young backpackers from overseas will pay much higher taxes. Altogether, these measures will cost workers \$1.5 billion over four years.

Workers will also suffer “bracket creep” as inflation pushes them into higher income tax brackets. As a result, the average income tax rate will rise from 21.7 percent to 27.4 percent over the next decade. This will contribute 80 percent of the increased revenue that the government claims will eliminate the \$35 billion budget deficit by 2020—a year later than promised in last year’s budget.

Even more fraudulent are the budget’s supposed economic assumptions. These are based on growth suddenly jumping from 2.5 percent to 3.5 percent within two years, and then remaining at that level, despite falling business investment, slowing growth in China, and stagnation in Europe, Japan and the US—the main export markets of Australian capitalism. Treasury’s Budget Statement admitted: “The pace and timing of the pick-up in economic growth is subject to some uncertainty.”

Conscious of the government’s dire political predicament, and the possibility of a further impasse in the Senate, tabloid newspapers proclaimed the budget a bonanza for workers, clearly seeking to bolster the government’s electoral stocks. But the financial press was scathing, denouncing the government for backing away from its frontal austerity assault in last year’s budget.

Today’s *Australian Financial Review* editorial accused the government of offering “\$10 billion of generous giveaways, dressed up as productivity boosters, targeted at two politically-sensitive voting groups, tradesmen and working mothers... This political preference makes it more likely that Australia will face a downgrade to our AAA sovereign credit rating over the next few years, especially if something goes wrong in China, that would threaten the AA rating of our big banks, which in turn are highly leveraged to Australia’s debt-inflated and expensive housing stock.”

The Labor opposition echoed this response, reprising its pitch to big business as a more reliable instrument for imposing its austerity agenda. Shadow Treasurer Chris Bowen welcomed the small business tax concessions, but denounced the government for increasing the deficit, debt and spending.



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