Australian budget: massive vote-buying accelerates "free market" agenda

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Facing disastrous opinion poll ratings and an election this year, the Howard government last night handed down its most barefaced vote-buying budget yet. The 2007 budget was dominated by electoral bribes to particular constituencies, with a wide array of cash handouts, tax cuts and slush funds that will underwrite multi-billion dollar pork-barrelling in the months ahead.

At the same time, the budget was designed to accelerate the two-decade-long process of cutting public and social services—health, education, child care, housing, welfare—to make way for "market-based" and "user pays" programs that further boost corporate profits, enrich the wealthiest layers of society and shift the burden of social provision onto individuals.

According to calculations by the *Australian Financial Review*, Treasurer Peter Costello's 2007 budget—his 12th since the Howard government took office in 1996—contained no less than 650 separate spending programs. In total, $71 billion worth of promises were made, almost double the $40 billion handed out before the 2004 election, and dwarfing the $19 billion spent to scrape back into office in 2001.

None of this year's budget was allocated to repair the damage already done to public schools, universities, hospitals, child-care services and social programs. On the contrary, public and community services will be further eroded in order to force parents, patients, working families and retirees to pay for their own care, education and welfare.

This budget was probably the most-leaked in Australian history. For more than a week before Costello's official speech last night, his office plied the media with details of the document in a blatant bid to extract the maximum electoral mileage.

In some countries, electoral bribery causes controversy, with opposition figures, the media and international financial institutions denouncing "money politics" and "corruption". In Australia, it has become the norm. In fact, the media universally acclaimed Costello as a political genius who, according to Murdoch's *Australian*, had just conducted a political and economic "masterclass".

At the top of the vote-buying list was an estimated $4 billion in immediate one-off cash payments to various constituencies where disaffection with the government is running high because of rising living costs, interest rates and petrol prices.

Elderly citizens will receive $500 to pay utility bills; people caring for ill or infirm relatives will receive one-off "thank you" payments of $600 and/or $1,000; medium-income earners who have paid extra into superannuation schemes (to pay for their own retirement) will receive up to $1,500 more in a government co-contribution; and parents will receive up to $20 a week more to help pay soaring child-care fees.

So cynical was the exercise that Costello revived a broken promise from the 2004 election, to deliver the 30 percent rebate on child-care fees as a direct fortnightly payment instead of requiring families to wait up to two years for reimbursement via the income tax system. With back payments, parents will receive another one-off lump sum averaging $800 after July 1, just in time for the election campaign.

Other vote-buying plans centre on the creation of a $1 billion "contingency reserve" for pre-election spending announcements and a $22.3 billion road transport fund, which will be used to promise construction projects in key electorates.

This largesse, however, is hardly likely to sway many hard-pressed voters. Four interest rate rises since the 2004 election, combined with savage increases in the price of petrol and real wage cuts under the new WorkChoices industrial relations laws, including the loss of penalty rates, overtime pay, shift allowances and other entitlements, have driven many working people to a financial knife-edge. Mortgage defaults and house repossessions have more than doubled over the past two years.

Nor are the tax cuts likely to win many votes in working class areas. Supposedly targetted at low- and middle-income earners, they amount to just $14.42 a week for most taxpayers. Moreover, this only partly claws back what these people have lost in recent years through "bracket creep"—incurring higher tax rates as inflation pushes up wage levels. By contrast, those paid more than $180,000 a year will pocket an extra $52.88 by next year. This is the fifth budget in a row to give hefty tax cuts to the wealthiest layers of society.

The most cynical feature of the budget is a $5 billion "Higher Education Endowment Fund" that will initially generate some $300 million a year. The 39 existing universities will compete for these funds for capital works and research facilities. Costello called it a "honey pot". In a model based on the prestigious "Ivy League" American universities, private donations will be sought to augment the fund, making the universities increasingly dependent on such funding to provide basic facilities.

Costello's first budget in 1996 slashed an estimated $1 billion annually off university funding, forcing the public institutions to resort to over-crowded classes, employment of casual lecturers, running down of facilities and vying for commercial sponsorship and full-fee paying international and domestic students. Staff-student ratios have fallen a catastrophic 50 percent since 1996.

While media and business commentators have hailed Costello's endowment fund as a rescue plan, the initiative actually deepens the offensive launched in 1996. The scheme is designed to benefit "elite" institutions, which already gain the lion's share of research funding and corporate and private endowments.

To further drive this process, limits will be lifted on the numbers of full fee-paying students that the top universities can enroll; university managements will be allowed to increase subsidised HECS fees for other students by another 15 percent (on top of an earlier 25 percent rise) for a range of courses; and universities will no longer be penalised for over-enrolling students.

The overall impact of these changes will be to accelerate the rise of wealthy universities catering to the needs of the corporate elite, leaving other universities to survive as best they can through larger enrolments. The *Australian* hailed it as a "market-based education revolution".

Likewise in secondary education, where funding for private schools will increase by $1.7 billion over the next four years to $7.5 billion, while federal contributions to the public schools run by the state governments will rise by only $300 million to $3.4 billion. In a further move to boost private education, parents will be offered $700 "vouchers" for private tuition if their children perform poorly in new national literacy and numeracy tests. This is the first use of education vouchers in Australia.

Public schools, particularly those serving poorer areas, will bear the brunt. They will be denied "incentive payments" if their test results fail to meet federal benchmarks. State governments will also be forced to introduce "performance pay" for teachers, and to give school principals powers to hire and fire teachers and deny them pay rises. Teachers and educational experts have bitterly opposed these measures because they penalise schools and teachers working with economically disadvantaged students.

In contrast to the treatment of public and social services, the budget lifted military spending by 10.6 percent, the biggest annual increase in more than 30 years. The armed forces budget will surge by $2 billion to $22 billion, taking it over 2 percent of GDP for the first time in more than a decade. The Howard government has now doubled military spending since it took office in 1996.

Much of this outlay is devoted to the ongoing military interventions in Iraq, Afghanistan and East Timor, which between them will consume $870 million this year. By the middle of next year, more than 1,000 troops will be in Afghanistan, and the deployments in Iraq and Timor will continue indefinitely.

Other spending has been devoted to enhancing Canberra's capacity to play its part in US-led wars around the globe and its own interventions in the Asia-Pacific region. An extra $14 billion will be added to a $50 billion fund to purchase new jet fighters, naval destroyers and army weaponry over the coming decade. Another $21 billion will be devoted to overcoming flagging military recruitment and retention, on top of $1 billion announced last December.

A further $1 billion has been set aside for an array of "national security" measures, including the expansion of the domestic and foreign intelligence agencies. Already, the internal political police force, Australian Security Intelligence Organisation (ASIO), has grown four-fold since 2001. The security budget includes another $15.5 million for the Asia-Pacific Economic Co-operation (APEC) summit in Sydney this September, taking the total to $250 million.

For all the claims of good "economic management" by the Howard government, the mountain of cash that Costello is doling out primarily comes from the super-profits that Australian-based mining companies, finance houses and other companies are making from the "resources boom" created by raw material exports to China and India.

Another, lesser-publicised source is corporate tax on the profit bonanza generated by higher interest rates. The banks are making record profits through the mounting mortgage and credit card debts owed by working people in Australia. Not only have interest rates risen four times since 2004, but ordinary people are increasingly dependent on high-interest credit and store cards to pay their bills, especially with falling house property prices making it no longer possible to expand their home loans.

Hidden away in the budget papers is another source of the budget surplus. Several billion dollars have been slashed off annual social security payments by the range of "welfare to work" measures taken over recent years to coerce single parents, disabled workers and the unemployed into low-paid work in the new WorkChoices regime.

The euphoria with which the business and media establishment have greeted the budget is a measure of the enthusiasm felt in these circles for the underlying market-driven agenda, as well as their deep indifference toward, and distance from, the real situation facing working people. Costello was a "clever boy" according to the Sydney *Daily Telegraph's* banner headline. The budget was a "play in four parts, awaiting applause," according to the *Sydney Morning Herald*. "Costello crafts a clever budget," the *Australian* editorialised.

Richard Gibbs, the chief economist at Macquarie Bank, one of the institutions that derives massive profits from this free-market agenda, congratulated Costello for having "every imaginable constituency covered".

One has to go back to the 1980s and early 1990s, when former Labor leader Paul Keating was treasurer and then prime minister, to find similar eulogies. It was, in fact, the Hawke and Keating Labor governments that laid the foundations for the "market-based revolution" of the Howard government, working hand-in-glove with the trade unions to systematically re-distribute income from the working class to the wealthy.

Not surprisingly, today's Labor leader, Kevin Rudd and his shadow treasurer, Wayne Swan, had few criticisms of the budget. Media pundits observed that they were left "gasping for political breath". Rudd and Swan merely echoed nervous concerns expressed by some business economists that the spending spree could have inflationary effects and that not enough had been done to boost productivity. Their lack of opposition to Costello's budget simply reflects Labor's fundamental agreement with the government's entire free market agenda.