

Labor duplicity exposed on Australian budget

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The double game being played by the Labor Party on the Abbott government's budget has been exposed within 24 hours of parliament being reconvened to debate the measures.

Faced with deep-seated and broadening opposition to the budget, the Labor Party is striving to appear as the champion of low and middle income families that are the hardest hit. At the same time, it is desperate to send signals to the financial elites that Labor will act to carry out their demands for major cuts in government spending.

This duplicitous policy has resulted in a flip flop on the question of whether Labor would support a freeze in family tax benefits for two years. Based on briefings by party leaders, the *Sydney Morning Herald* reported that Labor would “wave through” the freeze, a budget saving of \$2.6 billion.

According to the report, ALP sources said the party did not want to appear to be “overly negative” and took the decision on the basis that it had also frozen family tax benefit payments when it was in government.

However, it appears that commitment to support the freeze was overturned in a meeting of the shadow cabinet last night. This morning the shadow minister for families and payments, Jenny Macklin, issued a media statement that Labor would “stand up for low and middle income families and oppose this cruel measure.”

Of course, the obvious question is if the freeze was not considered to be a “cruel measure” earlier in the day, and could be “waved through,” what had happened to bring about such a transformation by the evening?

The reversal makes clear that Labor's “opposition” to the budget is completely confected. It is not grounded on any principles but a series of political calculations.

In this case it judged that while support for the freeze

would send the right message to the financial elites, it would severely hamper the party's ability to contain the groundswell of opposition to the budget—fuelled in considerable measure by the understanding that young families are the hardest hit—within the parliamentary framework.

According to analysis conducted by the National Centre for Social and Economic Modelling, a single income family receiving \$65,000 and with two children aged 8 and 14 will lose more than \$6,000 per year because of the changes to the family tax benefits scheme and other budget measures.

The worsening economic position of large sections of the population, which has led to the eruption of hostility to the budget, has been underscored by a report issued today by the credit reporting company Dun and Bradstreet.

It found that consumer financial stress increased in April and was set to rise even further by July because of low wage growth, increased household debt and cost of living pressures. The index rose to 18.7 points in April, compared to 13 points in January and is expected to reach 24.8 points in July. A figure above zero indicates increased stress.

While the Labor Party turns this way and that on what measures it will oppose or support, in conditions that party leader Bill Shorten has described as “white hot anger” over the budget, the government is exhibiting signs of growing instability.

In a desperate move to counter criticism from backbench MPs that the budget had not been “sold” correctly, finance minister Mathias Cormann indicated that the government was considering a taxpayer-funded advertising campaign to try to promote it. The government had a “responsibility” to tell the public how they would be affected and it had to do “what needs to be done” to ensure that different groups understood how they were impacted.

The campaign, he said, would be carried out “in the usual way”—a clear indication that as with campaigns organised by previous governments, both Liberal and Labor, it would largely consist of radio and television advertisements.

Cormann made his announcement before a meeting of government MPs. However, it appears that government leaders took the view that a TV and radio blitz would backfire and only increase opposition. Accordingly, after the meeting, prime minister Tony Abbott ruled out a television and radio campaign saying it would be “disingenuous” with reports suggesting that it would be confined to a letter or leaflet drop targeted at those most likely to be affected.

While leaders of both major parties seek to deal with the wave of anger provoked by the budget, the media mouthpieces of the financial elites are continuing their campaign in support of deep-going cuts.

A week ago, the *Australian Financial Review* carried an interview with Craig Michaels, a sovereign analyst with the credit rating agency S&P, warning that Australia’s AAA rating could be under threat if there was a perception that the government was wavering in its determination to push ahead.

Today the newspaper featured a major interview with the head of the Parliamentary Budget Office, Phil Bowen, in which he insisted that the budget crisis was real, rejecting claims it has been manufactured. Bowen said that, while he did not believe there was an “immediate emergency,” it was the trajectory of the revenues and payments which was of concern and there had to be a “buffer.”

Bowen’s outlook reflects the view of financial markets that, as Australia is highly vulnerable to sharp changes in the world economy, funds must be on hand to protect corporate and financial interests in the event of another major global financial crisis.

In other words, future bailouts have to be funded by slashing the social conditions of broad sections of the working class.



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