Bipartisan agreement on austerity at Australian premiers' summit

Mike Head
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This week's two-day "retreat" and summit involving Australian Prime Minister Tony Abbott and the leaders of the country's six states and two territories turned into a veritable love-fest between Abbott's Liberal-National Coalition and the Labor Party, which holds office in four of the states and territories.

Each of the participants at the Council of Australian Governments (COAG) gathering, which concluded in Sydney yesterday, heaped praise on each other, describing the meeting as "very positive" and "very constructive."

All the Labor premiers' oppositional posturing against the Abbott government's devastating $80 billion cut over 10 years to state and territory health and education funding, unveiled in last year's federal budget, was abandoned. Instead, there was unanimity on finding ways to enforce the measures, as well as deeper cuts to social spending and living standards that will be driven by the rapidly deteriorating state of the global and Australian economy.

Mike Baird, the Liberal premier of New South Wales, the most populous state, said he was "very pleased" with the "very constructive, very positive" discussions. Daniel Andrews, Victoria's Labor premier, said the leaders had a "very, very constructive discussion."

Jay Weatherill, South Australia's Labor premier, was explicit about the basis for the united political front. He said the meeting was the most significant such gathering in his 13 years in politics, because the assembled leaders "levelled with the people of Australia that the services that they want are not able to be funded with the money that we raise."

In other words, there was agreement all round on the need to slash health and education spending, and to raise taxes, notably the regressive Goods and Services Tax (GST), in order to impose the burden of the global slump and falling government revenues onto the working class.

Abbott, who barely survived a leadership challenge within his own party just five months ago, and whose opinion poll ratings remain at record lows, was particularly appreciative of the support he received from his Labor and Liberal colleagues. He hailed Weatherill's refusal to rule out Baird's call, issued on the eve of the COAG summit, for the GST rate to be increased from 10 to 15 percent, thus driving up the prices of household essentials. "Congratulations to Premier Baird and Premier Weatherill for being prepared to enter into this process with decency and good faith," Abbott declared.

The COAG meeting was held under the lengthening shadow of the collapse in world commodity prices. This is having a severe impact on the Australian economy, which depends heavily on mining exports, especially to the dramatically slowing Chinese market.

According to estimates in today's *Australian*, the ongoing fall in profits, jobs, wages and government revenues will produce federal budget deficits over the next decade totalling at least $170 billion more than forecast in the May budget delivered by the Abbott government. These projections followed Reserve Bank governor Glenn Stevens' warning on Wednesday that Australia's growth rate may have permanently fallen. In its May budget, the government predicted that growth would surge from the current 2.3 percent to the so-called long-term trend rate of 3.25 percent next year, and then rocket ahead to 3.5 percent for the next five years in a row.

Stevens' intervention makes a mockery of Treasurer Joe Hockey's pledge to eke out a budget surplus by 2019–20. According to the *Australian's* calculations, the budget deficit will continue to rise, and by 2024–25, public debt will be at least $360 billion, rather than the projected $200 billion.

Even these estimates assume that the Abbott government will be able to push through all its major outstanding austerity measures from the last two budgets,

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including cuts to higher education and family benefits. Despite a recent series of deals with Labor and the Greens to implement other deeply unpopular pension, fuel and other imposts, key cuts remain stalled in the Senate out of fear of the inevitable electoral backlash.

At the leaders' summit there was agreement, not only to keep a 15 percent increase in the GST on the table, but to start expanding the tax's base by extending it to cover most on-line purchases, and possibly all transactions worth more than $20.

The prime minister and state premiers also made an in-principle agreement to drive down health spending by including hospital treatments within the Medicare insurance system, subject to a ramped-up application of the previous federal Labor government's "efficient price-fixing" mechanism. This "activity-based funding" regime, introduced by Kevin Rudd's government, forces hospitals to continuously cut the costs of their medical procedures, inevitably at the expense of patient care.

Likewise, the leaders agreed to consider handing over all vocational education and training to the federal government, a move designed to accelerate the outsourcing of the tertiary education sector to cost-cutting and profiteering corporate providers. That process was begun, and became a centrepiece, of former Labor Prime Minister Julia Gillard's "education revolution."

Abbott said the deals were just the first steps toward what he has described as a shake-up of the Australian federation—the full extent of which is yet to be unveiled. It was "the start of a process," he stressed, cautioning against "springing tax changes on an unsuspecting public."

Abbott's comments betrayed a wider nervousness about the increasingly evident public disgust for the Labor and Coalition parties and the political establishment as a whole. He spoke about avoiding "scare campaigns" in order to "build the kind of trust and confidence that we need to see more of in our democracy."

Nevertheless the unity at the COAG summit was most sharply expressed in the greatest bipartisan "scare campaign" of all—drumming up fears of terrorism as a means of justifying war abroad and police-state measures at home. One of the main items on the COAG agenda was the adoption of a new terrorism alert register and "counter-terrorism strategy."

Against a backdrop of 10 Australian flags—a new record—the leaders announced that the existing terrorism threat levels, which escalate from low to medium, high and then extreme, will be replaced by the more alarming categories of not expected, possible, probable, expected and certain.

A five-point "strategy" was adopted, the two key elements being: "Shaping the global environment, including through Australia's military contribution to the coalition against Islamic State" and "Disrupting terrorist activity within Australia through the joint efforts of law enforcement and intelligence agencies."

In other words, the Labor and Liberal leaders underscored their unconditional commitment to the escalating US-led war in the Middle East, and Washington's preparations for open conflict with China, in order to "shape the global environment." They also reiterated their complete backing for, and involvement in, the regime of mass surveillance and vast police powers that is being constantly fortified by additional "counter-terrorism" legislation.

Up to now, the initial targets of these measures have been mostly Islamic fundamentalists accused of supporting or advocating opposition to the brutal military interventions in the Middle East. As the economic situation deteriorates, however, and the gutting of social spending and living standards intensifies, this state apparatus will be increasingly directed at suppressing social unrest and political opposition to the government and the entire parliamentary setup.

The corporate and media elite is continuing to demand that the government implement far deeper austerity measures, accusing Abbott and federal Labor leader Bill Shorten of lacking the political courage to pursue them. Today's *Australian* editorial cautiously welcomed the COAG outcomes, but then insisted: "The bottom line: much more work is needed to foster higher growth. Reform is stalled, policy formulation has been compromised and our political leaders have been sidetracked from the growth road."

This week's display of unity is another bid by Labor's leaders to demonstrate that they, no less than the Coalition, can be counted upon to police this offensive.

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