# Australian government ends year with more austerity cuts

**James Cogan**
**20 December 2017**

The economic update unveiled on Monday to the Australian government's 2017–2018 budget contains sweeping new attacks on higher education, welfare entitlements and childcare outlays, while maintaining previously announced increases in military spending.

The original budget, brought down by the Liberal-National Coalition government of Prime Minister Malcolm Turnbull in May, projected a deficit of $29.4 billion for 2017–2018. Successive Labor and Coalition governments have presided over significant deficits every year since the 2008 financial crisis, while promising the money markets to return the budget to surplus.

Turnbull's first budget since the 2016 federal election was little different. Over the normal four-year projections used in treasury documents, it predicted a steady return to surplus by the 2020–2021 financial year. Like previous forecasts, it was based on what financial commentators labelled as "fanciful" expectations of global and Australian economic growth.

With this week's Mid-Year Economic and Fiscal Outlook (MYEFO), Finance Minister Mathias Cormann painted an even rosier picture. It revised the deficit predication for 2017–2018 downward to $23.6 billion and increased the predicted budget surplus by 2020–2021 from $7.4 billion to $10.2 billion.

These purported improvements to the budget bottom line are the outcome of a range of contradictory factors.

A rise in commodity prices, particularly for iron ore—Australia's largest export—has resulted in higher-than-expected company tax payments, estimated to bring in an additional $7.4 billion in revenue by 2020-2021. This was entirely cancelled out, however, by slower than expected wages growth, as millions of workers suffer stagnant or even falling real incomes.

Personal income tax is projected to be $8 billion less because wage growth is running at barely 1.9 percent, compared with a forecast of 2.5 percent. The budget nevertheless predicts that wage growth will soar to 2.75 percent in 2018-2019, and even higher in the following years. In reality, it is most likely to fall even further (see: "Australian wage growth continues downward trend").

Even though the MYEFO acknowledges that overall economic growth is 2.5 percent rather than the predicted 2.75 percent, it still forecasts the figure leaping to 3 percent in 2018-2019. Despite warning signs in financial markets, MYEFO assumes that highly indebted households will continue to meet ever-rising expenses and that Australia's overheated housing market will continue to expand (see: "Australian bank hearing reveals growing danger of interest-only housing loans").

The real "improvement" to the budget is coming from the ongoing assault on the living standards of the working class.

Draconian changes to welfare eligibility, introduced since 2013–2014 under both Labor and the Coalition, have already hit impoverished sections of the population. Now, over the four-year projections, the government expects to spend $1.5 billion less on disability support; $1.2 billion less on student allowances; and $755 million less on the aged pension. It is predicting that it will extract $405 million in "welfare debts" by direct deductions from Family Tax Benefits.

At the same time, the estimated funding for the Pharmaceutical Benefits Scheme—which subsidises medication—has had to be increased by $2.1 billion over four years due to higher demand. This vital area will no doubt be a future target for funding cuts, compounding the health crisis affecting growing numbers of people.

Cormann announced a new raft of austerity policies, to make up for the fact that some measures contained in the May budget were blocked by the opposition parties in the Senate, the upper house of parliament. While posturing as opponents of austerity, Labor, backed by the Greens, is responsible for making deep cuts to social services.

Among the most significant new measures is an administrative "freeze" of university funding at 2017-2018 levels for the next two financial years. This will lower spending on the sector by $2.1 billion. The Senate blocked planned outright cuts of over $2.8 billion.

Universities have already warned that the freeze will mean they will have to limit enrolments and impose cost-cutting—most likely deeper attacks on the wages and conditions of tertiary sector workers.

To gouge further "savings" from higher education, the government will attempt to place further burdens on students. From mid-2018, it will seek to lower the income threshold at which graduates must begin repaying their student debts from $52,000 to $45,000. It will also seek to impose a "cap" on student loans, preventing students borrowing more than $150,000 for medical–related degrees and $104,440 for all others.

In a particularly harsh policy, Cormann announced that the government will cut spending by $1.2 billion by forcing new migrants to Australia to wait three years before they can claim welfare, instead of the already punitive two-year waiting period. The social consequences of this measure will be severe.

The government will also seek to "save" another $1 billion through a "crackdown" on childcare providers who allegedly make excessive claims for state subsidies. This will most likely result in higher child-care costs for families.

While the MYEFO continues the process of slashing welfare programs and subsidies, it maintains unchanged the increases to military and national security spending. The defence budget will expand by over 6 percent per year to 2020–2021. Over the decade from 2017, close to $500 billion will be outlaid on the armed forces. The Federal Police and intelligence agencies are also receiving annual increases.

The aim of the austerity measures is to create sufficient "structural"—that is, permanent—reductions in budget spending to pave the way for cutting the corporate tax rate for all companies from 30 percent to 25 percent. The Coalition, with the backing of Labor opposition, is already progressively lowering the tax rate for businesses with revenue under $50 million.

Jennifer Westacott, the head of the Business Council of Australia, declared that "delivering the remainder of the government's plan for a reduced company tax rate has to be the starting point" for policy next year.

In corporate circles, however, even the planned 25 percent rate is considered woefully inadequate to maintain "international competitiveness" for Australian-based banks and other financial operations. In the United States, the rate is being cut to 21 percent. In Singapore, it is already 17 percent and in Hong Kong, 16.5 percent.

Demands for even deeper austerity by big business and the corporate media are inevitable in 2018.