

Australian government “mini-budget” prepares post-election austerity

Patrick O'Connor
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The Australian Labor government’s updated fiscal economic statement, released yesterday, imposed significant new spending cuts, in addition to those unveiled just 12 weeks ago in the May budget. The mini-budget makes clear that the reinstatement of Kevin Rudd as prime minister in June is to be accompanied by an accelerated austerity drive to shift the burden of the deteriorating Australian economy onto the working class. Yesterday’s statement is a pledge to the corporate elite that if re-elected in the upcoming election, the Labor government will do whatever is necessary to eliminate the budget deficit.

Treasurer Chris Bowen and Finance Minister Penny Wong issued the economic statement in response to worsening economic conditions. The sharp slowdown in China has triggered an abrupt end to the mineral export boom that partially shielded the Australian economy in the aftermath of the 2008 financial crash. Now the full force of the global capitalist breakdown is beginning to be felt. Substantial sections of the economy are already in official recession, amid a mounting toll of layoffs and plant closures.

As a result, economic forecasts that accompanied the last budget, handed down less than three months ago, have been radically revised. The slump in commodity prices has led to a sharp fall in next year’s expected terms of trade (the value of the economy’s exports against its imports), from a 0.75 percent rise in the May budget to a decline of 5.75 percent. Expected annual economic growth has been marked down from 2.75 for 2013–14 to just 2.5 percent, and anticipated unemployment revised upwards from 5.75 percent to 6.25 percent. The jobless figures grossly underestimate the real situation, with actual unemployment widely understood to be around twice as high as the official rate.

Revenue write-downs over four years total more than \$33 billion. As a result, the forecast budget deficits have been increased over the following two years, \$30 billion next year (up from the \$18 billion forecast in the previous budget) and \$24 billion the year after (up from \$11 billion).

Treasurer Bowen outlined additional spending cuts and revenue measures totalling \$17.4 billion. Additional revenue will be found through increasing tobacco taxes and imposing a small levy on bank deposits, for an “insurance” fund for future bank bailouts. The main cuts included the previously-announced restriction on fringe benefits tax benefits, shelving planned increases in foreign aid, and a new and more punitive so-called public service “efficiency dividend” that is expected to slash spending by \$1.8 billion. This measure will inevitably eliminate hundreds, possibly thousands, more public service jobs, in addition to those already axed by the Labor government. In another deeply regressive spending cut, \$457 million will be clawed back from the disabled, by introducing harsher impairment tests to block many from receiving the disability support pension.

All these cuts are in addition to those unveiled in the May budget—including slashed university funding and the elimination of indexation for Medicare doctor payments. In the immediate aftermath of Rudd’s re-installation, his new ministers suggested that the government could move to lift poverty-level unemployment benefits and restore cutbacks to single parent benefits. The economic statement has ruled out both measures.

Bowen emphasised that additional cuts would be imposed as necessary to deliver the projected budget surplus in 2016–17. “We’ve showed we’re prepared to take difficult decisions to get there,” he declared, “and

we're showing that, if necessary, we'll take more difficult decisions to get there." Austerity measures far harsher than those already implemented will inevitably be declared "necessary" after the election, regardless of whether the Labor or Liberal-National parties win.

Despite radically revising downward every key economic indicator—just weeks after far rosier figures were issued by the government in its annual budget—the latest forecasts remain absurdly over-optimistic. For example, according to the mini-budget papers, unemployment will rise sharply to 6.25 percent next year, before falling back to 5 percent in the following two years. This is based on the assumption that economic growth in these two years will return to the long-term trend rate. Every aspect of the government's calculations are based on assumptions of continued high growth rates in China, with the Treasury papers claiming that "China's medium-term growth potential remains strong, with growing signs that the new government will make the necessary structural reforms to secure this potential ... solid growth in China is forecast to underpin strengthening growth among Australia's major trading partners in 2014 and 2015."

In reality, the global capitalist system is in its sharpest crisis since the 1930s. The Chinese economy, like other so-called emerging economies, faces shrinking export markets amid continued stagnation in Europe and the US. Its growth rate has been repeatedly revised down over the past year as Beijing, confronting the spectre of a financial crash, reins in credit. The government sits atop a social powder keg, with bitter discontent within the working class threatening revolutionary upheavals.

Despite the worsening global economic breakdown, Bowen nevertheless declared: "Australia is undergoing an economic transition—not a crisis, but a transition—which needs careful economic management."

But this raises the question: transition to what? According to the government budget papers, the transition will involve a shift from mining boom conditions to a "more normal, broader based growth." Nothing could be further from the truth. To maintain corporate profits, big business is demanding a stepped-up restructuring offensive, aimed at slashing wages and boosting productivity through mass layoffs and workplace speedups. At the same time, it is insisting on European-style austerity measures to abolish basic

social programs and welfare entitlements to make way for corporate tax cuts and infrastructure spending.

The Rudd government is attempting to convince the corporate elite that it is the best choice to implement this agenda, portraying the opposition coalition as internally divided and insufficiently ruthless. Both parties, however, have the same agenda. Behind the fraud of the official campaign, both Labor and Liberal are preparing class-war measures. As the *Australian Financial Review* today approvingly noted, this is "the nation's first post-boom election, where politicians will be forced to take back money from voters rather than give them more."



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