

Australian government switches message on budget “crisis”

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Prime Minister Tony Abbott’s Liberal-National government made a shift this week in its rhetoric over its austerity budget. Three months after handing down the budget, the government dropped its claims of a fiscal deficit “crisis” and asserted that almost 99 percent of the budget’s revenue measures had already passed through parliament.

When the budget was delivered in May, Abbott declared that a “budget emergency” was “confronting our country.” Just last month, Treasurer Joe Hockey, told parliament: “Everyone who has an ounce of credibility on economics recognises that if we do not address the budget crisis now, the pain associated with fixing it in five, 10, 15 or 20 years is going to be far greater for Australians.”

This week, the message was abruptly changed. The shift was summed up in a radio interview on Wednesday, when Abbott said it was “worth reminding” listeners that “a lot of the savings in the budget have already gone through.”

The government released Treasury figures showing that 400 decisions, cutting a total of nearly \$40 billion over four years, had been approved by the passage of the budget appropriation bills in June. All that remained to legislate was about \$20 billion in net reductions over the next four years, or about 1 percent of the \$1.9 trillion in total spending.

The shift followed the failure of intensive efforts by Hockey and other cabinet ministers during the five-week winter recess to secure agreements with cross-bench senators on a range of key budget measures before parliament resumes next week.

The outstanding measures are structural changes designed to permanently slash social spending, in line with the demands of the corporate elite that the government deliver on its promises to end “welfare

entitlement.” They include imposing upfront charges to see doctors, reducing pension rates, cutting younger workers off unemployment benefits for six months at a time, and deregulating university fees.

The government remains committed to imposing these measures, but now claims they are no longer urgent. Finance Minister Mathias Cormann said the government always knew that securing support for these “structural changes” was “going to be a marathon and not a sprint.” There was “still ample time to keep engaging with the Senate crossbenchers.”

The shift exposes the utter fraud of claims by Labor and the Greens, and all those promoting illusions in them, to oppose the thrust of the budget. Not a single vote was cast against its core appropriation bills when they passed through the Senate at the end of June.

All the Labor and Greens senators agreed that the calls being made at protest rallies to “block the budget” must be rejected, in order to prevent a political crisis that could result in a dangerous groundswell of opposition outside the control of the political establishment. Greens leader Milne was the most explicit, declaring: “[W]e are not going to cause a constitutional crisis.”

The bills that Labor and the Greens rubberstamped included substantial cuts to public sector jobs and services, particularly in education, vocational training, public hospitals, housing and the public broadcasters, the ABC and SBS, as well as foreign aid. They also commenced the reduction of health and education funding to the states by \$80 billion over 10 years.

While gutting essential social spending, the appropriation bills boosted military expenditure. It will soar by 20 percent, or \$9.6 billion, over the next four years, on top of a \$9.9 billion increase announced by the Gillard Labor government in last year’s budget, in

order to play a central part in the Obama administration's preparations for war against China.

If it were not for this bipartisan line-up, the Abbott government would be paralysed and unable to push ahead with the austerity agenda. In order to keep a lid on the popular discontent, Labor and the Greens, assisted by the various pseudo left groups, are promoting the illusion that protests, petitions and appeals to various MPs can halt or modify the worst of the budget measures.

Despite these efforts to head off a political crisis, the underlying problem remains: how to implement the demands of the financial elite without provoking a social explosion. Big business is increasingly impatient with the failure of elected governments to deliver its requirements for the dismantling of welfare and social programs in order to cut corporate tax rates.

In response to the government's about-face on the "budget crisis", there has been a renewed drumbeat of criticism by the corporate establishment. Today's *Australian Financial Review* editorial denounced the government for making a "retreat" on the budget that signaled a "defeat." It pronounced that the government's "softer new rhetoric" marked more than a budget crisis. "It is a crisis of our political system."

The editorial echoed blunt warnings issued this week by Reserve Bank of Australia governor Glenn Stevens and former Commonwealth Bank chief David Murray. Both drew attention to the dangers of another global financial meltdown, potentially even worse than that of 2008, because of over-inflated share market and housing prices.

Testifying before a parliamentary committee, Stevens declared that a failure of budget "fiscal consolidation" would see "draconian" measures forced on Australians. He pointed to the vulnerability of the Australian economy to a global breakdown, under conditions of already plunging export commodity prices (down 18 percent since 2011), the end of a decade-long mining investment boom and the diversion of corporate profits away from re-investment in production.

The central bank chief not only insisted that the budget restructuring had to proceed, but that labour costs had to be further lowered. Average real wages have already fallen over the past year. In other words, there must be a stepped-up offensive against the working class, designed to fully impose the burden of

capitalism's crisis.

Far from being opposed to these dictates of finance capital, the Labor Party is totally committed to enforcing them, as it sought to do in office, from 2007 to 2013. Labor's shadow treasurer Chris Bowen immediately endorsed Stevens's insistence on the need for budget "reform" and aligned Labor with the corporate establishment's condemnations, accusing the government of being "all at sea" over its economic strategy.

This is a warning that Labor, in league with the trade union leaders and the Greens, will work might and main to overcome the "crisis of the political system" declared by the *Australian Financial Review*. This will include offering alternative methods to achieve the deep spending cuts and other austerity measures demanded by the financial markets.



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