

Australian Labor PM Gillard launches war on welfare

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In a speech to the right-wing think tank, the Sydney Institute, last night, Australian Prime Minister Julia Gillard launched a war on social welfare recipients, making clear that her Labor government's May 10 budget would contain far-reaching spending cuts.

Today's newspapers reflected the content of the speech. Murdoch's flagship, the *Australian*, headlined its report of the speech "PM declares war on the idle" while the *Sydney Morning Herald* led its front page with "Pull your weight, PM tells jobless."

The full significance of Gillard's speech and her planned budget cuts can only be grasped by placing them in their international context.

The domination of global capital and finance over all national economies means that the task of every government, whatever its particular political colouration, is to translate the demands of international financial institutions and corporations into concrete policy measures.

In the global financial crisis of 2008-2009, national governments effectively took onto their books the trillions of dollars of losses incurred by the banks and finance houses. Over the past year, global financial markets have insisted that the resources for these bailouts be extracted from the working class, through the slashing of wages, jobs and social conditions. This is why, in every major capitalist country, there is an ongoing assault on pensions, social welfare, health services and so-called entitlement payments.

These global demands are being implemented in each country in line with the particular conditions that exist there. So in Europe, governments declare that social services must be cut in order to resolve the so-called sovereign debt crisis, while in the United States the Obama administration is preparing to take the axe to social welfare measures that go right back to the New

Deal of the 1930s, in order to reduce mounting government debt.

In Australia, which does not have a sovereign debt problem and where government debt is relatively low by international standards, the demands of international finance are being characterised in a different way.

Accordingly, Gillard insisted in her speech that the cut back in government spending, and the "reform" of the social welfare system were necessitated by the mining boom.

A vast increase in mineral exports to China and the rest of Asia, and a consequent rise in investment, she argued, meant that the government had to "step back" as the private sector "stepped forward."

Gillard repeated her assertion that in coming years Australia would experience "an historic boom in mining investment, one which is genuinely comparable to the Gold Rush of the 1850s," and declared that the boom was a "good thing" and a "great opportunity."

In fact the "mining boom" is something of a misnomer. The enormous increase in the value of mineral exports, due to both higher prices and quantities, has not led to any widespread rise in living standards or job opportunities. On the contrary, apart from mining, virtually every section of the economy is experiencing recessionary, or near-recessionary, conditions. According to one index, the manufacturing industry has moved backwards in six out of the last seven quarters.

The "mining boom" can be more accurately characterised as a "profits bonanza" for the major global mining companies, including BHP Billiton, Xstrata and Rio Tinto. But no rise in government tax revenue has resulted. On the contrary, company tax revenue is expected to be \$60.6 billion for this financial year, down 10 percent on the revenue forecast in last

year's budget.

Proposals to raise additional tax from the mining companies through a so-called resources rent tax were scuttled last year, after they organised a multi-million dollar advertising campaign that ended in the removal of then Prime Minister Rudd. The subsequent emasculated mining resources rent tax proposed by the Gillard government, the details of which were drafted by mining company representatives, is expected to raise virtually no additional revenue. Moreover, the mining companies will pay little extra normal company tax because of the massive tax write-offs they are enjoying for their new investment projects.

While tax revenue declines, however, and the government prepares to reduce the company tax rate in line with international trends, harsh measures are being introduced against welfare recipients, the most vulnerable section of society. Gillard has couched these regressive measures in terms of “upholding the dignity of work” and “taking advantage of the mining boom.”

Of course, as Gillard had to acknowledge in her speech, no unemployed person living in one of the many areas presently experiencing jobless rates of around 10 percent, is going to be employed in a mining project. The government's measures are aimed elsewhere. They are intended to increase the supply of cheap labour for employers in recessionary areas of the economy, thereby putting downward pressure on wages and conditions overall.

The Labor government's commitment to carry out the dictates of international finance capital takes the form of a pledge, repeated *ad nauseam* by Gillard, that its budget will be returned to surplus by 2012-13.

In an article published in today's issue of the *Australian*, replying to criticism of the government's policies, treasurer Wayne Swan repeated Labor's commitment to hold back government spending to just 2 percent or less until the budget surplus reaches at least 1 percent of gross domestic product.

“No Australian government has ever imposed such strict limits on itself for this period of time,” he wrote. “These fiscal rules mean we are on track to return the budget to surplus in 2012-13, which would be the fastest fiscal consolidation in the 40 years for which data is [sic] available.”

The Labor government's attacks will provoke significant opposition. Already health and medical

research workers have held protests against threatened cuts. They will be joined by others as the extent of the government's measures—the fastest fiscal consolidation ever recorded—becomes apparent.

This movement cannot go forward, however, on the basis of a piecemeal approach aimed at applying pressure on the government to reverse or mitigate one or another measure.

The program of global corporate and finance capital being imposed by the Labor government can only be fought on the basis of a completely opposed political perspective. This means bringing forward in every struggle against the government's cuts, the fight for an independent political movement of the working class, which will establish a workers' government to implement a program of socialist measures that utilises economic resources on an international scale to meet human needs, not the dictates of the profit system. That is the perspective of the Socialist Equality Party.



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