

Corporate elite demands deeper budget cuts from Australian government

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This week's release of the Australian government's Mid-Year Economic and Fiscal Outlook (MYEFO), which showed yet another deterioration in its budget position, triggered impatient calls from within the corporate elite for harsher cuts to social spending.

The mid-year budget review revealed that the Liberal-National Coalition government's expected budget deficits will exceed the May budget's forecasts by \$26 billion over the next four years, taking the total deficit for that period from \$82.2 billion to \$108.3 billion.

Like the Labor government before it, this government's budget forecasts have been rapidly overtaken by the collapse in world commodity prices and the ongoing plunge in mining investment. Underscoring the extent of the reversal, this year's revised budget deficit is \$37.4 billion as compared to the Labor government's last budget, two years ago, which predicted a small surplus for 2015-16.

Even more so, the worsening slump has shattered the present government's previous promises to the financial markets to return to a surplus by the end of the decade.

The government, headed since mid-September by Prime Minister Malcolm Turnbull, has become the fourth since 2010 to have its fiscal pledges shattered by the global crisis—following in the footsteps of Turnbull's deposed predecessor Tony Abbott and the earlier Labor governments led by Julia Gillard and Kevin Rudd.

“Coalition gives up on surplus” was the damning headline in Wednesday's *Australian Financial Review*. The newspaper's editorial declared that six years after “the biggest global financial crisis since the 1930s hit in 2008 ... a fourth government is failing to come to grips with Australia's looming budget crisis.”

The editorial lashed the government for not cutting

welfare spending more deeply, insisting that “entitlement programs promised at the peak of the [mining] boom” could no longer be afforded.

The MYEFO deficit forecast, handed down by Treasurer Scott Morrison, assumes that the government can push through multi-billion dollar cuts to welfare payments and pharmaceutical benefits that have been stalled in the Senate, in the face of intense public opposition, since the May 2014 budget delivered under Abbott and former treasurer Joe Hockey.

The MYEFO also unveiled further cutbacks, totalling about \$3.7 billion over four years, to welfare payments, medical diagnostic tests and aged care services. But the corporate media, echoing the demands of the financial markets, is demanding far deeper inroads.

Yesterday, the *Australian Financial Review* followed up its criticism of the MYEFO by headlining comments by the Abbott government's audit commission head, businessman Tony Shepherd. He said the Turnbull government needed to “sell the story” about cutting spending or face a “bigger and bigger deficit.”

Speaking for the wealthiest layers of society, Shepherd told the newspaper: “We are spending more than we are taking—what part of that can't people understand?”

The *Australian*, Rupert Murdoch's national flagship, ridiculed Morrison's attempt in his MYEFO presentation, to draw a parallel between the path to budget surplus and a family road trip with children in the back asking, “Are we there yet?” The newspaper cited financial analysts accusing Morrison of taking a “holiday” from overcoming the budget deficit.

Deutsche Bank strategist David Plank told the *Australian* he believed Australia's AAA credit rating could be in jeopardy on financial markets, which would drive up the cost of government borrowing to cover the

debt. “The continued slippage in the return to surplus and the consequent increase in the level of net debt will be raising some concerns at Standard & Poor’s at least about the sustainability of Australia’s AAA rating,” Plank said.

According to the government, its gross borrowings stood at \$363.4 billion in June last year, will reach \$490.4 billion next June and will climb to \$647 billion within a decade.

Morrison defended himself by insisting that precipitous cuts to spending “would have absolutely tanked household consumption; it would have had quite a devastating impact on the domestic economy.” His remarks only underscored the fragility of the Australian economy, which has been kept out of official recession over the past year primarily by debt-driven property speculation.

Wednesday’s *Australian* editorial accused Morrison of running the opposite risk—that of putting off “yet again” the “daunting task of fiscal consolidation.” It labeled the MYEFO a “missed opportunity” and dismissed Morrison’s measures as “meagre and inherently uncertain.” “Tough decisions” were required that would “upset constituencies and consume political capital.” The editorial nominated the targets: “education, health, childcare subsidies, family tax benefits, the age pension.”

The editorial concluded by lambasting a comment that Turnbull made last week in launching a \$1.1 billion “innovation and science” package. Turnbull asked Industry Minister Christopher Pyne to let loose his “inner revolutionary” to encourage innovation. The editorial asked: “When will Mr Morrison be encouraged to unleash his ‘inner revolutionary’ in the search for savings measures?”

In his package, Turnbull held out the promise of reversing the declining fortunes of Australian capitalism by making a “transition” from “the mining construction boom to the ideas boom.” Repeating his pitch, issued nearly every day since he took office, Turnbull proclaimed “it has never been a more exciting time to be an Australian.”

Turnbull held out the vision of a technologically “rapidly changing” and “disruptive” world, in which an “enterprising, optimistic, innovative, agile Australia” would see “as full of opportunities.”

The measures he outlined, however, amounted mainly

to tax handouts and other concessions to business entrepreneurs.

Investment in start-up enterprises will be capital gains tax-free after three years, and investors will be offered generous income tax rebates. Research funding for universities will be tied more closely to corporate profit interests. Bankruptcy periods will be shortened from three years to one, giving failed business “risk takers” the right to quickly go back into operation, regardless of the unpaid debts they left behind.

“Excitement” might be in order for the merchant bankers and venture capitalists that Turnbull personifies, but the reality for workers is accelerating job destruction, lower wages, insecure and substandard working conditions, and the scrapping of welfare programs.

While happy to take whatever handouts are on offer, big business is becoming frustrated by the failure of Turnbull’s government to set about ramming through harsher cuts to social spending and working class conditions.

The Business Council of Australia (BCA), which represents the largest corporations operating in Australia, voiced support for the innovation incentives, but made it plain that the package fell far short in delivering the agenda required by the corporate elite. The BCA insisted that the measures had to be “complemented by improvements to economy-wide policy settings, including tax reform, the workplace relations system and the competition and de-regulation agenda.”

These are code words for lowering corporate taxes, cutting wages and working conditions and removing all restrictions on the predatory activities of the major conglomerates. Increasingly, after only three months in office, Turnbull is being put on notice to impose the offensive for which he was installed as prime minister.



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