

Australian PM declares “grave” budget crisis as cuts prepared

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Labor Prime Minister Julia Gillard delivered a pre-budget speech in Canberra yesterday, seeking to provide a rationale for further major spending cuts that target the working class and the most vulnerable layers of society.

Endeavouring to generate a crisis-like atmosphere, Gillard warned of an “urgent and grave” situation that required “the whole of society [to] share the burden of these saving decisions.” Cuts were required, the prime minister insisted, because of another shortfall in anticipated tax revenues, this time totalling \$12 billion. Evoking the “national interest” and the “common good,” Gillard declared that there were “no easy choices.” For the May 14 budget, “we need to have every reasonable option on the table to meet the needs of the times, even options previously taken off the table.”

The prime minister did not outline the specific cuts being prepared. However, the *Australian* today reported that one of the central measures under discussion is a crackdown on disability support pension payments, modelled on Britain’s austerity measures. In 2012, the Conservative-led UK government’s Welfare Reform Bill sought to slash welfare spending on the disabled by 20 percent by imposing cruel new tests requiring far higher levels of disability to be eligible for income support.

Gillard heads a pro-business, right-wing administration committed to making the working class bear the burden of the growing crisis wracking the Australian economy. The centrepiece of the minority government’s 2012 budget was new legislation pushing about 100,000 single parents onto the poverty-level unemployment benefit.

Now for the 2013 budget, the approximately 800,000 people dependent on the disability pension are in the

government’s crosshairs. Gillard’s aim is to both gut welfare spending and meet business demands for a larger pool of exploitable cheap labour, by forcing the disabled onto the job market.

In her speech, the prime minister also made a point of noting that annual spending commitments on the age pension and health were rising faster than government revenue.

While preparing to punish some of the most impoverished layers of society, Gillard again boasted of how little tax was imposed on Australian corporations, noting that government spending was lower than every other Western advanced economy, except Switzerland. She detailed how forecast tax revenues had failed to eventuate, with the high Australian dollar suppressing corporate incomes and therefore how much tax they paid. She made no mention of other factors—including the failure of her watered-down mining tax to raise any significant revenue—but quickly ruled out hiking taxes on business to redress the historically low levels of tax paid.

“Quite apart from any other factor, remaining competitive in the contemporary global economy doesn’t allow us simply to turn back time on tax collection by dialling up tax revenue to these [previous] levels,” she declared. In other words, the continued “competitiveness” of Australian capitalism demands that spending cuts be implemented against the working class to cover the shortfall left by big business.

The Labor government nevertheless remains under pressure from corporate Australia to go even further in pressing ahead with a European-style austerity campaign.

Gillard left open the possibility of a new income impost, modelled on the Medicare levy, to help fund the proposed National Disability Insurance Scheme

(NDIS), despite previously ruling this out. The NDIS is a pro-market, voucher scheme of disability care—promoting privatised services and reducing long-term expenditure—but it is expected to involve significant initial government spending.

The suggestion of a new levy triggered outrage from the Murdoch press and the *Australian Financial Review*, both of which oppose any revenue hikes to address the budget deficit. These outlets have promoted an ongoing campaign, involving the Business Council of Australia and various think tanks, for the speedy elimination of the welfare state and for unprecedented cuts to government spending on health, education and other social services.

This agenda for social counter-revolution will be taken up by whichever of the major parties wins the federal election, due to be held on September 14. Before then, however, the Labor government is acutely aware that there is no social constituency outside of the ultra-wealthy elite for ruthless austerity.

Gillard is posturing as an opponent of the opposition Liberal Party's plans to slash spending. In yesterday's speech, the prime minister declared that while "our opponents and their friends crudely flaunt the bitter language of the cut throat and the brandished axe," the government would "not cut to the bone." This, Gillard claimed, "is a bright dividing line in Australian politics today."

Treasurer Wayne Swan similarly declared: "We reject the heartless philosophy of mindless austerity."

This is an utter fraud. The Gillard government, from its first day in office, has been a committed proponent of pro-business austerity. Its decision, announced last December, to abandon its previous commitment to hand down a budget surplus this year has nothing to do with any commitment to "jobs" or the "fair go," as Gillard and Swan maintain, but rather reflects the concerns of important sections of corporate Australia that excessive cuts, implemented too quickly, could trigger a damaging recession.

The Liberal Party opposition is divided over the issue. Shadow treasurer Joe Hockey outlined his perspective in a speech last year calling for an end to the "age of entitlement" and making clear his desire to abolish all welfare spending. Opposition leader Tony Abbott, however, has vetoed Hockey's numerous proposals for massive spending cuts, at the same time

maintaining his populist parental leave proposal that is to be funded by a new 1.5 percent tax on the largest corporations. Anticipating that Gillard will be thrown out of office in the September election, representatives of big business and finance capital have been expressing their dissatisfaction with Abbott's positions, and openly canvassing alternatives for the leadership.

Underlying the political instability of both the major parties is the ruling elite's mounting frustration over how to forge a political instrument capable of delivering the demanded agenda in the face of overwhelming opposition within the working class.



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