

Gillard Labor's budget: The class issues

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As usual, this year's budget has been brought down amidst a flurry of words from the political establishment, media commentators and pundits all aimed at covering over the fundamental class interests that have determined the Labor government's economic program.

Delivering the budget speech, Treasurer Wayne Swan talked endlessly about "our nation", "our economy" and the "priorities for the nation." The media pundits, likewise, invoked the interests of the Australian "nation."

This flood of words has one central purpose: to cover over the fact that the budget, like all government measures, is determined not by the needs of "the people" but is shaped by fundamental class interests—the demands and dictates of the ruling elites—that are carefully packaged as the "national interest."

The national hype is particularly prevalent in this year's commentary on the budget, because its central task is to initiate an ongoing program of attacks on the social position of the working class while presenting its agenda as unavoidable and necessary.

In times past, such measures have often been presented as a bit of belt tightening here, a little pain there, which has to be endured so that "good times" can return. But the measures in this year's budget are not temporary. They are the start of a program aimed at ending the entire social welfare system established in the period after World War II, and bringing to a final close what Liberal shadow treasurer Joe Hockey, supported by Swan, has called "the age of entitlement." This agenda has been some time in the making.

In July 2010, less than a month after becoming prime minister, Julia Gillard declared that she intended to take up the pro-business "reform" mantle of the previous Hawke-Keating Labor governments. That program, carried out with the crucial collaboration of the trade

unions under the prices and incomes Accords, saw a massive redistribution of income from wages to profits. Announcing her continuation and deepening of the Hawke-Keating agenda, Gillard said that "renewal and reform" now had to be extended to those sectors left relatively untouched between 1983 and 1996, including health, education, aged care facilities, child care centres, schools and employment services.

The Gonski education program and the National Disability Insurance Scheme, which lie at the centre of this year's budget, are a product of this "renewal and reform" program. Both the new school funding scheme and the disability insurance model have been promoted by the entire political and media establishment as historic progressive reforms when, in reality, both are regressive, pro-business schemes aimed at privatising education and disability support services, and gutting long-term public spending. (See: "The fraud of Labor's NDIS and Gonski 'reforms'")

No less than the Hawke-Keating measures, Gillard's agenda is aimed at boosting corporate and financial profits at the expense of the working class. Her government's insistence that the deficit must be cut and the budget returned to surplus in the interests of the nation is the ideological cover for this offensive.

But the deficit itself did not drop from the sky. It is the outcome of previous budget decisions, likewise expressing definite class interests. One of the major factors behind the current deficit—\$19.4 billion for the 2012 financial year—is the massive tax cuts delivered by the Howard-Costello budgets of the mid-2000s, and retained by the Rudd Labor government when it came to power in 2007.

Recent research by The Australia Institute think tank has revealed that the government would have had an additional \$38 billion for the 2012–13 budget, and would have collected an additional \$169 billion over the previous seven years, had it not been for these

earlier tax cuts.

Presented as handing money back to “the people”, these cuts were nothing of the sort. On the contrary, they represented a vast redistribution of wealth up the income scale.

According to The Australia Institute, of the \$169 billion in lost revenue, some 42 percent, or \$71 billion, went to the top 10 percent of households. This layer raked in more through the tax cuts than was received by the entire bottom 80 percent.

The benefits to the upper income layers were probably even greater than these figures indicate because of tax concessions on superannuation and the decision to tax income from capital gains at half the rate charged on ordinary income, enabling the very wealthy to engage in lucrative tax minimisation practices.

The *World Socialist Web Site* pointed to this process in an article on the May 2006 budget. Having received increased revenue from the mining boom, we noted, the government was “redistributing these profits to the wealthy.” So blatant were the measures that a comment in the *Australian Financial Review* at the time noted that the tax cuts were “unashamedly directed at helping the rich get richer.”

Despite these massive handouts—estimated by the WSWS at the time to be worth at least \$60 billion over four years—the budget remained in surplus, because of increased revenue from the mining boom. Today, however, the flow of funds to the government has decreased, while the restructuring of the tax system to boost the wealthy remains in place, resulting in large budget deficits.

Outlining his latest budget, Swan insisted on the need for “structural” savings, that is, the cutting of the deficit through attacks on the social position of the working class. Tuesday’s budget was only the start of the process. The knives are currently being sharpened for even deeper cuts, once the September 14 election is out of the way.

Today’s edition of the *Australian Financial Review* cited several economists who assessed that the government’s revenue estimates over the next four years could be too optimistic. One economist indicated that instead of a \$60 billion revenue shortfall, the real figure could be as high as \$90 billion. This would “likely require the new government [which comes to

power after the election] to implement deep cuts to welfare, increase taxes or both,” the newspaper concluded.

Opposition Liberal Party leader Tony Abbott is under enormous pressure to demonstrate his pro-austerity credentials to the corporate elite. An editorial in today’s *Sydney Morning Herald* called on Abbott to agree to the spending cuts already proposed by the Labor government and to outline further measures aimed against the “entitlement mentality.”

It suggested that “Abbott overhaul disability pension rules to reduce the \$14.8 billion a year the government pays with no requirement to recipients’ ability to work” and that qualification rules for the yet to be established DisabilityCare [the government’s new title for the NDIS] “be tightened to reduce the sharp rise in projected outlays.”

The budget represents a stepped-up offensive by the corporate and financial elite against the working class—the beginning of the kind of austerity drive that has brought social devastation across Europe. The working class must develop a counter-offensive, based on its own independent class needs and interests, and grounded on a socialist and internationalist program. The fight to develop this offensive is at the very centre of the Socialist Equality Party’s election campaign.

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