As Australian government draws up budget, Murdoch lays down the law

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The Murdoch press has delivered its sharpest warning yet to the Abbott government that its days are numbered unless it lives up to its commitment to introduce severe austerity measures in the budget to be brought down next month.

Speaking on behalf of the powerful financial interests that increasingly dominate the Australian economy, Murdoch's flagship newspaper the *Australian* declared in an editorial published on Tuesday, that the budget would be an indication of "how seriously [Treasurer] Joe Hockey intends to end the age of entitlement and slash spending."

How the government measured up to that task, it continued, would "ultimately determine the Coalition's political longevity."

The budget is being prepared under conditions where the mass media have worked assiduously to manufacture an air of crisis over the government's fiscal position. But as many economic analysts have pointed out, the Australian budget deficit is low by international standards.

Yesterday, an article in the *Wall Street Journal* noted that at 1.9 percent of gross domestic product, the Australian deficit was much lower than many developed nations, including the United States where the deficit was 4.1 percent of GDP in 2013 and is expected to be 2.8 percent this year.

The article cited a study conducted by what it called the "respected" University of New South Wales which said the budget crisis was more "myth" than reality. According to UNSW economist Raja Junankar, Australia had the lowest deficit to GDP ratio among developed countries, smaller even than that of Germany, which is imposing austerity on eurozone countries.

These facts serve to underscore the driving forces behind the contrived budget crisis and the ever-more strident demands for the gutting of pensions, welfare payments and other social services. From the standpoint of finance capital, these payments, benefiting the working class, represent resources which it would otherwise be able to appropriate.

Over the past three decades, and especially since the eruption of the global financial crisis of 2008, the Australian economy has undergone a significant transformation. The gutting of the manufacturing industry—expressed most dramatically in the closure announcements over the past 11 months which will see the wiping out of the entire car industry—has been accompanied by the growth of financial interests.

The proportion of banking, finance, and insurance has risen from 3.6 percent of Australia's GDP in 1985–86 to around 11 percent. Finance is now the largest sector of the Australian economy, generating more revenue than mining. Over the past 30 years total assets managed by financial interests, including the banks, have risen at a rate of around 12 percent per annum compared to the rise of nominal GDP of under 7 percent.

The series of reports from corporate and financial think tanks over the past year highlighting the "budget crisis" are the expression of the increasingly impatient and rapacious demands of finance capital for a fundamental restructuring of class relations in Australia.

They are voiced most clearly in the editorial columns of the *Australian* and the Fairfax-owned *Australian Financial Review* (AFR). Insisting that Australia faces a "moment of truth", the *Australian* editorial was particularly vitriolic when it came to dealing with the Abbott government's plans to delay planned cuts until after the next election, scheduled in 2016.

"Putting off spending cuts so they fall on the dark side of the next election is a weasel, Laborish way to proceed. … If budget repair is squibbed on May 13, judgment on the Coalition will be severe. Like the weak mob [the Labor governments of Gillard and Rudd] who came before them, they will have wasted a mandate and shown themselves to be not up to the task," it said.

While not quite a threat of "regime change" if the government failed to carry out the dictates of finance, it was not far short of it.

An editorial in Tuesday's AFR was more restrained but contained the same essential message. The imposition of a "deficit levy" which has been floated as one possible measure to address the budget bottom line would be "a classic example of one policy failure begetting the next." The government, it insisted, had to cut spending to match its lower than expected revenue receipts.

The blowtorch being applied to the government by the financial press is causing serious ructions within the ranks of the Liberal and National Party coalition.

The AFR carried a report on Tuesday on a "revolt" over Abbott's commitment to the introduction of a paid parental leave (PPL) scheme, considerably more generous than that introduced by the former Labor government, which would see women workers paid their full wage for a period of six months, instead of the minimum wage at present.

Initially Abbott had proposed the payments under the scheme, which he characterised as "signature" policy during the election campaign, would be capped at an income of $150,000 per year, prompting criticism that the scheme would pay $75,000 to wealthy women while they have a child.

Following the reports of a growing "revolt", Abbott responded by signalling that the PPL scheme would cut out at $100,000, the level at which the Greens would support the measure. But this may not satisfy considerable sections of the Liberals, as well as the Nationals, who want the scheme scrapped altogether.

The AFR report named three Liberal senators who, it said, were considering whether to cross the floor to vote against the legislation. It cited one unnamed senator who said the scheme sent a poor message in light of the budget narrative for "heavy lifting" by all parts of the community. The senator described Hockey's claim that the scheme would act as an incentive for women to return to work as a "crock of shit" and that it fed "the entitlement mentality."

Opposition to the policy, which Abbott has proposed be financed through a tax levy on the top 3,000 companies, has drawn the fire of corporate organisations. Speaking on ABC-TV's "Lateline" on Tuesday evening chief executive of the Australian Industry Group, Innes Willox, said that one of the larger members of the organisation had made a calculation that if the program went ahead it would take about $190 million from the company's bottom line.

Abbott is also facing opposition from within the ranks of the government and from business organisations over any move to introduce a deficit levy which could cut in for incomes over $80,000 per year.

Today's *Sydney Morning Herald* carried a front-page story headlined "PM faces party-room revolt" in which it reported that senior Liberals, including at least one member of the Abbott ministry, have described the proposed levy as "electoral" suicide. Abbott has said the proposed measure is not a breach of his pre-election commitment not to impose new taxes because it is a levy, and therefore a "temporary" measure. This has been dismissed as sophistry by opponents of the tax in the Liberal Party.

The AFR today again denounced the proposed levy as "unprincipled, ineffective and downright counter-productive." The "proper way" of dealing with the situation was to cut spending.

If Abbott proceeds with either or both of these measures he could face growing opposition from within government ranks. And if he fails to meet up to the "austerity" demands of key financial interests, government instability will further increase, raising the possibility that the necessity for a new leadership may begin to be touted.