

Australian government abandons budget surplus pledge

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Treasurer Wayne Swan's announcement yesterday that the Labor government will deliver another budget deficit next year underscored the rapidly worsening economic situation in Australia.

Amid an escalating world economic crisis and a slowdown in China, Swan and Finance Minister Penny Wong released an updated financial statement revealing a collapse in tax revenues of nearly \$4 billion. The treasurer explained that this "sledgehammer hit" to revenue was caused by the "very substantial hit to profits that Australian companies have experienced"—not only in the mining sector due to the slump in commodity prices, but "right across the board." He added that nearly every section of the tax base was affected: "company tax, individual, business and investment-type taxes, capital gains tax, run your way through to super funds tax, resource rent taxes—all of them, all of them have been hit."

Full details of the revised budget position will be released next year. But even before Swan's latest announcement, key economic indicators pointed towards a deepening crisis. Australia's national income dropped by 0.4 percent in the September quarter, the first contraction since early 2009 and only the second since 1991. Wage and salary income also fell, reflecting widespread job losses and declining wages and hours worked. The quarterly data also showed corporate profits down by 2.9 percent, contributing to a 13 percent plunge from a year earlier. Earlier this month the Reserve Bank of Australia attempted to stimulate economic activity by lowering official interest rates to 3 percent, the "emergency" level reached at height of the financial crash in 2009.

Prior to yesterday's statement, the Labor government was under pressure from sections of the corporate elite to abandon its pledge to deliver a budget surplus next

year. Some economists estimated that additional spending cuts as high as \$15 billion would be required to eliminate the deficit. Cuts of this magnitude would drive the economy further into recession, hitting wide layers of big business.

The Business Council of Australia (BCA), representing the country's 100 largest corporations, endorsed Swan's announcement that a surplus would not be delivered next year. BCA chief executive Jennifer Westacott declared the decision was "a product of a weakening economy" and marked a "realistic reading of the economic and fiscal situation." The peak business lobby group nevertheless insisted that there could be "no avoiding the need for a comprehensive review of the scope and size of government in Australia," with "some tough decisions about spending priorities."

The Labor government, and the ruling elite as a whole, remains determined to impose sweeping spending cuts—eliminating welfare programs, social infrastructure, and investment in public health and education—as a means of resolving the economic crisis by systematically lowering living standards.

Tactical divisions have emerged over how to advance this austerity agenda. While most sections of business and the media joined the BCA in endorsing the pause in additional cuts, the *Australian Financial Review*, the primary mouthpiece of finance capital, sharply castigated the Labor government. It described the failure to deliver a surplus as a "national failure" that left "Labor's fiscal policy and economic management credibility in tatters." The newspaper gave short shrift to Swan's claim of a highly "unusual" global and domestic economic climate, warning: "Australia's looming budget crisis is not a short-term problem: it is likely to be with us for the rest of the

decade.”

The treasurer insisted that the surplus announcement did not change the government’s commitment to slashing spending. Swan boasted that expenditure under Labor as a proportion of gross domestic product remained lower than the average under the previous conservative government of John Howard. He also flatly rejected a journalist’s suggestion that the government could reverse previous socially-regressive spending cuts—including stripping single parents of more than \$100 a week and cutting university funding by more than \$1 billion. “I’m not loosening the purse strings,” he declared. “I want to make it really clear. I’m not loosening the purse strings.”

Swan claimed that the decision to deliver another deficit was driven by the Gillard government’s “core values” about the “jobs of working Australians.” This is an utter fraud. The Labor government has orchestrated a sweeping restructuring of the Australian economy that has seen the manufacturing and other sectors decimated in order to free up capital and labour for the mining corporations. More than 130,000 manufacturing jobs have been destroyed in the last four years.

The Labor government is also passing on revenue shortfalls to its state counterparts, Labor and Liberal, and encouraging deeper public sector layoffs and cutbacks. Yesterday the Queensland and New South Wales Liberal governments, and the South Australian Labor administration, announce further budget problems. The Queensland budget deficit has blown out to a record \$7 billion, despite the destruction of 14,000 public sector jobs. In NSW, the planned return to surplus will take a year longer than previously forecast, with the state suffering a sharp decline in coal and other mining royalties. In South Australia, the government blamed lower goods and service tax revenue from the federal Labor government for its deficit of more than \$1.1 billion. In response, the state government is imposing another 1,750 public sector job cuts.

A key factor behind Swan’s surplus announcement was the Labor Party’s fear of triggering opposition from the working class. The minority government is widely despised among ordinary people who have already been hit hard by the budget measures imposed to date. Gillard and Swan no doubt calculated that the prospect of even deeper cutbacks to ensure a budget

surplus would spell oblivion in elections due next year.

The opposition Liberal-National coalition highlighted the numerous occasions on which the prime minister and treasurer insisted that the 2013 surplus pledge would be met “come hell or high water.” Opposition leader Tony Abbott has sought to link the broken promise to the perception of Gillard that emerged immediately after the 2010 Labor Party leadership coup as a shifty and illegitimate prime minister. However, neither Abbott nor his shadow treasurer Joe Hockey is willing to publicly commit to delivering a budget surplus in their first year in office and to spell out any detail of promised cuts of at least \$70 billion. Like the government, the coalition is well aware that such statements would be greeted with intense popular hostility.

The 2013 election is already shaping up as a conspiracy against the working class—all the parliamentary parties are committed to a savage austerity program, but none will discuss it publicly. Once the vote is out of the way will whichever party forms government unveil its agenda in full.



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