Australian government budget: a last-ditch attempt to avoid election defeat

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Facing the prospect of a landslide defeat in the Australian federal elections, due to be held within the next six months, the Howard government has made a desperate attempt to cling to office by offering a series of concessions to those considered to be among its key base supporters.

The centrepiece of its sixth budget, handed down by Treasurer Peter Costello on Tuesday night, is a major tax concession to self-funded retirees. Under the budget proposal to almost double their tax-free threshold to $20,000 for a single person and $32,612 for a couple, they will receive tax cuts of up to $70 per week. In order to maximise its impact for the election, the government has backdated the concession to July 1 last year, meaning that the cut will be received in tax refunds from about August this year.

Old-age pensioners, however, who struggle to get by on much lower incomes, and are generally considered to be Labor voters, will receive much less. When it introduced its Goods and Services Tax last year, the government promised pensioners a $1,000 grant to compensate for the losses incurred as a result of the new tax.

While pensioners believed it would operate across the board, the grant in fact only went to a small minority prompting widespread anger. In order to try and assuage that anger, the government has now announced a $300 one-off payment to all pensioners.

Media attention has focused on concessions to the elderly, but business is the main beneficiary of the budget. The government has adhered to the commitment made last year to reduce the company tax rate from 34 percent to 30 percent, at an estimated cost of $2 billion. While this is being billed as support for small business, many small businesses are reporting such low profits—often as a result of cash flow problems associated with the introduction of the GST—that large corporations will reap the largest rewards.

In a further concession, estimated to cost more than $600 million, businesses will be able to claim full tax credits on company cars, providing a saving of $3,200 on a $35,000 vehicle.

A key feature of the budget is its further attack on the social welfare system, public health and public education.

The government announced that it would spend $1.7 billion over the next four years supposedly with the aim of getting the longer-term unemployed back into the workforce. Closer examination of the plan, however, shows that its real aim is not the provision of more jobs. Rather, it is aimed at introducing more regulations with which beneficiaries are forced to comply, on pain of having their payments cut or suspended altogether.

Job seekers who have been out of work for more than six months will now have to undertake two days a week of training, study or part-time work, or enter a work-for-the dole program in order to receive their benefit of $220 per week. For those aged between 40 and 49 community work, study or part-time work will become compulsory.

When it was introduced work-for-the-dole was touted as a way of ensuring that young people, who had never been in steady employment and lacked experience, were “job ready.”

But that argument can hardly be said to apply to workers in their 30s, many of whom are out of work because they have been retrenched. The extension of the program to those aged up to 39 makes clear its real purpose: to force unemployed workers into low-paid jobs, often casual or part-time, and to create more trigger mechanisms for suspension or outright cancellation of their payments. This is the real meaning of the government's repeated declaration that the old system of social welfare must be replaced by one based on “mutual obligation.”

The budget figures make this clear. While the government is planning to spend $1.7 billion over four years, it also claims that its “reforms” will enable it to save $923 million over the same period. The impression is created that this will result from people moving into paid work.

But the budget papers themselves make clear that, even according to the understated official figures, unemployment is set to rise to 7 percent over the next year. This means that the bulk of the “savings” will not come from job placement but from cuts and suspension of benefits. Figures prepared on the operation of the work-for-the-dole scheme so far indicate that only 30 percent of those who take part end up with a job.

The attack on the right to social welfare, being waged under the banner of “mutual obligation,” is also seen in the treatment of sole parents who remain at home to bring up their children. Parents whose youngest child is aged 12 will, from September next year, be required to attend an annual interview with one of 850 advisers to be employed by the social welfare body, Centrelink.

From July 2003, parents whose youngest child is aged 13 will be required to perform 150 hours of part-time work or approved training every six months—that is about one day a week—and report the activity every three months to Centrelink. Failure to comply will bring sanctions, leading eventually to an 18 percent cut in payments for six months.

It seems that further measures along these lines are being planned. From July 2003, those whose youngest child is aged six will also be required to attend an annual interview at Centrelink.

Using the phraseology which has become characteristic of the attacks on social welfare worldwide, Family and Community Services Minister Amanda Vanstone claimed the new measures were about “helping parents” to consider their “work future” at the earliest possible opportunity and “giving them advice and support so they have every chance of finding work.”

But the measures have been slammed by Sole Parents Union president Kathleen Swinburne as “anti-children”, forcing sole parents into poverty. Single parents, she insisted, were already actively seeking work.

While the budget offered certain incentives to doctors involved in asthma relief, screening for cervical cancer and diabetes, it continued the rundown of the public health system which has been one of the major features of the Howard government's term of office.

There was no provision for an increase in the scheduled fee for general

practitioners under the universal health care system Medicare. This means that “bulk billing”—the system under which consultation fees are sent straight to the Medicare fund for payment at the set rate—will be placed under increased pressure.

Attacking the failure to increase fees, the Royal Australian College of General Practitioners said it was “time to start telling the Australian public of the extent to which health services have declined and the risks for the future.”

The RACGP reserved its harshest comments for the failure to increase health spending in Aboriginal communities.

“The Australian government,” it said, “has neglected entirely the question of indigenous health and utterly disgraced itself in the international community.”

The chair of the College's rural faculty, Dr John Kramer, said he was “disgusted” at the lack of funds to tackle severe problems in Aboriginal communities where cardiac and respiratory problems take the lives of people in their 20s and 30s and where diabetes is rampant.

“While life expectancy and infant mortality rival the worst in the Third World our government is here telling us on Budget night that they cannot find any area of Aboriginal health which requires initiatives,” he said. “It is unbelievable.”

The field of education revealed the same orientation as in social welfare and health. There will be a big increase in money for private schools—up by 7.3 percent—under a new funding system introduced in the last budget.

While the government has ignored widespread criticism of the new scheme for providing increased funding for some of the country's wealthiest schools, the budget papers reveal that its funding formula will provide an increase of $1.1 billion for private schools over the next five years, some $300 million more than was estimated 12 months ago.

Universities, which have had their funding slashed, received no relief. Funding was increased by only 1.7 percent—less than the predicted 2 percent inflation rate. Students, who are required to make payments, via the tax system, under the Higher Education Contribution Scheme, did not receive any concessions.

Apart from the concessions to older people, whom the government considered vital to win back to have any chance at the election, the budget has meant further cuts in living standards and services for the overwhelming majority of ordinary working people.

But anyone who thought that this might have been the occasion for an attack on the government's policies by the opposition Labor Party would have been quickly disillusioned.

The harshest criticism offered by Labor's shadow treasurer, Simon Crean, was that the government, after forecasting in the 1998-99 budget that the surplus for 2001-02 would be $14.56 billion, has now reduced the surplus to $1.5 billion, representing a fiscal turnaround of more than $13 billion.

Significantly, Crean refused, when questioned by journalists, to outline Labor's proposals, saying that this was not possible until he could be sure of the accuracy of the government's figures.

But when the ALP policies are announced, they will be little different from the governments. Asked point blank during one interview whether there was anything in the budget Labor would oppose, Crean replied: “No, given that most of the budget is adopting Labor Party policies.”

A further demonstration of the coincidence of views between the government and the Labor opposition came during an interview involving Employment Minister Tony Abbott and his Labor shadow Cheryl Kernot. At one point Kernot remarked she was thinking of claiming a “commission fee” from Abbott for “policy development.”

Editorial comment on the budget in the major newspapers tended to reflect the criticisms from key sections of big business and finance that the Howard government had backed away from key “free market” reforms in the face of electoral opposition.

Sydney Morning Herald noted that the government was engaged in “blatant vote buying” but generally endorsed a “clever budget for difficult political and economic times.”

Others were more critical. Murdoch's newspaper, the *Australian*, said the budget was more about “buying votes in the next six to nine months than invigorating the economy and setting out the direction Australia will take well beyond the next federal election.”

The government, it said, was placing too great a reliance on the New Economy rather than “continued economic reform” to unleash what it called a “wave of US-style productivity growth.”

Overall, it concluded, after almost six years of good intentions, the government “has not set out a road map to follow for the next three years” and “seems to have run out of big ideas.”

The *Australian Financial Review* adopted a similar tone. While praising Costello for a “well-crafted election Budget” it said the Treasurer's hallmark “is a Budget empty of structure or long-term economic perspective.”

In line with its election strategy, the government tried to put the best possible gloss on the economic forecasts for the coming year. According to Treasury estimates, economic growth over 2001-2 will be 3.25 percent, with an inflation rate of 2 percent.

But, just as Treasury forecast an annual growth rate of 4 percent last November, when the economy was in fact contracting by 0.6 percent for the quarter, these figures could well be over-optimistic in conditions where the US growth rate has fallen sharply and the Japanese economy is continuing to stagnate.

The Treasury forecast for the Australian economy is based on predictions that world growth in 2001 will fall a “little below historical averages.” But, as it is forced to note, “there are significant downside risks.”

Should those risks start to materialise then it will not just be the optimistic assumptions underlying the budget which are shattered.

The Howard government has been in office for five years of relatively rapid growth in the Australian economy, second only to that of the US. Yet during this period social conditions for the majority of working people have worsened—that is why the Howard government faces the prospect of an electoral rout.

A shift into recession will see even deeper attacks on jobs, wages and living standards and pose ever more sharply the need for an alternative program to that of both the Liberal and Labor parties, based on the independent interests of the working class.