Economic downturn intensifies Australian political crisis

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11 August 2015

Australia's parliament resumed yesterday after a six-week winter recess with Prime Minister Tony Abbott's government under mounting pressure from the corporate elite to mount a stepped-up offensive against the conditions of the working class amid a rapidly worsening economic situation.

Falling export commodity prices and a warning by the Reserve Bank of Australia last week of a long-term drop in economic growth have fuelled discontent in the business and media establishment with the Liberal-National Coalition government's failure to impose its austerity agenda.

The difficulty of pushing through unpopular policies has only been compounded by the recent scandal over the use of parliamentary travel and accommodation allowances that has reignited public resentment towards the political establishment.

Following the downfall of parliamentary speaker Bronwyn Bishop, ostensibly over an expensive helicopter flight, politicians from all the main parties—Liberal-National, Labor, Greens and Independents—have been exposed as collectively spending millions of dollars on trips for themselves and their families, while demanding sacrifices of jobs and services from working class people.

Increasingly, the ruling elite is calling into question the capacity of the existing political system to deliver the onslaught on living standards that it requires in order to maintain corporate profits. Yesterday's editorial in the *Australian Financial Review* demanded a concerted drive to beat down "voters' inflated aspirations" and counter their "hostility for contentious policy changes."

The financial newspaper complained of years of parliamentary impasse. "Canberra's political class has spent close to a decade now tearing down elected prime ministers, running ineffective minority governments, being frustrated by the rise of Senate independents and now undermining its own reputation with expenses controversies."

The editorial concluded on an ominous note. "Mr Abbott's problem is that he seems to lack the political authority, and perhaps inclination, to drive through these necessary changes," it stated. "This is a formula for continued sub-par economic performance and continued political instability and dysfunction."

In the latest economic blow, mining conglomerate BHP Billiton has announced the elimination of another 380 jobs in South Australia, primarily from the remaining 4,000-strong workforce at the remote Olympic Dam copper, uranium, silver and gold mine. The company has already destroyed hundreds of jobs since 2012, when it abandoned plans for a major expansion of the mine, signaling the end of a two-decade mining boom for Australian capitalism.

Last week's official jobless statistics showed a seasonally-adjusted jump from 6.1 percent to 6.3 percent in July, taking the number of unemployed workers nationally to 800,700. The largest increases in the unemployment rate occurred in the former "mining boom" states of Western Australia (up 0.5 points to 6.4 percent) and Queensland (up 0.4 points to 6.5), as well as the industrial state of Victoria (up 0.4 to 6.4).

These Australian Bureau of Statistics estimates, which consider a person "employed" if they work one paid hour or more in a week, vastly understate the true crisis confronting workers. According to an alternative survey conducted by the Roy Morgan company, unemployment stands at 8.7 percent, and the total unemployed and under-employed level at 16.4 percent.

Underscoring the economic reversal, Reserve Bank governor Glenn Stevens last week delivered a speech warning that previous estimates of Australia's growth potential of around 3.25 percent may no longer be valid. The central bank's growth forecast for 2016 is now just 2.5 percent.

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Stevens's intervention points to the deepening impact of the global economic breakdown that began on Wall Street in 2008. In particular, growth in the Chinese market, now Australian capitalism's largest, is dramatically slowing, accompanied by the unraveling of the real estate and stock exchange bubbles that arose in China on the back of the Beijing regime's massive post-2008 stimulus packages.

The central bank's warning intensifies the political crisis in Australia. The Abbott government's May budget was predicated on growth rebounding to 3.25 percent within two years. By some calculations, the budget deficit will blow out by an additional $170 billion over the next decade, requiring spending cuts that go far beyond those already inflicted since the previous Labor government's 2013 budget.

Stevens indicated that the collapses in prices for iron ore, coal and other mining exports over the past year were compounded by a falling rate of immigration and population growth, reflecting the worsening job losses.

Another factor reducing economic growth, the Reserve Bank noted, was the government's existing attempts to narrow the budget deficit by slashing spending and grants to the states. These measures would subtract an average of 0.5 percentage points from economic growth per year over the next four years, only intensifying the demand for more brutal cuts.

In an indication of investor nervousness, more than $38 billion was wiped off the value of Australian shares last Friday, led by the worst plunges in bank stocks since the 2008 crisis. With the financial sector making up almost half of Australia's share market value, the benchmark ASX 200 closed down 2.4 percent at 5,475.

ANZ bank slumped 7.5 percent after it announced an increase in bad debt provisions and asked shareholders for up to $3 billion in extra funds to cover higher capital-loan ratios set by corporate regulators. The Commonwealth Bank was down almost 4 percent, on top of a slide of more than 3 percent on Thursday. Westpac shares dropped 3.3 percent and National Australia Bank stocks fell 2.3 percent.

Last month, the Australian Prudential Regulation Authority told the big four banks to inject billions of dollars into their mortgage books and boost capital levels to "unquestionably strong" levels by next July, requiring them to raise more than $12 billion.

Investment houses fear the collapse of the real estate market bubble that has particularly affected Sydney and Melbourne since the end of the mining investment boom. In May, in an effort to boost the economy, the Reserve Bank cut official interest rates to a record low of 2 percent—below the level set in 2008-09—but the resulting lending has largely poured into property speculation, not productive investment, mirroring the global trend.

Yesterday, in a bid to convince the financial elite that the government is committed to its agenda, Treasurer Joe Hockey wrote a column in Rupert Murdoch's *Australian* calling for tax cuts for the wealthiest layers of society, supposedly to stimulate growth. He urged the lowering of the top income tax rates, arguing that they were among the highest of the Western countries.

Together with state premiers, whose federal funding has been gutted, especially for health and education, Hockey is agitating for the tax burden to be shifted even further onto the working class, via an increase in the regressive Goods and Services Tax rate from 10 to 15 percent.

Three years ago, Hockey proclaimed the "end of the age of entitlement"—demanding the dismantling of welfare benefits. Assisted by Labor and the Greens, the Abbott government has imposed punishing cuts to health, education, pensions and Medicare rebates, despite intense public opposition to the measures.

However, the popular hostility has compelled Labor and the Greens to block other key cuts to family tax benefits, unemployment benefits and higher education. The government has also, for now, delayed until after next year's scheduled federal election moves to implement last week's Productivity Commission report proposing deep cuts to penalty wage rates and official minimum pay levels and new types of individual work contracts.

With the Australian economy unravelling, big business is making it plain that it cannot tolerate any such delays in making the working class pay for the intensifying effect of the global breakdown.

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