Australian election crisis

Liberal Party accused of budget “black hole”

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Liberal-National coalition leader Tony Abbott has rejected accusations that his proposed budget contains a revenue shortfall of somewhere between seven and almost eleven billion dollars over the next three years. The apparent discrepancy between the opposition’s projected spending programs and budget cuts and the real situation was revealed yesterday after briefings delivered by treasury department officials to three independent parliamentarians who hold the balance of power. The three are in the process of considering whether to install a minority Labor or Liberal-National coalition government.

One of the independents, Tony Windsor, described the discovered deficit as a “black hole” and declared that while the issue was not a “game-breaker”, it “places some question marks within my mind at least”. He continued: “It’s not so much about numbers as it is about what people went to the election on, and the trust that we can have in them. I think that’s the main point rather than numbers being here and there... We probably understand now why he [Abbott] wasn’t interested in releasing the numbers.”

Windsor was referring to the opposition’s decision, in the final stages of the election campaign, to refuse to submit many of its policies to the treasury department for assessment following an alleged leak from either treasury or the treasurer’s department.

The Labor government, as part of its concerted pitch to big business and finance capital, accused the coalition of attempting to evade scrutiny of its budget proposals. In the final days of the campaign, “economic management” became the central issue, with Gillard promoting herself as the more reliable instrument for corporate Australia, and boasting of fiscal “discipline” as she committed to further “free market” economic reform. Her main pledge was to return the budget to surplus by 2013.

The formation of the next government may now be determined on the basis of treasury’s assessment of the respective budget forecasts of the Labor and Liberal parties—demonstrating that the overriding priority of the corporate and financial elite throughout the election process has been to fashion an administration capable of delivering a sweeping austerity program.

This year, advanced capitalist countries throughout the world have coordinated a shift away from the fiscal stimulus policies enacted in the aftermath of the 2008 financial crash towards massive spending cuts and austerity. The working class is being made to pay for the enormous deficits and debt accumulated through stimulus measures and government bailouts of the banks and financial institutions. Despite not experiencing an official recession, the Australian economy is now subject to the same pressures of the global financial markets that have emerged most sharply in Greece and other European countries. This is why the question of the treasury department’s assessment of the Liberal Party’s program now appears so critical.

The Labor government has gone on the offensive. Treasurer Wayne Swan today declared: “They set out to deliberately deceive the Australian people and the verdict is in from the treasury... We can see in the costings debacle today just how bad their economic judgment is and how unqualified they are to run the economy.”

The opposition’s shadow treasurer Joe Hockey and finance spokesman Andrew Robb insisted they had not made any mistakes and that the “black hole” merely amounted to a “difference of opinion” with treasury officials over calculations and “assumptions”. The coalition insisted that even in the “worst case scenario” outlined by the treasury it would deliver a budget bottom

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line that was $7 billion better than under Labor's plan. Abbott and his senior colleagues are today meeting with the three rural independents to present their case.

In the course of the campaign, neither Labor nor Liberal openly admitted their real agenda. Both claimed that public services would be unaffected by their proposed budget cuts, consciously covering up the extent of the planned cutbacks, including to areas such as health, education, and welfare.

Gillard and Abbott understood that they could not win support by openly discussing measures that would permanently lower the living conditions of the working class. In this, they were emulating what has occurred in Britain, where a new Conservative-Liberal Democrat government was installed in May and immediately announced unprecedented spending cuts that no-one had proposed during the election campaign.

The situation confronting the Australian economy remains highly precarious, contrary to government and media bromides. For all the discussion of Australia avoiding the global economic crisis, the obvious question has gone unanswered—why, if the economy was performing so strongly, did the Labor government fail to win majority support for another term in office?

Gillard yesterday claimed the credit for higher growth figures, with a 1.2 percent increase in gross domestic product recorded for the June quarter—3.3 percent on an annualised basis. The increase was almost entirely due to mining exports. Australian export prices skyrocketed by 14.2 percent in the quarter, reflecting higher demand driven by China's industrial expansion, while the country's terms of trade, that is the value of its exports compared to imports, are now higher than at any time since the early 1950s.

But Australia's is a "two-track" economy, where corporate profits are booming at the same time as the income and living standards of working people are stagnating or declining. While average profits increased by an extraordinary 27.5 percent in the second quarter on an annualised basis, with the mining companies leading the way with a 62.7 percent profit surge and the banks also recording a 28.9 percent gain, whole sectors of manufacturing industry and the service sector have continued to record losses. At the same time ordinary people confront higher household debt, greater economic insecurity, and higher rates of part-time and casual employment.

The behind-closed-doors bargaining between the four independents and the Labor and Liberal leaders is reaching its final stages, though it remains unclear who is most likely to form government.

Gillard has sought to promote her formal agreement with the Greens, but the response has been mixed. Unsurprisingly, given its demand for either a fresh election or for Abbott's installation, the Murdoch press condemned the de facto coalition deal. "The once great Labor Party passes into history with this deal to ride into government," the *Australian*'s editor-in-chief Paul Kelly declared histrionically. Fairfax Media's *Sydney Morning Herald* and *Age* newspapers backed the deal.

The *Australian Financial Review* was opposed. In its editorial today, "Alliance bad for business", the newspaper warned: "The United States is teetering on the brink of a double-dip recession. Japan and Europe are struggling. And the Australian economy faces its own challenges... In these circumstances a revival of unpopular, productivity boosting reforms will be all the more urgent. The concern against a background of global uncertainty and a slowing Chinese economy is that the alliance with the Greens will pull any minority Labor government that emerges from the talks to the left, leaving it less likely to risk its negligible political capital on the needed reforms."

The de facto Labor-Greens coalition would in no way mark a shift to the "left" by the Gillard government. But the central concern of the *Financial Review*—that the next minority government, whatever its composition, will be too weak to impose the "unpopular" right-wing economic agenda being demanded—points to the deepening crisis of the entire official two-party parliamentary set-up.

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