Amid Australian political crisis, editorials demand OECD austerity agenda

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Confronted by last week's fractious split in the Liberal-National Coalition, editorials in the Australian corporate media are demanding that the Labor government and whatever formation emerges from the Coalition's collapse re-commit themselves to intensifying austerity measures and the boosting of military spending.

There is alarm in the financial elite that the breakup of the Coalition—one of the two main parties of rule, together with Labor, since World War II—could shatter the capacity of the political establishment to impose the required agenda. That agenda includes enforcing deep cuts to social spending and corporate taxes amid widespread discontent over plummeting living standards, global militarism and war preparations.

Editorials in the *Australian Financial Review* (AFR) and the *Australian* have insisted on the implementation of the type of measures outlined in a 110-page survey of the Australian economy issued last week by the Organisation for Economic Co-operation and Development (OECD). The OECD, whose 38 members represent the largest Western capitalist powers, is a voice of the global capitalist oligarchy, issuing such reports every two or three years.

The January 22 AFR editorial insisted that as "the Liberals and Nationals pick through their smouldering wreckage," they must "reject the siren song of populism" and pay attention to the OECD's "laundry list of reforms to fix the nation's economic malaise."

The Murdoch media's *Australian* editorial of January 23 declared that the OECD report "highlights the challenges in balancing the books," requiring "discipline in spending as well as changes to the tax mix." The focus of the Liberals had to be holding the Albanese Labor government to account on this agenda.

The OECD report amounts to a corporate blueprint, issued under conditions of soaring social inequality and the global turmoil and conflicts launched by the Trump administration, which is driving rising political and social disaffection in Australia and internationally.

The survey's recommendations include raising the retirement pension age from 67 to 70 and increasing the level of the regressive Goods and Services Tax (GST) on household spending from 10 to 15 percent. They also feature cutting corporate and income taxes for the wealthy, and slashing spending on health and aged care, spearheaded by a much harsher cut to the National Disability Insurance Scheme (NDIS).

The report says a "sustained" effort is required at both the national and state levels to curb budget deficits and "address longer-term pressures such as costs related to health and long-term care."

No detail is provided as to where exactly these cuts should be made. But, for a start, the report states that spending growth on the NDIS must be capped at 5 percent a year, primarily "through better clarity on the eligibility and scope of support packages" and "better controlling access to support."

That cap is far below the Labor government's pledge to the financial markets to cut NDIS growth from 14 to 8 percent annually by 2026-27, saving billions of dollars, mostly by dumping thousands of children and others with disabilities onto non-existent "foundation supports" that state and territory governments are meant to provide.

The report insists that the current trajectory of spending cuts pledged by the Albanese government is inadequate to overcome budget deficits and stop government debt soaring to historic heights. It declares: "General government gross debt is expected to reach 62.5 percent of GDP [gross domestic product] by end-2027, up from around 40 percent a decade earlier."

At the same time, "higher defence spending will need to be financed." Labor's 2024 National Defence Strategy "reintroduced the measure of defence spending as a percentage of GDP, committing to increase defence investment to 2.4 percent of GDP by 2033–34 from its current level of 2.0 percent."

That boost falls well short of the Trump administration's demand for 5 percent of GDP, which inevitably means diverting billions of more dollars a year into AUKUS-related military outlays at the expense of social programs.

The OECD says “reform is needed to raise productivity growth” from historically low levels as well. The report complains that the level of labour productivity is no higher than a decade ago.

To reverse that requires boosting capital investment by global corporations, essentially by cutting corporate rates and driving up the rate of exploitation of workers’ labour power.

The report underpins its agenda by outlining risks from “shifts in the global economy” that make Australia especially vulnerable. “The more restrictive trade policies implemented by the United States and internationally in 2025 have potentially important implications for the global trading system. They may, in particular, affect the economy of China, Australia’s largest trading partner by far.”

Without even mentioning the danger of an all-out war launched by the US against China, the report warns of a potential inflationary spiral and global financial crisis: “A possible disruption of existing supply chains resulting from the ramping up of trade-restricting measures could lead to higher prices. Trade frictions could trigger a sharp correction in major financial markets, which would be expected to have negative implications for Australian economic activity.”

The report also warns: “Climate-related risks, to which Australia is particularly exposed, are becoming increasingly macro-relevant through the risk of drought and extreme weather events such as extreme heat, wildfires, high rainfall and coastal flooding…

“Air temperatures in Australia are trending upwards; a high proportion of Australia’s population is exposed to extreme heat. Nearly 80 percent of population exposed to days where the maximum daily temperature exceeds 35°C.”

The OECD’s austerity demands are being laid down under conditions where, as the report notes, workers’ real wages have suffered deep cuts and households are already under acute cost-of-living and financial stress.

The OECD points to “a sharp fall in real disposable household income,” which has continued under the Labor government since it took office in May 2022: “Over the 3¾ years to the third quarter of 2025, real hourly wages in Australia fell by 2.6 percent.”

That was primarily due to “a high proportion of workers covered by multi-year collective bargaining agreements.” What the report does not say is that this ongoing pay-cutting rests on the capacity of the trade union bureaucracy to inflict sellouts and straitjacket workers in order to prevent a rebellion against the Albanese government.

The report outlines an associated long-term housing crisis, with house prices doubling from 100 to 200 percent of household income since 1996. That is the sharpest rise in the OECD. As a result: “Household debt as a share of income is the third highest in the OECD, at around 220 percent.”

The report states that the proportion of households experiencing housing stress (paying more than 30 percent of income in mortgage payments or rent) has jumped swiftly in the past three years, now affecting more than half of low-income renters.

The OECD’s message is directed first and foremost at the Labor government, with the Liberal-National split meaning that the ruling capitalist class depends on Labor and the union apparatuses more than ever, at least for now.

At a January 22 media conference, Treasurer Jim Chalmers claimed that the OECD had endorsed Labor’s policies. He repeated his mid-year budget update boast in December that the Labor government had delivered “$114 billion in savings” since taking office.

Chalmers made it clear that Labor would do everything in its power to satisfy the report’s demands, describing it as “a useful reminder of the big challenges that are still in our economy.” He promised to “continue to make sure that we’re addressing inflation, addressing this longstanding productivity challenge and also addressing this global economic uncertainty which is really a big feature of the economy right now.”

While Chalmers insisted that the government is not looking to increase the unpopular GST, “we know that there’s always more work to do to make the Budget more sustainable.” He foreshadowed deeper cuts in this year’s May Budget.

Whatever the immediate outcome of the meltdown taking place in the parliamentary establishment, the OECD report is a warning of the brutal measures that the Labor government, and any future government, will seek to inflict on the working class.

This means a more frontal assault by the Albanese government and its partners in the union bureaucracy in 2026 against working-class jobs and conditions, fuelling growing discontent.