

Australian government in crisis over budget strategy

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Less than two months after a backbench revolt in the Liberal Party threatened his leadership, Australian Prime Minister Tony Abbott and his government are mired in crisis. Big business leaders, financial commentators and political pundits have not only lambasted, but openly ridiculed Abbott and his ministers for their lack of a budget strategy and their failure to press ahead measures to slash wages and working conditions.

Abbott survived what he described as “a near death experience” on February 9 when about 40 percent of the Liberal Party room voted for a spill motion that would have declared all leadership positions vacant. The vote expressed deep concerns in the collapse of public support for the Liberal-National Coalition government amid widespread opposition to the austerity measures contained in last May’s budget, including lifting the pension age to 70, deep cutbacks to welfare payments, a co-payment for doctors’ visits and the deregulation of university fees.

Over the past six weeks, Abbott and Treasurer Joe Hockey have attempted to placate Liberal backbenchers by seeking to defuse the most contentious budget measures, while at the same time reassuring the financial and corporate elite that budget spending would be reined in. A fortnight ago, Hockey tabled an Intergenerational Report in a fraudulent attempt to justify the need for spending cuts in the upcoming May budget by claiming that to do otherwise would be robbing future generations.

In business circles, deep dissatisfaction with the government has continued to mount, amid a deteriorating outlook for the Australian economy fuelled by a continuing slowdown in China and falling commodity prices. In its budget submission this month, the Business Council of Australia (BCA), representing

Australia’s 100 leading corporations, insisted there had to be a 10-year plan for a “fundamental reset of fiscal strategy and the budget process” and declared that this approach was “a bipartisan imperative.”

Frustration with Abbott boiled over this week after he signalled on Wednesday that the upcoming budget would not contain the austerity measures demanded by big business, but would be “pretty dull, pretty routine.” Even more disturbing for the financial elite, he seized on projections from the Intergenerational Report to declare that there was “no cause for alarm because we have got the budget under control.” Abbott suggested that “a ratio of debt to GDP at about 50 to 60 percent is a pretty good result looking around the world” at countries like Greece.

The comments provoked an outpouring of caustic and cutting remarks. In Murdoch’s *Australian* today, which has steadfastly backed Abbott, commentator David Crowe declared that the government was “losing the battle over the budget.” Abbott was changing his message on budget cuts, he wrote, “in a way that stuns backbench colleagues, dismays business leaders and defies the warnings on future deficits from his own government’s forecasts.”

Treasury official Nigel Ray, who was responsible for preparing the Intergenerational Report, confirmed that it projected budget deficits for the next 40 years unless further cutbacks were made. The Reserve Bank governor Glenn Stevens warned yesterday that “we’re not on the correct path for the long run and we need to get on a better path.” Former BCA chairman and head of the government’s own audit commission Tony Shepherd urged Abbott and Hockey to make the necessary budget adjustments now “rather than wait for Armageddon.”

The editorial in yesterday’s *Australian Financial*

Review (AFR) ridiculed Abbott's assertion that the budget was "under control" and pointed out that a recent financial system inquiry report had warned that a public debt to GDP ratio of 30 percent would endanger Australia's AAA credit rating. It concluded by warning that "the budget will be the policy area that determines the fate of the Abbott government—and now this fate is likely sealed."

The opposition Labor Party seized on Abbott's comments to move a censure motion in parliament on Thursday. Like Abbott, Labor leader Bill Shorten is utterly two-faced. He has branded last year's budget as "unfair" and blocked some measures in a bid to capitalise on widespread public opposition, even while the Labor Party along with the Greens voted in favour of the budget appropriation bills slashing \$80 billion in health and education spending to the states over the next decade.

At the same time, Shorten and shadow treasurer Chris Bowen pledge to rein in government spending if Labor returns to office. Many of the Abbott government's measures were set in train by the previous Labor government. Shorten used the censure motion to again prove his bona fides to big business attacking the Abbott government for "putting Australia's AAA credit rating at risk through his own incompetence and mismanagement." He lambasted Abbott as the "Captain Chaos" of Australian politics: "He is captain of a team who has no economic plan for Australia's future. They have no budget plan."

The duplicity of Abbott and Shorten, leaders of two big business parties, underscores the deep crisis of bourgeois rule. Neither party is able to garner public support for policies that are antithetical to the interests and needs of the vast majority of the population.

The exasperation in ruling circles with both parties and the parliamentary system as a whole was expressed in AFR columnist Laura Tingle's comment entitled "We are being governed by fools and it's not funny." After declaring that Abbott had "dropped his bundle" and the government had lost its way and its authority, she continued: "At issue is not just whether Tony Abbott loses his leadership, or whether the budget bottom line deteriorates even further, but signs that our political system really is in deep trouble."

Earlier in the week, the government let it be known that it had discussed calling a double dissolution—a full

election of the lower and upper houses—in a desperate bid to end the parliamentary deadlock. Such is the public alienation from the entire political establishment that a new poll would likely lead to a further fracturing of the parliamentary system that has produced a succession of political upheavals and leadership changes over the past five years.

The crisis over the budget is further compounded by the worsening global economic breakdown and sharpening geo-political tensions. The latter has surfaced over the past week following the decision by the British government to defy US opposition and join the Chinese-backed Asian Infrastructure Investment Bank (AIIB). Having initially proposed Australian involvement then reversing itself in November under strong pressure from Washington, the Abbott government this week indicated that it will do another back flip and join the AIIB (see: "The conflict over the China-backed Asian investment bank").

The indecision over the AIIB highlights the deep dilemma facing the Australian ruling class, which depends heavily on China economically, but has long relied on the United States as the chief guarantor of its strategic interests. Behind the backs of the Australian population, both the Coalition and the Labor Party have fully backed the US "pivot to Asia" and integrated the Australian armed forces in the US military build-up against China. At the same time, big business has been reluctant to pass up the prospect of lucrative financial rewards from involvement in the AIIB. The latest decision will only further fuel divisions in ruling circles and add to the political crisis in Canberra.



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