

Budget bipartisanship in Australia: Labor backs more Abbott government cuts

Mike Head
1 July 2015

In a stark display of the budget bipartisanship that he signaled in his speech replying to the Abbott government's budget in May, Labor Party leader Bill Shorten last week helped the government push through a fuel excise increase that will raise \$3.6 billion from motorists over the next five years.

Just last November, Shorten branded Prime Minister Tony Abbott a "bowser bandit" and accused the government of a "tax ambush" when it initially imposed the fuel hike by regulations in order to bypass opposition by Labor, the Greens and minor parties in the Senate.

By performing a spectacular backflip on the fuel hike, the Labor Party also outdid the Greens, who the previous week struck a deal with the government to push through parliament the single biggest spending cut in this year's budget—slashing \$2.4 billion over four years by imposing far-reaching assets tests on the aged pension.

By aiding the Abbott government, Labor and the Greens have underscored a further sharp shift to the right by the entire political establishment, abandoning last year's pretences of opposing austerity measures. They have both signed up to impose deep cuts to the living standards of the working class amid rapidly deteriorating economic conditions for Australian and global capitalism.

Shorten foreshadowed the shift in his budget reply speech. He offered Abbott talks on a bipartisan approach to overcoming the budget deficit. Significantly, he called for a partnership that matched Labor's bipartisan backing for so-called "national security"—the fraudulent "war on terror," the assault on basic legal and democratic rights, and the dispatch of Australian forces to join the US-led war in the Middle East.

Since May, Labor's collaboration with the government has intensified on both fronts. Last week, which was the final sitting week of parliament before a six-week winter break, Shorten pledged Labor's in-principle support for the government's bill to strip citizenship from alleged terrorist suspects or "foreign fighters" by ministerial decree without any conviction by a court.

Now, as a result of the fuel excise about-face, motoring groups estimate that a motorist filling a 60-litre tank once a week will be worse off by \$325 over four years. Government revenues will be boosted by \$23 billion over the next decade.

Last November, Shorten said it was "outrageous" that Abbott had "launched a sneak attack on the wallets and cost of living of every Australian."

Trying to justify last week's political somersault, Shorten and shadow treasurer Chris Bowen claimed to have secured a government pledge to spend about \$1.1 billion of the funds on regional roads, even though that promise is unenforceable and therefore meaningless. More frankly, Shorten and Bowen spoke of having to make "difficult" decisions to repair the budget.

The commitment to enforce "difficult" measures further exposes the sham of last year's posturing by both Labor and the Greens as opponents of "unfair" cuts to health, education and welfare in the May 2014 budget. While furtively passing the budget itself, in order to avert a political crisis, the two parties feigned outrage and blocked a number of key budget measures. They did so only in order to head off public hostility that could have erupted outside the control of all the parliamentary parties.

At the same time, the response of Labor and the Greens to this year's budget marks a definitive turn. They are seeking to meet the mounting demands of

business leaders for much harsher moves to slash social spending, together with business taxes and wage levels, as the impact of the post-2008 global economic breakdown increasingly hits home in Australia.

Labor's backing for the fuel price hike is just the latest in a series of steps to help the Abbott government push through cuts announced in its 2014 and 2015 budgets.

In recent weeks, Labor has agreed to measures that include a \$156 million increase over four years in the domestic biodiesel and fuel ethanol excise, a \$1 billion cut to the seniors' supplement for retired workers and a \$465 million saving from retirees' defined benefit income streams.

Labor also voted with the government for a \$5.5 billion tax cut for small business and the repeal of a scheduled \$3 billion tax cut that would have benefited low-paid workers.

Those measures came on top of commitments that Labor made in its budget reply speeches to back cuts worth \$2.4 billion, including higher taxes on working holiday visa holders, the abolition of the large family bonus and the removal of the zone tax offset for fly-in, fly-out workers.

Further, Labor accepted government plans to take almost \$2 billion out of a wide range of health services by "rationalising and streamlining funding" across a range of programs.

In addition, while still claiming to oppose last year's \$80 billion budget cuts to health and education over the next decade, Shorten pointedly refused to promise that a Labor government would repudiate them. Likewise, while Labor leaders professed opposition to the deep pension cuts agreed to by the Greens, they would give no commitment to reverse them.

Last week, the International Monetary Fund (IMF) added to the pressure being applied by the financial elite to both Labor and the Abbott government. After a two-week visit, James Daniel, the IMF's mission chief to Australia, warned that economic growth was likely to remain at just 2.5 percent over the longer term, falling well short of the 3.5 percent forecast in the May budget.

The IMF declared that Australia's capacity to evade the fallout from the post-2008 crash was "ending" and the country had to regain its economic "reform momentum." This meant, the IMF insisted, greater

privatisation, lower income and company taxes, and a steeper goods and services tax.

Failure on this front would undermine the credibility of Canberra's promises to restore the budget to surplus over the coming decade, the IMF team warned. "Indeed, we see risks that the envisaged consolidation of the recurrent budget will not be achieved."

Contrary to government and media claims about the solidity of the financial system, the IMF report called for tougher controls on the banks, which were making increasingly risky loans to investors. The IMF said a recent stress test by regulators showed that banks needed "substantially" higher capital ratios to withstand a severe crisis.

An *Australian* editorial on June 26 welcomed Labor's decisions on the fuel excise and other tax measures, but demanded that Shorten go further to repudiate his "opportunistic and oppositionist" posturing against budget cuts. This, the Murdoch flagship declared, would be a "test" of his leadership over the winter break.

By striking deals with Abbott government, both Shorten and Richard Di Natale, the recently installed leader of the Greens, are sending clear messages of their readiness to impose severe measures on the working class, despite the deeply-felt public opposition to the gutting of social spending.



To contact the WSWWS and the
Socialist Equality Party visit:

wsws.org/contact