Australian Treasury head demands deep spending cuts

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Australia's Treasury secretary John Fraser opened the political year last night with a speech declaring that major cuts to social programs—notably pensions, welfare benefits and disability care—must be imposed by the Turnbull government because of the rapidly deteriorating economic situation in Australia and globally.

With parliament about to resume next week, and a federal election due this year, Fraser intervened in no uncertain terms to demand that the government slash spending in its looming May budget. He declared that the country's AAA rating by global credit agencies was in jeopardy unless cuts were made urgently.

Titled "The Australian Budget—some context," the speech marks a sharp push for Turnbull's government to move far more quickly to gut social programs, while reducing corporate taxes and cutting the wages and conditions of the working class.

Rupert Murdoch's *Australian* this morning hailed Fraser's address to the right-wing Sydney Institute as a "landmark speech." It is part of a mounting ideological offensive by the financial and corporate elite to combat public hostility to the austerity agenda.

Prime Minister Malcolm Turnbull, who represents the financial elite himself, quickly indicated that he has heeded the message. Giving his first radio studio interview for the year this morning, he told 3AW's Neil Mitchell that savings were being "actively considered" across the board, including in social welfare and health. "It will certainly be a tight budget," Turnbull stated.

Turnbull declared that his government would spare no effort, and no area of government spending, to achieve "the right policy bang, for a smaller taxpayer buck," regardless of having to call an election this year. "This is not going to be a fistful of dollars election campaign from us," he vowed.

In his speech, Fraser declared that falling commodity prices, weaker-than-expected tax revenues and repeated, over-optimistic economic forecasting errors now made it essential to inflict "structural" spending cuts. By "structural," he meant historic and permanent reductions to social programs. Fraser insisted that federal government spending of more than 25 percent of national income—it is currently 25.9 percent—was unacceptable to the financial markets.

"We need to look at substantial structural savings across the board—including transfer payments," Fraser said, referring specifically to welfare benefits. He blamed "programs like aged care, disability care and help for the unemployed and sick" for blowing out budget deficits.

Significantly, Fraser also targeted aged pensioners, that is, retired workers. He flatly dismissed a recent OECD report that Australia spent well below the industrialised countries' average on pensions, claiming that when "subsidised health care and superannuation tax concessions" were counted, Australia had one of the most generous retirement regimes in the world.

The Treasury chief effectively criticised past governments, both Liberal-National and Labor, for relying on the 20-year mining boom, largely driven by growth in China, to avoid wielding the social spending axe. He rejected previous claims that Australia was exceptionally shielded from the worldwide economic crisis, emphasising that "we are now a far more integrated part of the global economy—and far more at the mercy of international financial and economic pressures."

Under conditions in which other commodity export-dependent economies, such as Brazil, Venezuela, South Africa and Canada, are already facing recession and

debt crises, Fraser repeatedly warned of the impact of the global reversal. He recalled the shock of the international financial crisis that erupted in 2008, saying it demonstrated that Australian authorities could not afford to be "complacent" about the AAA-rating and "investor confidence."

Fraser noted that, due to continuing budget deficits, gross federal debt would rise to 29 percent of gross domestic product in 2018. He warned that a relatively high share of Australia's public debt was held by foreign investors, making Australia "more exposed to shocks in global capital markets." If international interest rates rose from their current record lows, the interest payments on this debt would blow out.

Speaking on behalf of the Treasury, Fraser said tax receipts had fallen "massively" during the past three years. Nevertheless, he bluntly ruled out seeking to overcome the budget deficit by increasing taxes, because that would "lower international competitiveness." His insistence reflects the pressure of financial markets for ever-lower business tax rates.

To try to give the government a rationale for slashing social spending, Fraser pointed to the haemorrhaging of tax revenues as a result of the falling prices for Australia's main exports, especially iron ore, coal and liquefied natural gas. "In total, we now expect to receive around $39 billion less in tax receipts in 2016–17 than we did at the time of the 2013 PEFO (the fiscal outlook released for the last federal election in 2013)."

There was a glaring gap in Fraser's remarks. He made just one passing reference to rising military expenditures, citing "increased defence operations." His silence is revealing, because the drive for austerity measures against the poor and the entire working class goes hand-in-hand with soaring military spending.

Increasingly, spending on pensions, welfare, health, education and other social needs will have to be slashed to prepare for war, due to the Australian government's unconditional support for the aggressive US "pivot to Asia" directed against China.

As spelled out in a major report published this month by the US Center for Strategic and International Studies (CSIS), Washington's strategic establishment regards Australia as a crucial military partner in its plans for a war to prevent China posing a challenge to US global domination. In its report, commissioned by the Pentagon and the US Congress, the CSIS insisted that Australia's military spending must be stepped up in order to meet its commitments to the "pivot."

Just for a start, the US expects Australia to buy new submarines and frigates, with a minimum price tag of $89 billion. Canberra's purchase of 70 or more F-35 Joint Strike Fighters will cost more than $20 billion. Last October, Turnbull allocated another $1.3 billion for new light armoured personnel carriers for the army.

Both the Turnbull government and the Labor Party opposition are totally committed to this spending, and the underlying war drive.

Rising awareness of the dangers of war posed by Australia's expanding role in US-led militarism, accompanied by austerity measures to pay for military expenditure and the global economic breakdown, will produce growing opposition among youth and working people.

As signaled by Fraser's intervention and Turnbull's response, the political establishment's only answer will be a mounting propaganda offensive to justify austerity and war, combined with repressive measures against social and political unrest.