

Australian PM announces \$42 billion crisis stimulus package

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In a desperate bid to prevent an economic collapse and head off the eruption of social discontent, the Rudd government yesterday unveiled another multi-billion dollar rescue package—the sixth since last October. Under its latest "Nation Building and Job Plan," the government pledged to spend \$42 billion over the next three years, claiming that this would "support up to 90,000 jobs".

By the government's own estimates, however, unemployment will still nearly double to 7 percent by next year, destroying some 300,000 jobs, illustrating how quickly the package will be swamped by the continuing global economic meltdown. This has already happened to the estimated \$44.7 billion already handed out to boost the banks, businesses and consumer spending over the past three months.

Major finance houses and leading economists have warned that official unemployment will in fact rise to 10 percent by 2010, with another 10 percent of the workforce pushed into shorter hours, meaning that almost two million workers will be jobless or "under-employed".

The government's jobless estimate is as unreliable as the rest of its projections. Only two months ago, it was forecasting a 2008-09 budget surplus of \$5 billion. Now, it is predicting a deficit of \$22.5 billion—a \$45 billion turnaround from the \$22.5 billion surplus promised in last May's budget. As recently as last November, the government said the global slump would cut its tax revenues by \$40 billion over four years. It has now almost trebled that estimate to \$115 billion.

Rudd vowed to "throw everything" at avoiding the national economy falling into recession. But no matter how much his government spends, it is powerless to hold back the impact of the worldwide financial maelstrom. All the country's major export markets are now officially in recession, except for China, whose economy has been contracting for the past three months.

Chris Richardson of Access Economics commented: "What is happening internationally is absolutely diabolical. You are seeing economies very badly affected by the breakdown in the global banking system that happened in recent months and nothing Australia can do will stop recession here because it's recession

everywhere."

In his announcement, Rudd himself referred to "the worst economic crisis since the Second World War" and the "rapid unwinding of the mining boom," which has delivered multi-billion dollar profit and tax revenue windfalls for the past 15 years.

In another sign of alarm at the speed of the downturn, the Reserve Bank of Australia cut its benchmark interest rate by a further 1 percentage point to 3.25 percent, the lowest level since 1964. This was the bank's fifth consecutive cut, with rates now down by a total of 400 basis points, from 7.25 percent in September. Despite these measures the latest data reveal that business and consumer lending dropped last year for the first time since World War II.

It will not be long before the government exhausts its capacity to continue offering stimulus packages. Even by the Treasury's current calculations, this year's budget deficit will be followed by larger shortfalls over the following three years—by 2011-12, around \$118 billion, or about 12 percent of the annual gross domestic product.

Rudd will respond by demanding drastic cuts to welfare programs and social spending. While the government has predicted four years of deficits, former Labor Prime Minister Paul Keating has warned that the global "catastrophe" is "way worse than it appears" and will last for at least six or seven years.

Yesterday's \$42 billion package contained about \$13 billion worth of various one-off handouts to low- and middle-income households. In their joint media release, Rudd and Treasurer Wayne Swan declared that these payments, together with similar ones in a \$10.4 billion package last October, were "designed to assist those groups most affected by the flow-on effects of the global recession".

This is a fraud. There is nothing for the growing army of unemployed, who have to live on just \$225 per week. There is no money for emergency relief, despite welfare agencies telling the government that demand from families has doubled over the past few months. There is no increase in the level of pensions and benefits, which remain far below the poverty line, and nothing at

all for self-funded retirees, whose savings have been decimated.

Workers earning \$100,000 or less per year will receive tax bonuses of \$300 to \$950. Low- and middle-income families will get a \$950 per child back-to-school bonus and single-income families will get an extra \$950. Similar bonuses will be paid to students and jobless workers who sign up for education or training. These amounts are puny compared to the scale of the growing hardship inflicted on working people, and their impact will soon evaporate. By their very nature, one-off handouts cannot address the ongoing social crisis.

Even where families receive several of these amounts, the total will not relieve the distress caused by the loss of jobs, cuts in hours and pay, and the drop in home prices and superannuation funds. Despite falling interest rates, many will lose their homes. Well before last year's crash began, millions of households were already under severe financial stress, incurring record levels of mortgage and credit card debt just to make ends meet.

Even as Rudd attempts to present a "caring" face his government continues to call for wage sacrifices and cuts on the pretext of "saving jobs". It is working hand in glove with employers to protect their profits, while imposing the full burden of the economic crisis onto the backs of workers.

The package allocates about \$20 billion for school infrastructure and maintenance, community facilities, road repairs and social housing. These amounts also bear no relationship to reality—they are a drop in the bucket compared to the urgent needs produced by the systematic running down of government schools, public housing and every form of social infrastructure over the past quarter century. A recent report found that in New South Wales alone, \$2.2 billion in extra funding would be needed annually to bring government schools up to adequate standards. There is not a cent for the crisis-ridden public health and hospital system.

While Deputy Prime Minister Julia Gillard described the \$14.7 billion for schools as an "historic nation building investment," it amounts to just \$1.54 million per school. Over the next three years Australia's 9,540 schools—including the wealthiest private schools—will each be eligible to build or upgrade just one building, such as a library or assembly hall, and to apply for up to \$50,000 (small schools) or \$200,000 (large schools) for maintenance or minor building repairs.

The government's package also includes token so-called "green" initiatives—subsidies of up to \$1,600 for households to either insulate their ceilings or install solar hot water systems.

None of these programs involves any public works to provide jobs for the unemployed. Instead, the funds will be funneled into the coffers of the investment banks, construction companies and contractors that have fed off the privatisation of road and school construction, housing and every other social infrastructure program over the past three decades.

Rudd's latest package is also designed to provide a sop to the growing concern among ordinary people about the tens of billions of dollars already allocated in government bailouts and guarantees to the same major banks, financial institutions and companies that were involved in the looting operations that led to the economic breakdown.

According to *Bloomberg News*, a business publication, Australian banks, including the Macquarie investment bank, have saved at least \$800 million in lower borrowing costs in the two months since the Rudd government started guaranteeing their deposits and bonds. While the banks are raking in the profits, however, lending for homes and businesses has substantially dried up, and business investment is tipped to plunge another 15 percent this year.

The government guarantees have also left taxpayers heavily exposed to the risk of further international banking crashes, which could engulf the local banks. Last month, the government announced the establishment of a new fund, dubbed the Rudd Bank, to raise up to \$30 billion to protect commercial property developers should foreign banks fail to roll over as much as \$75 billion of maturing debt this year. Commercial property loans cover only a fraction of the economy.

All the major business organisations, newspaper editorials and trade unions leaders have praised the latest package. Speaking in parliament, Rudd boasted that it had the backing of the Business Council of Australia, the Australian Industry Group and the Australian Chamber of Commerce and Industry, who were all consulted closely. Pledging the support of the unions, Australian Council of Trade Unions secretary Jeff Lawrence described it as "the right plan for very difficult circumstances".



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