

Australian “exceptionalism”, the budget and the demands of finance capital

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4 June 2014

For more than a century, the myth of Australian “exceptionalism” has been one of the key ideological props of capitalist rule, whether exercised through Liberal or Labor governments.

Because of its resources and natural wealth, the argument goes, Australia occupies a peculiar position within the global capitalist economy, not subject to its fundamental laws and driving forces, and with a working class destined to enjoy a high standard of living.

The political purpose of this myth is to promote the illusion among workers that while the fight for socialism might, perhaps, be appropriate elsewhere, it is neither necessary nor applicable in the “lucky” country.

Once again, Australian exceptionalism is being advanced to try to ensure that the eruption of widespread anger over the Abbott government’s budget goes no further than a few protests, without any of the critical underlying issues being considered.

Various pseudo-lefts claim that the budget represents nothing more than the “ideological” preferences of the Abbott Liberal government. The implication is that if only numbers of people exerted sufficient mass pressure on the ruling class, another road via the same parliamentary system would be possible.

On May 26, the pseudo-left group Socialist Alliance published a typical expression of this poisonous political fiction, in the wake of the March in May budget protests that were held two weeks ago.

According to Socialist Alliance, as well as “pressure within the parliament, people need to build the kind of movement that mobilises the majority of Australians who are hit hardest by this budget. This movement is the best antidote to cynicism and disillusionment and is essential to busting the myth that there is no alternative to the neoliberal, pro-business agenda of the major parties. This movement needs to break through the government propaganda parroted by the Murdoch media about the so-called ‘debt crisis’ and the ‘budget we had to have’.”

Socialist Alliance insists that the aim of such a movement must be to apply pressure on Labor and the Greens, as well as the minor parties, to block the budget in the Senate, force a double dissolution and secure the return of a Labor-Green government.

Socialist Alliance national co-convenor Peter Boyle set this program out in an article published last Friday. Its essential theme is that because socialism is a long way off, a movement must immediately be developed to block the budget and return Labor to office, a perspective that will advance the struggle for socialism in

the future.

“Of course,” Boyle writes, “we need a government that is truly committed to putting people and the environment ahead of corporate profits to really stop the attacks on our social services, jobs and rights. That’s sadly a way off our current reality. The desperately needed viable political alternative has yet to be built. But today we can strengthen the movement of workers and oppressed that is needed to make a government of the people, by the people and for the people a reality in the future.”

The situation is exactly the reverse of what Boyle presents.

Far from strengthening the developing mass opposition of the working class, mobilising it behind Labor and the Greens is aimed at politically and organisationally weakening it.

Labor and the Greens do not represent an alternative to Abbott government. They are another wing of the political establishment. Having set the stage for the attacks of the Abbott government while in office—the very reason they were thrown out in last year’s federal election in a landslide—Labor and the Greens will only continue and deepen them, in whatever form, if returned to power.

The budget measures are not the outcome of a “preferred” ideology that can simply be replaced by another, more palatable, set of policies. At their core lies ideological denunciations of and attacks upon the welfare state, which express the deepest material needs of the ruling financial elites, whose interests both Labor and the Greens, no less than the Abbott government, are committed to serve.

Socialist Alliance, together with all those who claim there is some alternative to the Abbott’s attacks within the framework of the parliamentary system, seek, above all, to cover up this reality.

According to Socialist Alliance, “There is no debt crisis. Australian government debt as a proportion of GDP is one of the lowest of the OECD countries and would be even lower if hundreds of billions of dollars in tax cuts and concessions had not been given to the rich since the 1990s.”

There is no question that Treasurer Joe Hockey’s claims of a “budget emergency” were aimed at “manufacturing” an immediate crisis. But to simply leave matters there is to sow the most dangerous illusions. The real question is what political and class interests has Hockey’s campaign served and why has he launched it.

To answer it, one has to leave the realm of the entirely confected “sound and fury” of parliamentary politics and probe the vast changes in the structure of world economy that have taken place

over the past three decades. In particular, it is necessary to examine the rise and rise of financialisation that set off the global financial crisis of 2008. In 1980, total global financial assets were roughly equivalent to world gross domestic product (GDP). On the eve of the 2008 meltdown, they were equivalent to some 350 percent of world GDP.

Far from being exceptional, Australian capitalism has been profoundly affected by these changes, as the statistics make clear.

Banking, finance and insurance burgeoned from 3.6 percent of Australia's GDP in 1985–86, to 8.1 percent in 2002–03, to 10.8 percent in 2012–13. It is now the largest sector of the Australian economy, generating more revenue than mining. On the back of their super profits, the market capitalisation of the Australian banks has swelled, in the space of a decade, from 2 percent to 14 percent of the entire global banking index.

Finance capital is striving to make Sydney an ever more important hub for speculative and parasitic financial operations in the Asia-Pacific. The Australian Securities Exchange is now the world's ninth largest stock exchange, with a market capitalisation of \$1.5 trillion. Australian superannuation funds have \$1.8 trillion under management.

These profound shifts in the very structure of Australian capitalism, emanating from global developments, are the real driving force of the budget. Its aim is not just to make a series of temporary cuts to the social welfare state, after which the system will somehow “recover.” Rather its goal is to dismantle the welfare state completely, as Hockey has made clear in his ongoing insistence on the need to end the “age of entitlement.”

Reducing social welfare to a bare-bones system, or even worse, serves two interconnected purposes. Slashing government spending is intended to open the way for significant reductions in major corporate and high-income tax rates, to allow Australian financial centres to compete more effectively with their rivals in the Asia-Pacific, where the rates are much lower. As Hockey declared in his initial remarks in the budget speech, it was framed to take account of “the emerging competition in Asia.”

In addition, the government spending cuts are aimed at providing the funds to provide finance capital with a buffer to meet the certain resurgence of financial turmoil. None of the problems that led to the events of 2008 has been resolved, and the very policies pursued by the world's major central banks since then—making available trillions of dollars of ultra-cheap cash to finance speculation—have only served to recreate the very conditions that led to the global meltdown six years ago.

In 2008, contrary to official mythology, the “sound structure” of the banks, along with careful regulation, did not exempt the Australian financial system from the global crisis. In October 2008, the major banks were unable to raise a dollar on international financial markets, and faced the prospect of insolvency within a matter of days. The flow of funds, on which they were completely dependent, only resumed when the Rudd Labor government stepped in to guarantee their borrowings.

Since then, the Australian economy's increasing dependence on China, and the escalating reliance of the banks on inflated property markets, have created the conditions for a potentially bigger disaster. While the “big four” Australian banks have cut back their

borrowings from international markets since 2008, they are still dependent on an inflow of foreign funds.

The risks posed by this situation were spelled out in the International Monetary Fund's assessment of the Australian economy in January this year. Using somewhat measured tones, it left no doubt about what could take place.

After pointing to the close interlinking between external and domestic conditions, the report continued: “A hard landing in China could reduce demand for Australia's mineral exports, worsen the terms of trade, reduce household income and trigger a fall in house prices. These interlinked risks could amplify any given shock as collateral effects further weaken consumer demand and growth, and could in turn lead to a market reassessment of Australia's growth prospects, negatively affecting [the] banks' balance sheets.”

To meet such a situation, finance capital demands that the government, of whatever political colouration, has funds on hand to bail it out when this becomes necessary. And the money must be made available through the destruction of the entire social welfare system. In other words, the “age of entitlement” must end so that the “entitlements” of finance capital and the ultra-wealthy, living on the heights of society, can be met.

Exposing the anatomy of the budget's political economy directs attention to the program for which the working class must fight, in opposition to the illusion that its interests can be defended through the parliamentary system.

Strikes, demonstrations, marches and protests will all play their part in the political struggle ahead. But these must be directed at asserting the political economy of the *working class*, not subordinating it to the Labor-Green wing of finance capital. In short, they must be aimed at advancing the struggle for a socialist program, starting with the expropriation of the banks and finance capital by a workers' government.

Such a program requires the building of a new revolutionary leadership of the working class, which will politically arm and prepare it for the struggles now emerging. This requires an unrelenting political fight against all the parties of the ruling establishment, above all, Labor and the Greens and their pseudo-left defenders.

This is the perspective advanced by the Socialist Equality Party. Ordinary working people, students and youth certainly confront an immediate crisis. But the nub of it is a crisis of leadership and perspective in the working class. This crisis can only be addressed by building the SEP and fighting for its internationalist and socialist program in the working class and among the youth.



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