

# Amid a worsening Australian government crisis, Labor pledges to impose austerity

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With Australia's economic situation rapidly worsening, and the Abbott government still unable to push through parliament major social spending cuts from last year's budget, the opposition Labor Party is signaling its readiness to impose an austerity program on the working class.

Giving his first media interview for 2015, Labor's shadow treasurer Chris Bowen gave Sky News an indication of the approach that a Labor government would take. "The days of Santa Claus politics, in my view, are over," he declared. "There will be tough decisions taken which won't be universally popular. We won't be rolling into a little ball and pretending that we'll be all things to all people—that's what Tony Abbott does."

Bowen attacked Prime Minister Tony Abbott's government from the right, accusing it of dangerously raising expectations during the 2013 federal election campaign. "An opposition pretending they can return to [budget] surplus, no hard decisions are necessary, no spending cuts, no new tax rises—that's what Tony Abbott said before the election," Bowen said. "The Australian people don't believe that any more."

Labor is acutely aware of the popular hostility to the Abbott government's outstanding budget measures, including charges to see doctors, unrestricted tertiary education fees and cutting younger workers off unemployment benefits. Like the Greens and other senators, Labor voted for the bulk of the budget last July, setting in motion deep cuts to education, health and other social services, but has not endorsed any of the remaining, unpopular measures for fear of electoral oblivion.

Instead, Labor is drawing up plans for an alternative government that will seek to make even deeper cuts to social spending. Interviewed by the *Australian*, Bowen

made it clear that Labor was prepared to slash welfare entitlements, as it did under the previous Gillard Labor government, even though such policies "will lose us votes." He claimed that the Australian people were "up for a serious conversation" on "reform," provided that it was made to look "fair."

Yesterday's *Australian* editorial welcomed Bowen's comments as "an encouraging shift in tone." The problem for the corporate elite is that Abbott's Liberal-National Coalition government is showing signs of imploding, after just 16 months in office.

Abbott's government has begun 2015 in an even worse state than it ended 2014, unable to overcome the impasse over its budget measures, despite a pre-Christmas cabinet reshuffle that was supposed to "re-set" the ministry.

Last week, the government made its second backflip in a month on its plans to cut doctors' rebates under the Medicare health system, forcing them to charge patients upfront fees. Just a day after Abbott vehemently defended a \$20 rebate for short consultations, he ditched it in the face of a revolt within his own ranks, driven by fear of public outrage.

Leaks to the media have since reported that Abbott had personally insisted on the rebate cut last year, overriding "heated" opposition from Treasurer Joe Hockey and Peter Dutton, who was then replaced as health minister.

One Australian Broadcasting Corporation commentator reported that "political observers have been treated to a flotilla of leaks to the media" and suggested that "hope is fading fast for HMAS Abbott to be successfully refloated." *Australian Financial Review* columnist Jennifer Hewett today confirmed emerging talk of replacing Abbott, saying it was "an extraordinary indictment of the government's

unraveling.”

Abbott returned from his summer holiday this week, seemingly intent on re-stamping his authority on the government. In his first media conference for the year he foreshadowed another “long, hard slog” in the Senate on the budget measures, starting with the de-regulation of university fees, which would be “front and centre” of his government’s 2015 agenda.

That declaration, however, was immediately undermined when Education Minister Christopher Pyne offered concessions costing almost \$2 billion to try to get enough Senate votes for the plan. Despite Pyne’s retreat, none of the opposing senators shifted ground, effectively rendering it a dead letter.

Pyne’s manoeuvre also directly contradicted Treasurer Hockey, who had just ruled out any further concessions on the higher education package. Hockey, giving his first media interview for the year, attempted to recast the government’s political message. First, he claimed that cuts to Medicare and pensions were needed because the next generation could live to 150 years of age. While the 150-year lifespan was generally derided in the media, Hockey’s basic argument that access to pensions and health care should have been restricted because people are living too long was not.

Hockey then declared that welfare “reforms” were essential because “Australians spend the first six months of the year working for the government with tax rates nearly 50 cents in the dollar.” In reality, the top marginal income tax rate of 45 percent only cuts in for earnings over \$180,000—about three times the estimated median wage. The company tax rate is just 30 percent, and members of the financial elite employ a myriad of tax avoidance schemes to pay much less again.

Yesterday’s *Australian* editorial praised Hockey for “his resolve to get the sales pitch right this year,” saying he had “let loose the opening salvo in what has to become a sustained barrage of fiscal persuasion.” At the same time, the newspaper warned that “the resources boom is gone” and, with 2014 budget measures still stalled, the government must “find further savings for this year’s budget.”

What is driving this political crisis is an abrupt collapse of the mining boom, on which Australian capitalism has long depended. The economy was initially shielded from the full effects of the 2008

global financial breakdown, largely due to China’s massive stimulus packages and continued growth. Over the past year, however, coal, iron ore, oil and liquefied natural gas (LNG) prices have plunged, causing widespread mine closures, eliminating thousands of jobs and stripping billions of dollars from federal and state government tax and royalty revenues. Having come to office vowing to produce a budget surplus by next year, the Abbott government’s deficit has blown out to around \$50 billion.

The Abbott government’s debacle is the latest expression of a profound crisis of the entire parliamentary order. The Rudd and Gillard Labor governments of 2007–13 were first reduced to minority status, depending on the Greens for survival, and then thrown out of office, after they began the offensive on welfare and other social spending. The seething discontent also led to an array of minor parties, including right-wing populists, elected to the Senate, denying Abbott’s government a majority in the upper house.

Sharp political shocks and class struggles lie ahead as the ruling elites seek to find a way to impose the burden of the economic crisis on the working class.



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