

Australian budget reports pave way for deeper austerity offensive

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The Australian corporate elite seized on two reports issued yesterday, by the Australian Treasury department and the Parliamentary Budget Office, to advance its campaign for sweeping European-style austerity measures directed against the working class.

Both reports examined the country's so-called structural deficit, that is, a hypothetical calculation of what the federal government's budget would look like if mineral exports were priced at their historical average instead of their current, near record, value.

Unsurprisingly, on this basis, the Parliamentary Budget Office economists concluded that the structural deficit was far higher than the actual deficit. It estimated a structural deficit of around \$38 billion this year, remaining as high as \$16 billion in four years' time. By contrast, the Labor government's May 14 budget forecast an \$18 billion deficit this year, with a surplus due in four years. The Treasury report claimed that structural deficits could last until 2021–22.

The "structural deficit" concept has been used by corporate lobby groups, right-wing think tanks and the Murdoch and financial press throughout the year to agitate for massive budget cuts. (See "Australian business, media step up campaign for austerity cuts")

This reflects real fears within ruling circles over the precarious position of Australian capitalism. The assault unleashed against the wages and conditions of the European and American working class has established new benchmarks for advanced economies seeking to maintain their "international competitiveness."

Moreover, the Australian economy remains heavily dependent on continued high Chinese economic growth. Already, the China-fuelled mining boom is coming to a rapid end, with declining commodity prices triggering cancellations of energy and mining projects

across the country. According to official figures released today, these cancellations are valued at \$150 billion. A crisis in China would quickly spark a wider restructuring of the resources sector—prompting mass layoffs in the mining, energy, construction and related industries—and plunge the Australian economy into a deep slump.

At the same time, the Australian bourgeoisie is deliberately utilising the "structural deficit" to whip up a crisis atmosphere that is aimed at creating the political conditions for sweeping spending cuts to welfare, social infrastructure, public health and education and other basic services. All these cutbacks are overwhelming opposed by ordinary people. There are parallels with the US budget. The Obama administration and the Republican Party set in place artificial triggers for spending cuts—the "fiscal cliff" and sequestration measures—to ram through historic attacks on bedrock public spending programs.

Chris Richardson of Deloitte Access Economics declared that the Treasury and Parliamentary Budget Office reports showed that the government taking office after the September federal election would inherit "big problems." He added that the "electorate" did not "understand that this means difficult decisions lie ahead."

In fact, the two reports demonstrate that the current budget deficits have directly emerged out of repeated tax cuts, implemented by the Labor government and its Liberal-National predecessor under John Howard, which heavily favoured big business and upper middle class layers. Even a minor increase in taxes on the multi-billion dollar profits of the major mining companies and banks would eliminate the deficit.

In addition, neither the official budget reports nor the media attempt any estimate of the budget impact of the

record spending allocated by successive Liberal and Labor governments on the country's vast military-intelligence apparatus.

Prime Minister Julia Gillard and her colleagues responded to the latest budget reports by rejecting out of hand any suggestion that taxes should be raised to return revenue collection to previous levels.

Treasurer Wayne Swan used the Parliamentary Budget Office report to denounce the Howard government for spending "like drunken sailors" in its final years in office. He boasted that the Labor government had implemented \$300 billion of cuts and structural savings measures. "We're proud of that, we've done the right thing in terms of fiscal responsibility for the long-term," he declared.

Labor's "fiscal responsibility" involves vicious attacks on the most vulnerable layers of the working class. Gillard and Swan plunged thousands of single parents into poverty by eliminating parenting payments and forcing them onto unemployment benefits. The government has kept unemployment benefits at sub-poverty rates, openly stating that this is necessary to ensure that enough workers fill the low-wage, insecure jobs offered by corporate Australia. Labor is similarly preparing to strip the disability support pension from hundreds of thousands of people, forcing them into the workforce to boost the labour supply.

The Labor government is seeking to secure the backing of key sections of the corporate elite for another term in office by demonstrating its willingness to impose austerity and pro-business economic restructuring measures.

Labor's budget, unveiled on May 14, set in place the framework for permanent austerity. Swan mentioned shadow treasurer Joe Hockey's demand for an end to the "age of entitlement"—that is, for the abolition of the welfare state and the elimination of public funding for basic services—only to deride the opposition for failing to deliver. The coalition still faced a choice, Swan insisted, "between making motherhood statements about ending the age of entitlement and putting those empty words into action."

Hockey yesterday addressed the National Press Club to reply to the budget. He notably refused to commit the opposition to any additional spending cuts beyond what it previously announced. Most of the Liberal-National Coalition's announced cuts comprise Labor's

austerity initiatives, which they have given bipartisan support. Just four months ahead of the scheduled September 14 election, Hockey and opposition leader Tony Abbott are acutely sensitive to the popular opposition to the agenda demanded by the financial elite. Speaking yesterday, Hockey sought to distance himself from his "age of entitlement" calls, dishonestly insisting that he was talking about the need for austerity in Europe, not Australia.

The shadow treasurer emphasised that a Coalition government's real budget situation could not be determined until after the election. A "commission of audit" would review every spending measure and make proposals for cuts.

The official election campaign is nothing more than a conspiracy. Behind the backs of the people, both the Labor and Liberal parties are preparing to implement an historic assault on the social position of the working class. Whichever major party ends up forming government after September 14, this is the agenda that will be immediately pursued.



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