

Australian Labor government to cut social spending to pay for tax handouts and war plans

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It is now clear that in its first budget, due on October 25, Australia's Labor government will retain planned massive income tax cuts for the wealthy, while starting to further slash health and disability services and escalate military spending in preparation for a US-led war against China.

Yesterday, in line with a barrage of warnings and demands from corporate media headlines and editorials, Prime Minister Anthony Albanese ruled out any reversal of Labor's pledge to implement "Stage Three" tax cuts for high-income households in 2024. This means an unprecedented bonanza for the rich, on top of two previous tax cut packages.

At the same time, Labor's already-ditched May election slogan of "a better future" has been replaced by chilling warnings from Albanese, Treasurer Jim Chalmers and Defence Minister Richard Marles of "global economic storms" and "the most challenging circumstances" since World War II.

In the lead-up to the budget, Albanese and Chalmers have sought to condition the public to expect deepening cuts to social spending. They have named three crucial areas of alleged unexpected budget blowouts—hospitals, aged care and the National Disability Insurance Scheme (NDIS).

Simultaneously, the pair has declared the need to ramp up military spending and pay for higher interest rates on the more than \$1 trillion in government debt, which was incurred by handing billions of dollars to big business throughout the COVID-19 pandemic.

Increasingly, the government's plans are dominated by the looming global recession being induced by central banks, which are hiking interest rates to stifle workers' wage demands to cope with the soaring

inflation triggered by the pandemic and the escalating US-NATO war against Russia in Ukraine.

Just two weeks before the budget, Chalmers will tomorrow fly to Washington for what he called "perfectly timed" talks about mounting "budget pressures." He will meet for a "candid assessment" with US Federal Reserve chairman Jerome Powell, World Bank president David Malpass and other G20 finance ministers.

"It will be all about difficult decisions in difficult times," Chalmers said. He warned that Australia "won't be spared a global downturn," further repudiating Labor's false election promises of better times.

The "Stage Three" tax cuts will cost \$243 billion over a decade. Inevitably, that means further gutting public health, education and other social programs, and imposing even greater social inequality, which has already accelerated during the COVID-19 pandemic.

According to Treasury estimates in August 2021, when Labor confirmed its commitment to back the cuts legislated by the previous Liberal-National Coalition government, they will benefit a dual-income household on \$400,000 a year by \$23,280 annually. But a single person on \$30,000 will receive just \$255, or \$5 a week.

This is a virtual flat tax regime, with a uniform 30 percent tax rate for all income up to \$200,000 a year—about three times the median wage. Those trying to survive on poverty-line social security payments, such as aged pensioners, carers and the unemployed, will get nothing.

Today, Chalmers and Marles added the war dimension to the budget plans. They recommitted the

government to raising annual military spending from 2 percent to 2.2 percent of gross domestic product, reaching \$80 billion a year by 2032. That does not count the \$300 billion designated for upgraded military weaponry over a decade.

This was also, they emphasised, in addition to the as-yet unstated tens of billions of dollars required to acquire and base nuclear-powered submarines and other weaponry under the anti-China AUKUS military pact with the US and UK, and to expand the size of the armed forces by 20,000 to over 100,000.

Chalmers and Marles revealed a \$6.5 billion blowout on 18 existing big military hardware projects, so no doubt all these defence spending estimates will mushroom in the next few years.

Marles spoke directly in the language of wartime sacrifices. “We face the most challenging circumstances since the Second World War, compounded by the fact that the economy is facing serious pressures—and reaching record spending within Defence as a percent of GDP,” he said.

Albanese delivered a similar message of sacrifice yesterday, saying Chalmers was framing a budget in “very difficult economic circumstances.” Albanese declared the need for monetary and fiscal policy to work in concert to avoid fuelling inflation.

That is code for cutting social spending and suppressing workers’ wage rise demands, in sync with the central banks aggressively raising interest rates.

The prime minister reassured the financial markets: “Labor will always present responsible budgets. That’s what we’ll be doing in two weeks’ time.”

Labor’s targeting of the NDIS, hospitals and aged care comes on top of its support for the pre-election budget handed down by the Morrison Coalition government in March, which contained a huge cut to health spending—by \$10 billion to \$105 billion this year, or more than 10 percent in real terms.

This has meant less money for COVID-19 vaccines, treatments and support for doctors, aged care providers and overwhelmed public hospitals. That Labor-backed budget also imposed cuts to education, arts and climate change programs.

Albanese’s commitment to the “Stage Three” tax handouts is only a part of Labor’s wider dedication to enriching the corporate elite at the expense of the working class. After its 2019 election defeat, the party

dropped its phony “fair go” slogan, which many workers did not believe in any case because of Labor’s long pro-business record.

Labor also ditched promises to adjust the “negative gearing” scheme, which rewards property investors and drives up home prices, reduce capital gains tax discounts and abolish “franking credits” refunds for investors who received dividends from their share portfolios, yet pay no income tax.

None of this is an aberration. It is entirely consistent with the party’s historic record of service to the ruling capitalist class, including on tax. The Hawke and Keating Labor governments of 1983 to 1996 cut the top income tax rate from 60 percent to 49 percent, and the company tax rate from 49 to 33 percent.

That was a central plank of Labor’s economic program. The trade unions enforced it as part of their prices and incomes Accords with the Labor governments and employers. The unions strangled workers’ opposition, helping to lay the basis for a vast ongoing transfer of wealth to the rich from the working class.

Today, this Labor government is relying even more on the unions, which are increasingly discredited shells as a result of their decades of betrayals. Together, they are seeking to impose far deeper attacks on working-class conditions, along with the greatest real wage cuts since the 1930s Great Depression, the government’s deadly “live with the virus” pandemic policies and preparations for a potentially catastrophic US-instigated World War III against Russia and China.



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