

Australian treasurer pledges austerity during US trip

By Patrick O'Connor
17 October 2013

Australian Treasurer Joe Hockey this week went to Washington D.C. and New York, where he repeatedly stated his commitment to imposing deep budget cuts on behalf of the international financial markets and domestic big business interests.

Hockey travelled to the US to participate in meetings of the G20 finance ministers and central bank governors, as well as International Monetary Fund (IMF) and World Bank annual meetings. He met with Congressional Democrat and Republican figures, outgoing US Federal Reserve chairman Ben Bernanke, IMF managing director Christine Lagarde, World Bank president Jim Yong Kim, and finance ministers from several countries. Hockey also scheduled meetings with the CEOs of Morgan Stanley and Goldman Sachs, before concluding his trip with discussions with leading credit ratings agencies.

Hockey's US visit had the character of a loyal servant of finance capital reporting for duty and receiving orders. It came just a month after credit ratings agency Standard & Poor's stripped Western Australia, previously the centre of the country's mining investment boom, of its AAA status, on the basis that the state Liberal government had demonstrated "limited political will" in slashing spending. The decision was an unambiguous shot across the bow of the recently elected federal Liberal-National coalition government. Hockey has now left no doubt that he and Prime Minister Tony Abbott received the message.

The treasurer has a record of speaking more freely overseas than he does in Australia concerning the ruling elite's preparations to slash the living standards of the working class. Most notably in April 2012, when shadow treasurer, he delivered a speech in London declaring an "end to the age of entitlement" and calling

for the abolition of all welfare programs, pensions, universal public health and education systems.

Unsurprisingly, since taking office, Hockey has not spoken as bluntly. In the US, however, the treasurer sounded the same theme.

Speaking with Sky News on Sunday, Hockey declared: "America can no longer afford its lifestyle. That's been the case for some period of time." The treasurer was not referring here to the lifestyles of the American ultra-wealthy elite, who have accumulated record wealth amid the economic crisis, but to the living standards previously enjoyed by working people in the US. The government shutdown and default threat has been used by the Obama administration and the Republicans to ram through further spending cuts to basic social services, including Medicare and Social Security.

"There is a message there for Australia—that we cannot continue to live beyond our means," Hockey declared, later adding, "You cannot wait until five minutes to midnight to deal with fiscal pressures; you cannot wait until five minutes to midnight to deal with the massive debt burden left by previous generations."

The treasurer explained that his "important discussions" with the credit rating agencies would "focus on what we can do to ensure that Australia maintains its credit level at a AAA level."

No details have emerged about these closed-door meetings, but the *Australian* today reported that spending cuts are already being implemented. Hockey and Finance Minister Matthias Cormann have written a letter to government MPs in recent days declaring that Cormann would now have to authorise all discretionary spending grants. These grants are worth \$3 billion annually. The *Australian* explained: "At stake are ministerial decisions to hand out thousands of

payments in portfolios such as health, education and human services.”

A speech delivered by Hockey to the American Australian Association in New York on Tuesday pointed to further preparations for severe austerity measures. The treasurer denounced the former Labor government for supposedly failing “to deliver on debt limits and timetables to surplus” and refusing to “restrain their spending and balance the books to live within their means.” In reality, the Rudd-Gillard governments imposed the sharpest spending cuts in Australia in more than four decades, including to basic welfare and social services. The Abbott government is nevertheless portraying its predecessor as “spendthrift,” as a pretext for going much further.

Hockey said in his speech that he would release a Mid-Year Economic and Fiscal Outlook (MYEFO) before the end of the year. The government had previously indicated that this would be delayed until 2014, drawing the ire of several prominent business and media figures demanding immediate budget cuts. The fast-tracking of MYEFO will also be accompanied by what Hockey described in his New York speech as “a more realistic assessment of the impact of external factors on our budget so that the revenue forecasts start from a more appropriate base.” In other words, the government is altering budget assumptions in order to inflate the projected deficits, thereby paving the way for additional spending cuts.

Referring to the government’s Commission of Audit, a “line by line” review of the budget that will identify entire spending programs to be targeted for elimination, Hockey promised: “The coalition will not shy away from the hard decisions that are necessary in this regard.”

The treasurer added that “restoring fiscal sustainability” was necessary to “provide added resilience against the inevitable shocks to come,” pointing to concerns in ruling circles about Australia’s vulnerability to further global financial turmoil.

Hockey declared that the Abbott government had “hit the ground running,” explaining that a “new era” of pro-business tax reform would be prepared during its first term in office. The treasurer also pledged “comprehensive de-regulation” measures for business, more government-backed privatised infrastructure projects, and new “adjustments to workplace relations

laws” that will aim at widening the scope for corporate Australia’s assault on workers’ wages and conditions.

Earlier, in Washington D.C., Hockey had also raised the prospect that China, together with Japan and South Korea, could be given wider foreign investment opportunities in Australia as part of free trade agreements that the Abbott government hopes to finalise within twelve months. Under current coalition policy, all proposed land purchases in Australia by Chinese state-owned companies are to be automatically referred for review to the Foreign Investment Review Board (FIRB). Chinese companies that are not state-owned still face referral to the FIRB for land deals worth more than \$15 million. In contrast, US companies are exempt from review unless the land purchase is worth more than \$1 billion.

After Hockey raised the prospect that China could enjoy similar privileges as the US, sharp divisions within the government on the issue immediately erupted to the surface. The National Party, the Liberals’ junior coalition partner, represents powerful agri-business interests opposed to competition from rival Chinese firms in the sector. National Party senator John Williams declared that he was “vehemently opposed” to Hockey’s proposal. “China should not be treated the same as the US,” he insisted, “it’s not our ally; it’s a Communist state.”

The outburst pointed to the fissures running through the Abbott government. Like the Rudd-Gillard governments before it, the Liberal-National coalition is torn by the strategic dilemma confronting the ruling elite over how to respond to rapidly escalating tensions between the US, Australian imperialism’s long standing military ally, and China, its most important economic partner.

To contact the WSWS and the
Socialist Equality Party visit:

<http://www.wsws.org>