

Political crisis intensifies over Australian austerity budget

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Despite frantic efforts by Treasurer Joe Hockey, who has travelled around the country to negotiate with assorted Senate minor party representatives and independents, the Abbott government remains unable to secure the passage of key austerity measures in its budget, handed down in May.

Such is the popular hostility to the major social spending cuts—notably imposing upfront fees to see doctors, denying welfare benefits to the young unemployed for months, reducing aged pension rates, and deregulating university fees—that none of the “cross-bench” senators elected last September feels able to publicly sign up for any of the measures.

When parliament resumes on August 26 from a six-week winter recess, it is increasingly likely that the impasse will remain unresolved, leaving a \$44 billion hole in the budget over a four-year period. Corporate and media frustration with the government’s performance is mounting.

The government’s difficulties were intensified this week by the release of Treasury statistics showing that Prime Minister Tony Abbott’s cabinet deliberately framed the budget to hit the poorest members of society the hardest, and the richest layers the least.

Documents obtained under freedom of information laws reveal Treasury informed the cabinet that an average low-income family, defined as those receiving up to \$37,000 annually, would lose \$844 per year in disposable income due to the budget. Middle-income earners would be down \$492; while a high-income family, taking home more than \$180,000 a year, would only lose \$517.

The Treasury data provided only a partial view of the budget’s intended impact on poor families, for the benefit of the wealthy. It did not take into account changes such as the proposed \$7 Medicare co-payment to see a doctor, and covered only one year—2016-17. By the following year, 2017-18, the token 2 percent “deficit repair levy”

imposed on high-income recipients would expire, leaving them just \$71 worse off a year because of the budget, while the full effects of cuts to family benefits would be felt by the working class.

Citing cabinet secrecy exemptions, Treasury refused to release two more detailed sets of modeling, reportedly showing even bigger disparities in the budget’s impact on the richest and poorest families with children aged between six and 16.

The figures underline the central concern of millions of working people that the budget is designed to further widen the social inequality that has become increasingly glaring over the past three decades.

Treasurer Hockey only exacerbated the situation by denouncing the “malevolent” publication of the statistics and reiterating the government’s theme that the budget was “fair” because the rich pay more tax. He declared that the Treasury modeling did not “take into account the fact that higher income households pay half their income in tax and, on average, higher income households fund the benefits that go to an average of nearly four lower-income households.”

His comments bluntly underscored the underlying budget strategy—to “end the age of entitlement” to welfare, as Hockey has repeatedly stated. In his view, reflecting the demands of the financial and corporate elite, the provision of any welfare payments, together with spending on public health and education, is an “unfair” impost on the rich.

Speaking at a business conference in Canberra yesterday, Hockey gave voice to his exasperation at the political crisis. The treasurer complained it was “bloody hard” to politically sell “budget repair.” He defended his budget as containing the greatest “structural reform” ever implemented in Australia, and said “the fact that the UK has a company tax rate of 21 percent weighs heavily on me.” Australia’s rate is currently 29 percent.

Hockey added it was a personal concern for him that New Zealand had a top marginal income tax rate of 33 percent, compared to Australia's 49 percent. His remarks confirmed the intense pressure being applied by finance capital for the wholesale elimination of social programs to drastically lower business and income taxes, and boost profit rates.

Labor, the Greens and the other groups in the Senate, including billionaire Clive Palmer's Palmer United Party, do not have the slightest difference with satisfying the dictates of the financial markets. Despite protest rallies across the country calling for the budget to be blocked, they swiftly passed the budget's main appropriation bills, which contain a large portion of the social spending cuts, particularly to health and education, as well as a big increase in military spending.

The senators did so in order to try to head off turmoil that could get out of the control of the entire political establishment, while trying to promote illusions that other budget measures that require separate legislation would be defeated within the parliamentary framework. As Greens leader Christine Milne declared, her party was determined to avoid a "constitutional crisis" over the budget.

After nearly a year in office, however, the Abbott government has failed to deliver what the corporate boardrooms require. Voicing the mounting impatience in ruling circles, Tuesday's *Australian* editorial declared that Hockey had made an "utter hash of marketing the Abbott government's key economic policies." After lambasting Hockey's budget night claim that he was addressing an immediate "budget emergency," the Murdoch newspaper urged Hockey to follow the examples set by two previous treasurers—Labor's Paul Keating and the Liberal-National's Peter Costello.

The editorial lauded Keating for "bringing the public along with him" in 1986 when he declared that Australia was headed for "banana republic" status unless severe budget measures were taken, and Costello for "preparing the ground for years" before introducing the highly regressive Goods and Services Tax (GST) in 2000.

This is a rewriting of history. The social offensive mounted by the Hawke-Keating Labor governments of 1983 to 1996, far from "bringing the public along" with them, led to a landslide election defeat.

As for Costello, the proposed GST led to the Howard government almost losing office in 1998 and led to the electoral annihilation of the Australian Democrats, whose Senate votes ensured the passage of the tax. For the next seven years, Costello and Howard, with the economy

buoyed by the mining boom, attempted no further major pro-market reform, earning the wrath of the financial elite.

The bitter political experiences of the past three decades, during which the gulf between the rich and the vast majority of the population has widened at the hands of successive governments, have produced the present impasse. Most working people no longer believe anything that governments try to convince them of.

For the corporate elite, the stalemate is untenable. While there may not be an immediate "budget emergency," their welfare-slashing and tax-cutting demands cannot be postponed amid growing nervousness about the likelihood of another global breakdown, even worse than that of 2008.

Bank of America Merrill Lynch analyst Saul Eslake told the *Australian Financial Review* today that failure to pass the austerity measures would mean a budget deficit of \$18 billion in 2017-18—the year in which the government has pledged to produce a surplus. This would not threaten the country's AAA grading by the international ratings agencies, but it would leave Australia "poorly placed to weather any kind of external shock."

Heavily dependent on exports of raw materials to Asia, and on inflows of foreign investment, especially from the US, Australian capitalism is highly exposed to "external shocks." These could take the form of financial market collapses, continuing falls in commodity prices or devastating military conflicts involving Washington and its closest partners, including Australia.



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