Australia: Slowing economic growth fuels austerity demands

Patrick O'Connor
5 December 2013

Worse than expected economic growth figures, released yesterday, have added further pressure on the Liberal-National Coalition government as it prepares sweeping pro-business austerity measures.

Gross domestic product (GDP) growth for the September quarter was just 0.6 percent, and 2.3 percent over 12 months. Consumer spending is stagnant, and net exports, driven by mining commodities, were responsible for 90 percent of the economic growth over the year.

The latest data showed a 3.3 percent decline in the economy's terms of trade, that is the value of exports against imports. The terms of trade are now down 17.7 percent from the 2011 peak reached at the height of the China-fuelled commodity boom, which has since begun to collapse.

The Australian economy is yet to fall into official recession, but the slump is already lowering working people's living standards. Yesterday's figures showed that real per capita average income in this year's September's quarter was about 2 percent lower than in the same period in 2011.

Releasing the figures, Treasurer Joe Hockey warned of rising unemployment: "These numbers emphasise how little growth is being generated by domestic spending. This composition of growth is also problematic for job creation, with the resources sector—where most of the export growth is happening—needing fewer workers per dollar of production than the rest of the economy."

Hockey asserted that the data indicated that deficit forecasts would have to again be revised, with "a further deterioration in the budget bottom line."

The government is preparing to release a mid-year budget update (MYEFO) in the next few days, before handing down its first budget next May. This will involve billions of dollars of cuts, with a big business-dominated audit commission now investigating entire areas of government spending to be slashed.

Through a myriad of think-tank reports and policy papers from economists and corporate lobby groups issued in the past year, the ruling elite in Australia has elaborated a detailed economic restructuring and austerity agenda directed against the working class. This includes the abolition of entire government programs—including in healthcare, education, welfare and other basic services and infrastructure—similar to what has been imposed by global finance capital in several European countries.

The worsening economic conditions in Australia have only added to the urgency of the corporate demands for this social counter-revolution.

Abbott last night delivered a speech to the Business Council of Australia, the lobby group representing the country's 100 largest corporations. The prime minister touted his pro-business credentials in a sycophantic fashion. "When I look at a business audience, any business audience, I don't see people who exploit workers, who rip off customers or who damage the environment," he declared, "profit is not a dirty word and success in business is something to be proud of, that's why almost everything we've done over the past three months has been to make it easier for Australians to do business."

Abbott declared: "Make no mistake, this government is determined to be a reforming one, in the tradition of the Hawke [Labor] and Howard [Coalition] governments, but we will be pragmatic reformers rather than ideological ones."

However, he pleaded for patience from his big business taskmasters, suggesting that many of their diktats could not be pushed through in his first term in

© World Socialist Web Site

office. “In a stable, peaceful, pluralist democracy few things change dramatically overnight, nor should they,” he stated. “In our own way and in our own time, we too will be a reforming government and our country will be much the better for it.”

This drew immediate rebukes, with the *Australian Financial Review’s* editorial today complaining that Abbott “might as well have said there is a political limit to what his government is prepared to do to get the economy going again.”

This was another expression of the deep concern within ruling circles about the Abbott government’s ability to implement their demands, in the face of overwhelming opposition among ordinary people.

Business figures continue to denounce the government’s decision last week to bar a proposed takeover of Australia’s largest agribusiness, GrainCorp, by US giant Archer Daniels Midland (ADM). On Tuesday, both the *Australian Financial Review* and the *Australian* editorials scathingly denounced Hockey’s explanation that a “high level of community concern” over the proposed deal meant it could not proceed. This effectively endorsed the prominent lobbying campaign against the ADM takeover, led from within the government by the National Party, the Liberals’ junior coalition partner.

The *Australian Financial Review* stated that the decision marked a “dismal benchmark for what the new Abbott government will count as a tough call,” with Treasurer Hockey admitting he “makes national-interest decisions on the basis of special-interest pleading.”

Murdoch’s *Australian* declared on Tuesday: “If Joe Hockey’s decision to stop the sale of GrainCorp to an American company on Friday is at all indicative of how he will approach the task of rectifying the government’s haemorrhaging budget, then we are all aboard the Greece Express.”

The editorial endorsed the conclusion of a recent think-tank report that $38 billion in spending cuts were required to eliminate the deficit—equivalent to almost 10 percent of current government spending. The *Australian* endorsed the Abbott government’s “laudable cuts to the federal public service and feckless foreign aid spending,” but immediately added that “far more courage will be required.” Hockey’s GrainCorp “community concern” rationale, the editorial continued, will have to be “quickly discarded” if “budget reform has any hope … None of the solutions will be easy: voters seize on government largesse, direct payments and services, like a pit bull with lockjaw.”

The deeply antidemocratic character of the bourgeoisie’s agenda again sharply emerges. After winning the September 7 election by mounting a populist campaign against the right-wing policies of the former Labor government, appealing to concerns over cost of living and employment insecurity, the Abbott government cannot claim any semblance of a “mandate” to attack working people’s living standards. Regardless, as far as the ultra-wealthy and financial oligarchy are concerned, the mass popular opposition to austerity only raises the need for the government to demonstrate “courage” in defying public opinion to protect their personal fortunes and profits.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site