

# Australian Labor government budget marks shift to permanent austerity

Patrick O'Connor  
9 May 2012

The budget brought down yesterday by the Australian Labor government of Prime Minister Julia Gillard has cut real government spending by 4.3 percent, the most significant reduction in the last 25 years.

The budget marks a turning point. The remaining stimulus measures enacted after the 2008 financial crash have now been eliminated with austerity measures projected for years into the future. Labor has promised big business and finance capital that it will deliver no more budget deficits, regardless of economic shocks internationally and in Australia. Austerity is now firmly entrenched as the central principle of government economic policy.

In his speech unveiling the budget in parliament last night, Treasurer Wayne Swan boasted the government was “delivering a surplus this coming year, on time, as promised, and surpluses each year after that, strengthening over time.” He added: “Tonight we make a forceful statement that ours is one of the world’s strongest economies and fairest communities. Not even a sovereign debt crisis in Europe or unprecedented natural disasters here at home could deny Australia this substantial achievement. The deficit years of the global recession are behind us. The surplus years are here.”

In reality, the projected narrow surpluses for the next four years—beginning with a \$1.5 billion surplus in 2012-13, rising to \$7.5 billion in 2015-16—are based on fanciful predictions of continued economic growth in Australia and in the country’s main trading partners. Treasury, which has consistently overestimated economic growth since the global financial crisis, is forecasting that the economy will expand by 3.25 percent next financial year. It anticipates that growth in China, Australia’s largest export destination, will remain at more than 8 percent for the next three years, while predicting that the overall world economy will accelerate to 4 percent growth next year and 4.25 percent the year after.

These rosy prognoses have been issued just as the crisis in Europe enters a new stage. Political turmoil in Greece is raising more questions about the viability of the euro and unnerving

the financial market, while jobs growth in the US is slowing. In China industrial activity is losing pace, and there are widespread concerns about a collapse in the property and investment bubble there.

Wayne Swan declared that the government’s projected surpluses “provide a buffer against global uncertainty”—absurdly attempting to revive the myth that the Australian economy can be insulated from the world crisis. In reality, renewed economic turmoil in Europe, the US or anywhere else in the world will quickly undermine the Labor government’s surplus projections, making a budget surplus dependant on ever more severe spending cuts. Gillard has staked her political life on eliminating the deficit and slashing debt in order to accommodate the demands of international finance capital.

Sections of the media have already predicted a budget update later this year to unveil more cuts, and Swan today pledged to do this if needed. Even without a new contraction in global economic activity, yesterday’s budget forecasts are likely to be quickly exposed as overly optimistic. Treasury forecasts in the last four years overestimated expected taxation revenue by an enormous \$150 billion. Nevertheless, next year it predicts that tax revenue intake will grow by nearly 11 percent. Moreover, the government’s revenue projections from the Minerals Rent Resources Tax and the carbon tax have been widely criticised as unrealistic.

The \$33.6 billion in cuts and savings announced last night came from several areas. Postponing several major military expenditures and cutting the defence bureaucracy saves \$5.4 billion, postponing planned foreign aid programs cut \$2.9 billion, and restricting superannuation concessions for high income earners saves \$2.4 billion.

These measures were sharply criticised in the corporate media. The *Australian Financial Review*’s editorial was titled, “Far too many tricks and handouts.” It declared that “while the government deserves credit for returning the budget to surplus, the congratulations can only be half-hearted ... Swan has failed

to cut spending by enough to build up a convincing array of solid and sustainable budget surpluses.”

The *Review* nevertheless welcomed the budget’s highly regressive “quality spending cuts.” These included the decision to force all single parents with children older than eight, who currently depend on parental payments, onto the poverty-level NewStart unemployment benefit—a reduction in income of at least \$60 per week. The goal is to dragoon more single parents into low-wage, part-time and casual work. About 100,000 people will be affected, inflicting serious social distress on many of the most vulnerable families in Australia.

Other regressive measures include cuts to the Medicare “safety net” rebate, widening the “user pays” health system, and the doubling of HECS tuition fees for all maths and science university students. Swan also yesterday announced additional public sector job cuts, totalling 12,000 over three years. State governments will inflict tens of thousands more public sector layoffs in the next period, under conditions where lower federal government GST revenue intake will flow down to the states, driving further spending cuts.

The government’s attack on mothers dependent on parental payments underscored the fraud of its claims to be delivering a budget that, as Swan declared, “advanced the living standards of millions of families and pensioners on modest incomes.”

The treasurer announced that the government was dropping its plan to use mining tax revenues to lower the corporate tax rate from 30 to 29 percent, because the Liberal Party and Greens would not pass the measure through parliament. Some of the \$4.8 billion saved as a result has instead been directed to what the government labelled a “Spreading the Benefits of the Boom” package—in a move to try to offset the impact of the carbon tax, which comes into effect on July 1.

Swan’s claim that his “battlers’ budget” involves the redistribution of wealth from the mining boom and the rich is completely fraudulent. The pro-market policies of the Labor Party are directly responsible for the deepening social gulf between rich and poor over the past three decades. The tax imposts on the giant mining corporations and the wealthy are as insignificant as the handouts in the budget to working people.

One of the government’s touted new schemes, an increase to Family Tax Benefit A for low and middle income households, involves a *maximum* payment of \$12 a week. Another Labor government scheme, the so-called Schoolkids Bonus, involves annual payments to parents of \$410 for each primary school child and \$820 for each high school child. This is nothing but a rebadged and slightly modified version of the old Education Tax Refund that was created to offset some of the rising costs of education. Yesterday’s budget also featured new one-off

annual payments to some welfare recipients amounting to \$210 for singles and \$350 for couples—entirely inadequate amounts to cover daily cost of living increases.

The new spending measures were nevertheless widely condemned by business and the media. The national Murdoch flagship, the *Australian*, today features the headline, “Smash the rich, save the base”, above a cartoon featuring Swan in an “Occupy Treasury” t-shirt and in front of a hammer and sickle flag. This outlandish response only underscores the fact that the ruling establishment will tolerate no deviation from the imposition of austerity measures squarely onto the backs of the working class.

The *Australian*’s editorial provided a more sober assessment of the budget than did its front page articles, recognising that the Labor government’s desperate standing in the polls had compelled it to give a populist veneer to its austerity budget. Gillard herself is desperate to stave off a potential challenge to her leadership from within the Labor caucus.

“The return to surplus is the appropriate policy aspiration for the treasurer, and he deserves encouragement along that path,” the *Australian* stated. “Having urged Mr Swan to reduce spending more drastically last year, and criticised his lack of resolve, we applaud his resolve while noting the fickleness of previous predictions. And the tenuous black ink over the next four years, at a time of record terms of trade, demonstrates there is much more work to be done if Canberra is to rein in government spending sufficiently to construct a structural surplus.”

The editorial concluded with a thinly-veiled warning to the government, raising the media-fuelled sensationalised corruption allegations levelled against MPs Peter Slipper and Craig Thompson. Gillard is on notice. Having announced an era of budget surpluses, the Labor government is expected to deliver further austerity measures like those imposed in Europe and the US, eliminating so-called entitlement programs, and making ever deeper inroads into the living standards of working people. If it does not deliver, the mechanisms have been put in place to rapidly bring it down.



To contact the WSWWS and the Socialist Equality Party visit:

**[wsws.org/contact](http://wsws.org/contact)**