

# A desperate vote-buying budget in Australia

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Facing a disaster in Iraq and plunging opinion poll ratings, the Howard government last night delivered a blatant vote-buying budget, offering unprecedented cash handouts and tax cuts in a bid to win this year's scheduled general election, which could be called as early as August.

Never before has an Australian government offered to hand out so much cash in such a short time. It plans to immediately start sending out cheques for \$600 per child to families who qualify for its so-called family tax package. Another \$600 bribe will follow after July 1, that is, just before the election.

The recipients of this largesse have been carefully targetted. Over the next five years, by one means or another, the government will divert \$37 billion to the pockets of upper and middle income earners, whose votes it is desperately seeking. In this coming year alone, the spending spree will total \$5.3 billion, reducing the projected budget surplus of \$7 billion to less than \$2 billion.

Treasurer Peter Costello's budget—his ninth since 1996—has a vicious class content. For the first time in history, tax cuts are being offered exclusively to the wealthiest layers of society. Some 70 percent of the population, those earning less than \$52,000 a year, will get no tax relief at all.

Nothing could more clearly express the government's contempt and indifference toward the vast majority of the population. Those who will get nothing include students, sole parents, aged and disabled pensioners, single working people and most families without children.

Worst off will be the 4.1 million people—22.6 percent of the population—who are living in poverty, according to a Senate report issued just two months ago. Through a combination of the tax system and the harsh means tests for social welfare benefits, many low-income earners will continue to face notorious "poverty traps"—punitive tax rates of more than 70 percent for any increase in their incomes. In addition, they face ever-escalating everyday bills, because of the government's highly regressive Goods and Services Tax.

By contrast, high-income earners will receive a bonanza, totalling \$3.8 billion by 2006. Everyone earning more than \$52,000 per year will benefit from tax cuts, with those above \$80,000 taking the biggest slice—up to \$84 a week for a wealthy couple. In addition, high-income earners will have their superannuation surcharge dropped from 14.5 percent to 7.5 percent by 2006-07. The richest layers have already had

substantial income tax cuts since the government imposed the GST in 2000. By one estimate, those earning more than \$90,000 a year have now enjoyed an 18 percent tax cut since 2000.

This obscene redistribution of wealth has been financed through the gutting of public and social services and the restructuring of society along "user pays" lines. Last night's budget continued the process. It cements the demolition of universal access to Medicare bulk-billing, which used to enable patients to see doctors without paying up-front fees; the transfer of billions of dollars to private schools at the expense of public schools; the imposition of 25 percent fee hikes on university students; and the slashing of spending on pensions and welfare benefits.

In a revealing comment, Prime Minister John Howard boasted that the budget was the "best since the first"—a reference to the government's inaugural 1996 budget, which delivered devastating blows to public health, education, housing and welfare programs.

As well as the rich, the other primary recipients of the government's cynical "cash for votes" ploy are struggling middle-income families with young children. Treasurer Costello claimed that dual-income families earning around \$52,000 to \$70,000 could gain more than \$100 a week through a combination of tax cuts and a "family assistance package". It is these layers—dubbed by the media "aspirational voters"—that the government is anxiously wooing for its political survival.

In addition to the straight \$1,200 family cash handouts, Costello is offering "baby bonuses," commencing at \$3,000 and rising to \$5,000, for every newborn child. Altogether, his "family assistance package" will cost \$19.2 billion over five years.

It is far from certain, however, that this transparent electoral bribery will succeed. Opinion polls have consistently shown that ordinary people want additional spending on public health and education, rather than tax cuts. For most of the targetted families, Costello's handouts will be more than swallowed up by the crippling costs of private health insurance, private school fees, essential social services, public transport and utilities, not to speak of higher mortgage and credit card interest rates.

Many of the targetted families will not see either of the \$600 cheques promised before the election, because they allegedly owe the government more than that. What Costello did not

mention in his budget speech is that their payments will be eaten up by repayments they have previously been ordered to make under the government's bungled family tax benefits scheme.

Moreover, the "baby bonuses" will replace a failed scheme to financially encourage mothers to stay at home with their children. Howard's 1996 vision of a return to a family model based on a male breadwinner and a non-working housewife has collapsed under the weight of economic necessity, with most families unable to survive on one income.

Cynicism will only be intensified by the puny promised increases in the number of child care and after-school care places. Because both parents need to work, the demand for these services has soared in recent years. Between 2000 and 2002 alone, there was a 40 percent increase in demand for after-school care places, leaving a waiting list estimated at 30,000. Similar queues exist for child care places, even for mothers who register their babies before birth. Yet, the budget promises that there will be just an extra 1,500 family day care places and 30,000 after-school places, and only after five years.

For elderly people and their families, the budget is just as duplicitous. Under the guise of improving conditions in aged care facilities, the government is doling out some \$2 billion over five years to the nursing home barons, such as Doug Moran. They will receive \$3,500 per resident to address fire and other safety defects, plus a \$2.34 a day hike in their residents' fees.

The most spectacular spending boost is for the military and the intelligence agencies to step up the "war on terrorism". This is the government's other overriding election focus. Amid worsening social inequality, it is counting on diverting mounting political discontent by fuelling fears of terrorist atrocities, while strengthening political surveillance and the repressive capacities of the domestic security agencies to deal with dissent and unrest.

The defence budget will rise by \$1.8 billion over the next four years, with military spending in 2004-05 to top \$16 billion for the first time. Allocations for the war on Iraq—which has already cost \$776.3 million according to the budget papers—will continue until at least June 2005, with further allocations "under review". This confirms that Howard intends to keep troops in Iraq well after the supposed US transfer of sovereignty to a puppet Iraqi regime.

Funding for "counter-terrorism" measures—\$755 million over five years—dwarfs the previously leaked figure of \$400 million. The lion's share will go to the same intelligence agencies—the Australian Security Intelligence Organisation (ASIO), the Australian Secret Intelligence Service (ASIS), the Defence Intelligence Organisation (DIO) and the Office of National Assessments (ONA)—that the government relied upon for its lying claims that Iraq possessed threatening stockpiles of "weapons of mass destruction".

ASIO, the domestic spy agency, will have its funding

increased by \$127 million, taking its staffing level to a record 1,000 by 2006. It will then have doubled its size from the 530 officers it had in 1998. ASIO's capacity to use its new powers, including detention and interrogation without trial, will thus be greatly enhanced, further eroding basic democratic rights.

In the name of increasing overseas aid, the government has dedicated record sums to its neo-colonial military and policing operations in the Pacific region. Its pitifully small aid budget will rise to \$2.1 billion in 2004-05, but almost a third will be spent on the police, prison warders, finance officials and highly-paid consultants being sent to take control of the economies and legal systems of Papua New Guinea and the Solomon Islands. By contrast, aid to devastated and impoverished East Timor will be cut from \$42.5 million to \$39.9 million, further exposing the lie that the Howard government intervened there militarily in 1999 for humanitarian reasons.

The government's vote-buying tactics are so flagrant that the normally compliant corporate media, while largely praising the tax cuts and handouts, resorted to headlines such as "Mother of all bribes to woo voters" (*Australian*), "Mother of all spending sprees" (*Sydney Morning Herald*) and "Costello's 37 bn vote grab" (*Australian Financial Review*). Even Rupert Murdoch's *Sydney Daily Telegraph* editorial commented that cynics would conclude that behind the government's professed desire to make life easier for battling families, "its real motivation was to prime itself to win the next election through tax and spending largesse".

The other striking feature of budget night was the response of the Labor Party opposition. While offering unspecified promises to broaden the tax cuts, Labor leader Mark Latham and shadow treasurer Simon Crean immediately pledged to pass the budget. In previous years, the Laborites have threatened to block aspects of the budget in the Senate, where the government lacks a majority. Latham's pledge demonstrates the degree of bipartisanship that exists, within the parliamentary establishment as a whole, on the reshaping of Australian society according to "market forces".

In fact, Latham vowed to outdo the Howard government in slashing public spending. He insisted that a Labor government would guarantee to keep the budget in surplus for the next three years, after identifying \$8 billion worth of "waste" to eliminate. Labor's pledge ensures that this deeply inequitable budget will be rubberstamped by parliament, regardless of any token amendments moved by Labor, the Australian Democrats or Greens.



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