

# Australian budget debate highlights deepening political crisis

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The official budget debate has again exposed the deep crisis wracking the parliamentary setup since the installation of Julia Gillard's minority Labor government last year. In the face of widespread hostility among ordinary people, neither of the major parties has so far proved capable of meeting the demands of big business and finance capital for savage austerity measures, like those being implemented in Europe and the US.

Both the Labor government and the Liberal-National coalition have avoided any mention of the explosive implications of the economy's dependence on continued Chinese industrial growth. In the event of a slowdown—potentially triggered by any number of factors, including the bursting of China's property bubble, an open trade war with the US, or the eruption of political and social unrest within the country—every forecast for the Australian economy would be upended, requiring immediate and drastic cuts in public spending.

With this key issue now virtually taboo in official political and media circles, the budget debate has taken on a somewhat surreal character.

For all the acrimonious bluster over Treasurer Wayne Swan's budget speech to parliament on Tuesday and opposition leader Tony Abbott's formal reply on Thursday, both parties agree on the priorities of the corporate and financial elite: to abolish the welfare state, slash taxes on business and the ultra-wealthy, and create a new pool of cheap and freely exploitable labour from the long-term unemployed, disabled, and young mothers.

The problem remains how to implement such a program, which entails driving down the social position of the working class, the vast majority of the population.

To retain office, Gillard is trying to keep together an unstable minority government with the Greens and various independents, while its popularity plunges to all-time lows.

The budget debate has underscored the determination of Labor to pitch itself as the political representative of the

corporate elite. Its announcement on Tuesday, however, of \$22 billion in spending cuts and savings over four years, returning a projected budget surplus in 2012-13, dissatisfied the Murdoch press and other corporate commentators, who had demanded much harsher measures. Gillard and her senior ministers have responded by insisting on their commitment to pro-business reform, and condemning from the right the populist appeals being made by opposition leader Tony Abbott.

While stepping up their calls for a more resolute government, key sections of the ruling elite do not regard Abbott as a viable alternative to Gillard. His budget reply speech made clear why.

The Liberal leader's address was a direct appeal to working class opposition to Labor's right-wing agenda. He began by outlining the escalating costs of living, including for power, water, education, health, groceries, and housing, before declaring that he wanted to "reach out to Australian families: to small business people, police, nurses, firefighters, teachers, shop assistants, workers in our steel mills and mines, the people who are the backbone of our society."

The fraudulent character of this populist demagoguery was underscored in Abbott's targeting of the most vulnerable layers of society. For welfare recipients he proposed various measures including a blanket cut off in unemployment benefits for those under 30 living in areas "where unskilled work is readily available", and for refugees he reiterated his vicious xenophobic mantra of "stopping the boats." In each area, Labor and Liberal fundamentally agree—their only differences are tactical.

Likewise with Abbott's stated opposition to Labor's policy of means testing and index-inflation freezing the welfare benefits of households earning more than \$150,000 a year. For all the opposition's protests, Abbott has previously advocated similar policies.

The Liberal leader concluded his budget reply speech with a strident demand that the Labor Party call an early election, accusing it of "lacking legitimacy." This was, above all, a pitch

to the media to echo his demand and work for the bringing down of Gillard's minority government.

In 1975, a concerted media campaign, led by the Murdoch empire, demanding the ousting of the Whitlam Labor government played a key role in creating the political conditions for the November 11 anti-democratic coup. Less than a year ago, on June 24, 2010, a months-long Murdoch media-led destabilisation campaign contributed to Gillard's coup against former Prime Minister Kevin Rudd. Now, any media campaign targeting the rural independent parliamentarians, who prop up Labor's minority government, would quickly trigger Gillard's downfall. Yet despite the widespread dissatisfaction in ruling circles with her government's performance, no section of the media has so far taken up Abbott's call, reflecting serious misgivings about his leadership.

The *Australian's* editorial yesterday, "Smaller government will end culture of entitlement", complained that "Tony Abbott has treated his budget in reply speech as a political manifesto rather than an economic statement."

Demanding that the Liberals spell out in greater detail plans to slash welfare, lower taxes, and introduce greater "flexibility" into the labour market, the newspaper continued: "[Abbott] claimed the mantle of Menzies' nemesis Ben Chifley, claiming the Coalition, not Labor, was now the workers' party... Menzies would have appreciated the irony, but we hope that in commandeering the Light on the Hill, Mr Abbott is not falling for the seduction of big government. The Opposition Leader's reluctance to engage with the detail of Wayne Swan's budget leaves that question begging."

Gillard, Swan, and Finance Minister Penny Wong attempted to capitalise by criticising Abbott for failing to detail any proposed spending cuts, accusing him of threatening the projected budget surplus.

In *Business Spectator*, an opinion piece by Rob Burgess, "Abbott has let Labor off the hook", focussed on the failure of the parliamentary budget debate to address "Australia's dangerous over-exposure to China's minerals and energy demand." Like Wayne Swan before him, Abbott's budget speech to parliament made no reference to the ongoing global economic crisis. Burgess explained: "[Abbott's] slogan, that the return to surplus is 'made in China' is not enough. The final few budgets of the Howard/Costello government were also made in China, and neither they, nor the Rudd and Gillard governments, have paid enough attention to the fiscal shock that would occur if the move back to surplus is 'unmade in China'."

The prospect of such a "fiscal shock" plunging the Australian economy into enormous deficit and debt is what is prompting financial and corporate demands for the Gillard government to address the "structural deficit"—i.e., the projected deficit after subtracting the inflated export revenues generated by the commodities boom—by gutting public spending in key areas of public health, education, infrastructure, and welfare.

The China driven mining boom has led to a "two-track" economy—in which manufacturing, retail, tourism, education, and other service sectors are in crisis—adding greater urgency to business demands for austerity. Yesterday's release of new employment data, showing an extraordinary loss of 49,000 full-time jobs last month demonstrated the recession-like conditions afflicting the economy's "second tier."

Rob Burgess noted that the Australian economy "is suffering an effect similar to that seen in the European Union, as less productive economies struggle under monetary policies set by more successful economies such as France and Germany ... the strain being placed on non-resources sectors through the sky-high terms of trade will make many business owners wish we had two dollars—a resources-dollar and an everything-else-dollar." With company failures at record highs, Burgess concluded, in the event of a Chinese downturn, "the structural deficit would shift from a theoretical quantity in Treasury documents to becoming a national disaster."

Amid dissatisfaction in ruling circles over Abbott, favourable comments are appearing in the media about former Liberal leader Malcolm Turnbull. Having lost the leadership to Abbott by just one vote in the Liberal parliamentary caucus in December 2009, Turnbull could yet be reinstalled in order to provide the corporate elite with an alternative to Labor's minority government.



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