

Western Australia election campaign paves way for spending cuts

Joe Lopez, Patrick O'Connor
20 February 2013

Western Australia will hold a state election on March 9. The incumbent Liberal government of Premier Colin Barnett and the opposition Labor Party are both making behind the scenes preparations to implement the deep cuts to government spending that are being demanded by the financial markets and credit ratings agencies.

Western Australia has been at the forefront of the boom in mining investment in Australia, and has the lowest official unemployment rate and highest average income of any state. The corporate elite is nevertheless insisting on the ruthless austerity measures, aimed at gutting social programs and driving down working class living standards, just as they are nationally and internationally.

The economic situation in Western Australia underscores the significant impact of the global decline in mineral commodity prices. Mining royalties make up about 20 percent of the state government's revenues, and the plunging prices of iron ore and other exports in recent months have fuelled business calls for equivalent spending cuts.

Last September, state Treasurer Troy Buswell announced another \$330 million in cuts to the public sector, on top of austerity measures outlined in the May budget. He declared the cutbacks were necessary to deliver a 2012-13 budget surplus, adding that additional public sector layoffs would be imposed if required.

Credit ratings agencies nevertheless placed the state's triple A rating on "negative outlook," complaining that the government had not sufficiently reduced spending to lower state debt. Debt is forecast to increase to nearly \$24 billion by 2016, up from \$18 billion now and \$3.8 billion in 2008. The election campaign commenced amid warnings to the major parties from the banks and ratings agencies.

On February 6, the same day that Barnett launched

the Liberals' campaign, the ANZ bank issued an economic update declaring: "There will be little tolerance from ratings agencies of new recurrent or capital spending unless there are equivalent offsetting savings or revenue-raising measures." On February 8, the Chamber of Commerce and Industry said forecasts of a narrow \$390 million surplus in the next financial year "only confirms the need for a wholesale review of spending programs to ensure the budget position is in the black and is sustained."

The Labor Party has attempted to win support from key sections of business by pledging to implement deeper cuts. Opposition leader Mark McGowan has denounced Barnett as a "tax and spend Liberal", who has failed to be "fiscally responsible." During last night's "leaders' debate" between Barnett and McGowan, the Labor leader reiterated that stance, saying he would make "tough decisions" in order to fund infrastructure projects.

McGowan is attempting to distance himself from the despised federal Labor government. Prime Minister Julia Gillard has been asked to stay away from Western Australia during the campaign, while McGowan has criticised her government's carbon and mining taxes. Last night, he declared that he would match Barnett in being "tough" with Canberra.

The corporate elite and the media are nevertheless firmly behind the election of a majority Liberal government. Barnett has governed since September 2008 as head of a minority government. The rural-based National Party has backed the government and accepted ministerial positions, but refused to form an official coalition. The 2008 Liberal-National agreement involved a "Royalties for the Regions" scheme, under which 25 percent of all mining royalties would be funnelled to rural and regional areas. While concerns

were initially raised in corporate circles about this measure, the revenue has been directed to developing pro-export infrastructure projects for the mining companies and large agri-businesses.

The Liberal government has functioned as a loyal instrument of big business, especially the mining giants. Australia's wealthiest person, Western Australian resident and iron ore magnate Gina Rinehart, has increased her personal fortune from about \$2 billion to \$17 billion during Barnett's time in office.

For the working class, however, the mining boom has meant a sharp increase in social inequality and financial hardship, generated by a rapidly escalating cost of living. The cost of housing has skyrocketed, and the Liberal government has ratcheted up charges for electricity and water usage. (See: "Workers struggle in 'boom' state of Western Australia")

Mounting social tensions have prompted the Labor and Liberal parties to engage in a "law and order" bidding war, aimed at strengthening the state's repressive powers. Barnett has promised to impose mandatory jail sentences of at least 15 years for rape committed during a home invasion, and at least 7 years for serious assault, declaring the issue his "number one priority." During last night's debate, McGowan embraced that proposal and pledged to recruit an additional 500 police officers, a near 10 percent increase in the size of the force. Western Australia already has the highest police expenditure, per capita, of all the Australian states.

One critical issue confronting the working class that is not being raised in the official election campaign is the implications of the rising tensions between China and the US.

Barnett has previously warned against the Gillard government's embrace of the Obama administration's aggressive drive to counter China's challenge to its strategic domination of East Asia and the Pacific. He represents the interests of the mining companies, whose continued profits depend on access to the lucrative Chinese market. When Obama visited Australia in November 2011 and issued a provocative speech against Beijing in the federal parliament, at the same time announcing with Gillard that US Marines would be stationed in Darwin, Barnett declared that Gillard's government "needs to take the time to reassure our trading partners that this is not an aggressive act."

Last August, Barnett rejected a report that had been commissioned by the US Defense Department and issued by the Center for Strategic and International Studies, which called for an American nuclear aircraft carrier strike fleet to be based in Western Australia.

Western Australia accounts for nearly three-quarters of all Australian exports to China, and approximately 80 percent of total Chinese investment in the country is in the state. Since coming to office, Premier Barnett has worked to develop what he has called an "international policy," independent of Canberra's.

In September 2011, he visited Beijing and signed an agreement promoting mutual investment with China's peak economic planning body, the National Development and Reform Commission, the only deal of its kind that Beijing has struck with any state or provincial government. Barnett told the *Australian* at the time that the agreement would boost his efforts to establish a "separate identity" to Canberra in its relations with the Chinese government. "Western Australia's economic development is not focussed on what happens in Canberra," he added. "It is focussed on what's happening in Asia. We don't have a foreign policy, but we do have what I would call an international policy, and it is centred around business."

The *West Australian* reported earlier this month that the federal Labor government's mining minister, Martin Ferguson, had accused Barnett of not being a "team player" and of "diluting Australia's diplomatic efforts offshore." The rising tensions underscore the fissures running through the entire Australian political establishment as US imperialism, Canberra's long-standing diplomatic and military patron, prepares for a potential military confrontation with China, Australia's largest export market.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact