

Australian Labor government on notice to deliver austerity budget

Peter Symonds
7 May 2012

The Australian Labor government's budget, to be handed down tomorrow, will mark a watershed as finance capital demands the implementation of its global austerity agenda. Treasurer Wayne Swan has already declared that he will return the budget to surplus—a task that involves a huge turnaround from this year's estimated deficit of at least \$40 billion, or more than 2.5 percent of GDP.

The budget has been preceded by weeks of political crisis surrounding Prime Minister Julia Gillard's minority government. Her effective majority in parliament was reduced to just one after the speaker Peter Slipper was forced to stand aside over a corruption and sex scandal, manufactured with the aid of the Liberal opposition. Corruption allegations surrounding Labor MP Craig Thomson, which date back several years, and involve his role as a union official, have recently been sensationalised by the media, compelling Gillard to suspend his Labor Party membership.

While the sordid details of the two affairs have provided a useful diversion from the budget, the scandals serve a more fundamental political purpose: to put the Gillard government on notice. If it fails to deliver a budget surplus, or does so by fudging the accounts, the political triggers already exist for it to be brought down. The conviction of Slipper or Thomson, or the defection of one of the independents or the Greens, who currently prop up Gillard, would be enough to force a change of government on the floor of parliament or fresh elections, which Labor would almost certainly lose.

The profound political instability in Canberra is being driven by the deepening global economic crisis, which has produced recessionary conditions, rising unemployment and social unrest throughout much of Europe and a weak "recovery" in the United States. Falling export markets in the West have in turn led to an economic downturn in China, Australia's largest export market.

Two years ago, Treasurer Wayne Swan boasted that the Australian economy had "defied global economic gravity" and had "a budget position that is the envy of the developed

world." The myths of Australian exceptionalism have been significantly undermined by a marked and rapid deterioration in the economy. Reserve Bank of Australia figures released late last week revised growth for the financial year ending June to 2.75 percent—well below the 3.5 percent forecast just three months ago—and to 3 percent for the 2012-13 year.

Amid falling international commodity prices, mining giants Rio Tinto and BHP Billiton have already warned the government that they may be forced to put billions of dollars of investment on hold. Much of the rest of the economy is already in or near recession. The Australian Industry Group (AIG) indices for services and manufacturing in April plunged by 7.4 points to 39.6 points and 5.6 points to 43.9 points respectively. A figure below 50 indicates that most firms are contracting.

AIG chief executive Innes Wilcox declared on Thursday that growth for up to 90 percent of the economy was less than the trend rate of 3.25 percent. "Everywhere you look, there are signs of economic stress," he said. "A lot of people are not working full hours and there is a lot of concern about jobs." Identical surveys conducted in all the major economies show that the Australian results are worse than in Europe.

Already an avalanche of closures and job losses is underway. Last Thursday the transport firm 1st Fleet collapsed destroying 1,000 jobs after one of its banks cut off credit. On Wednesday, telecommunications company Optus announced 750 jobs or 8 percent of its workforce would be slashed. According to media reports last week, Qantas is planning to axe 400 jobs at its heavy maintenance base near Melbourne airport and another 660 jobs are at risk at a nearby base. Alcoa is threatening to close its Point Henry smelter, destroying 660 jobs unless the workforce accepts a pay freeze and restructuring.

Finance capital, internationally and in Australia, is demanding European-style austerity measures be imposed in tomorrow's budget. An editorial in Saturday's *Australian Financial Review* declared that the budget was "a test of whether the nation and our political institutions have the maturity to make rational long-term decisions... Now is the

time to draw a political line in the sand and impose some tough love on a fiscal system the lacks proper discipline and is biased towards ever-increasing spending.”

What is “rational” for the financial and corporate elites is an impending catastrophe for millions of ordinary working people. The former are intent on imposing the full burden of the economic crisis onto the backs of working people through a budget that devastates essential social services such as welfare, education and healthcare. The consequence will inevitably be a rapid escalation in unemployment, which will be exploited to drive down wages and conditions to levels on a par with Europe, the US and Asia. The budget will be just the first instalment in the comprehensive restructuring of economic and social relations across the board.

In a remarkable speech in London last month, opposition shadow treasury spokesman Joe Hockey bluntly set out the global austerity program and its devastating social consequences. He demanded “an end to an era of popular universal entitlement” and the abolition of “education, health, housing, subsidised transport, social safety nets and retirement benefits” that were “simply unsustainable.” In other words, he advocated nothing less than a social counterrevolution, plunging the working class into conditions that prevailed more than a century ago.

An article by George Megalogenis in Saturday’s *Australian* entitled “Budgets and hard truths” also targeted the “entitlement mentality.” A weakening economy and falling revenues had exposed the failure of the previous Howard Coalition government and, to date, the Labor government, to wind back social spending that constituted two thirds of budget spending. “The real test for Swan’s budget and [opposition leader] Tony Abbott’s reply, is not who can manufacture the bigger short-term surplus, but whether either will talk honestly about the longer term,” Megalogenis declared.

The establishment press has already criticised the Liberal-National opposition for failing to elaborate any details of an austerity program. Back in Australia, Hockey has played down his London speech and has even opposed Labor’s foreshadowed cuts. At the state level, commentators have castigated Coalition governments for failing to take the hard decisions.

Last week’s Victorian budget imposed a cutback of \$2.9 billion, including 4,200 public sector job cuts, the first compulsory public sector redundancies in two decades. Business and media commentators generally complained that the cuts were both overdue and inadequate, concluding that the government would soon be compelled by the financial markets to make greater inroads into social spending programs.

Saturday’s *Australian Financial Review* editorial demanded that Hockey and Abbott “start showing how they plan to fix the budget’s worsening structural problems rather than provide a populist conservative alternative.” However, Abbott, who has a long history as an advocate of savage pro-market restructuring and regressive social policy, is well aware that such policies are deeply unpopular and cannot be openly elaborated.

The Gillard government’s record low poll ratings are the latest manifestation of the deep-going alienation of voters from the entire political establishment. After three decades of pro-market restructuring, first under the Hawke-Keating Labor governments then the Howard government, a deep social gulf has emerged between the wealthy few and affluent upper middle class, on the one hand, and the majority of working people who are struggling to get by, on the other.

In London, Hockey made clear that the elimination of social programs could not be implemented democratically. “Perhaps what we are witnessing is a chronic failure of the democratic process. A weak government tends to give its citizens everything they wish for. A strong government has the will to say NO!”

Autocratic forms of rule are beginning to be imposed in the advanced capitalist countries. Unelected “technocratic” regimes have already been installed in Greece and Italy to carry out the economic diktats of Europe’s financial institutions. In every country, far-reaching police state measures have been established to meet the inevitable confrontations with the working class.

Australia is no exception. The ruling elites are acutely conscious that austerity will provoke social and political upheavals. They are preparing accordingly. The working class must do likewise and begin to build an independent political movement to fight for a workers’ government that will implement socialist policies, including nationalising the banks and major industries, and placing them under the democratic control of the working class. This is the perspective that the Socialist Equality Party advances, as part of the struggle for world socialism.



To contact the WSW and the
Socialist Equality Party visit:

wsws.org/contact