

Australian government prepares deep budget cuts

Mike Head
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The Australian Labor government last week finally gave up denying that the economy would go into recession. Confronted by a series of predictions of the worst world slump since the 1930s, Prime Minister Kevin Rudd and Treasurer Wayne Swan declared that it was “virtually impossible” to avoid negative growth.

In the wake of the OECD’s forecast of a 2.75 percent global contraction in 2009, Swan and Finance Minister Lindsay Tanner admitted that unemployment would almost certainly rise above the 7 percent level they predicted just a month ago, meaning that official joblessness could near one million by next year.

While the government has hinted at yet another temporary stimulus package in the annual budget in May, a fiscal crisis is looming, with tax revenues rapidly eroding. Tanner said the government’s deficits would exceed a total of \$100 billion over the next three years. Only a year ago, he and other ministers were projecting surpluses of almost the same size, based on predictions of a continuing bonanza from mining profits.

As soon as Rudd and Swan returned from the London G20 summit, Labor’s “razor gang” met in Canberra on Sunday night to start drawing up deep cuts to welfare, education, health and other social programs in this year’s budget.

For all the mass media’s depiction of the London summit prefiguring a global recovery in 2010, every economic indicator points to an accelerating downturn. In Australia, retail sales fell 2 percent in February, car sales dropped nearly 20 percent from the corresponding month last year and company insolvencies jumped by 24 percent, year-on-year. According to the ANZ Bank’s monthly job advertisements survey, the number of ads fell by 8.5 percent during March, taking the decline since the previous March to almost 45 percent.

The more than \$70 billion allocated to various “economic security” packages has failed to halt this downward spiral. Most of the funds have been poured into the coffers of the banks, car companies, construction firms and retail chains. That is not counting the almost \$1 trillion at stake in the government’s guarantees of bank deposits, and borrowings by the banks and state governments.

Interviewed on weekend television, Tanner spoke of the government’s “very serious challenge” in terms of the budget. He warned that previous promises to introduce limited paid maternity leave for working mothers and boost higher education spending could be dumped or substantially deferred.

“Our primary (budget) focus is inevitably going to be constraining spending,” he told the Nine Network. “We cannot allow those sorts of deficits to continue indefinitely because if we do, then we will get into serious economic problems.” Because of the global economic crisis, “some of the ambitions that we had at a time where the economy was much more robust and the global circumstances were much more benign, we will have to delay.”

Various leaks to the media point to a lengthening list of targets. Reportedly, the government is considering “cracking down” on the \$300 million-a-year Medicare Safety Net scheme, which subsidises health care costs, and introducing a means test to the childcare benefit, which assists working people with out-of-pocket childcare costs. Superannuation taxation concessions and nursing home fee subsidies have been touted as other casualties.

Addressing a recent trade union forum, Tanner said he did not expect the budget to contain further job cuts in the public sector. However, deep cuts to social programs necessarily entail job losses. Without any prior warning, the Rudd government’s first budget last year announced the

elimination of 3,000 jobs, including in the Bureau of Statistics, Taxation Office, immigration department and parliamentary services.

As the budget deficit grows, Labor is under mounting pressure from sections of big business, which have long urged major inroads in social spending, in order to lower corporate tax rates and push people off welfare and into lower-paid jobs. While most in corporate circles have welcomed the government's stimulus packages as short-term boosts to consumer spending, and therefore profits, there are rising fears that the global slump is dwarfing these measures, creating a massive looming deficit and debt crisis.

The Australian Chamber of Commerce and Industry (ACCI) has declared that the May budget should include measures to ensure a future surplus. While it was acceptable that the budget had fallen into deficit in response to the global financial crisis, a return to a surplus was needed as soon as possible, ACCI chief executive Peter Anderson said.

Having opposed the government's last \$42 billion stimulus package, the Liberal-National opposition, led by Malcolm Turnbull, has threatened to vote against the budget, or at least parts of it, unless it addresses concerns over rising debt. Shadow treasury spokesman Joe Hockey has claimed that the government is already "borrowing \$2.2 billion a week to fund itself".

At the same time, the government is trying to devise means to politically package its budget measures in order to contain the anger and frustration building up in the working class over rising unemployment, cuts to working hours and wages, continuing housing foreclosures and decayed public services.

Last year's budget was portrayed by sections of the media as a "Robin Hood" operation—taking from the rich to give to the poor—even though its near \$50 billion worth of income tax cuts over four years delivered the largest handouts to the wealthy. Hidden away in the budget were 134 savings measures, totalling \$7.3 billion for 2008-09 and \$33 billion over four years, mostly in areas of health and social spending.

That budget was premised on the continuation of the unprecedented mining boom, which was expected to generate an extra \$33 billion in tax revenue in 2008-09, and \$87 billion over five years.

One year on, the government's agenda of far more brutal

measures, amid widespread hardship and collapsing prospects, will be more difficult to impose. An April 6 editorial in the *Australian* advised it to use the stick of higher unemployment to push through spending cuts.

"The challenge for Rudd and cabinet's Expenditure Review Committee must be to marshal this slightly brighter post-G20 world view as a manifestation of Rudd's success, while bringing down a budget that addresses the imperatives of medium-term structural debts which, if unaddressed, will see us facing deficits in the order of \$40 billion-\$50 billion," it stated.

While the editorial expressed confidence that "Tanner will not allow this to happen," it continued: "But how to tell voters that there must be deep spending cuts if the world is in a somewhat better place than it was last October when the crisis began? Here the lagged effect of unemployment is the government's friend. The budget will be brought down with joblessness on the march and its drumbeat quickening."

In other words, according to the class logic of the corporate elite, rising unemployment is an advantage because it will help the government coerce working people into submitting to severe cutbacks in the hope that they will stem rising unemployment.

The trade unions are already promoting this line by collaborating closely with the Rudd government in seeking wage freezes and short-time working. Following the Community and Public Sector Union forum addressed by Tanner, CPSU national secretary Stephen Jones told journalists: "We appreciate the minister speaking with us today and continuing the dialogue about how best to protect essential services and jobs."



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