

Australian government crisis intensifies over austerity agenda

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5 April 2016

Just over six months after Malcolm Turnbull was installed as prime minister in a backroom party coup, his Liberal-National Coalition government is showing signs of unraveling. Open rifts have emerged within the government over how to impose deep cuts to health, education and social spending, amid rising popular discontent and opposition.

Last Friday Turnbull suffered a humiliating defeat at a Council of Australian Governments (COAG) meeting. The state and territory leaders rejected out of hand his “big idea” to force them to levy their own income taxes to pay for public hospitals and schools. Since 1942 the federal government raised all income tax and provided grants to the states.

On the weekend Turnbull tried to save face, claiming that his grand plan to restructure the Australian federation was simply a political ploy—to publicly demonstrate that the state and territory leaders were not prepared to take responsibility for austerity measures.

Turnbull used the COAG outcome to argue that the states’ refusal to raise their own taxes justified the federal government’s decision not to provide extra funding for schools and hospitals. “We must live within our means,” Turnbull declared—a mantra now being endlessly repeated by government ministers and the media.

What this slogan signifies is that millions of working class people must be made to pay for the collapse of the two-decade mining boom and a rapidly worsening economic situation. The economic reversal has already stripped billions of dollars from federal and state government tax revenues, and triggered extensive job losses and sharp cuts to wages and working conditions.

After years of attacks on public health, education and welfare services by successive Labor and Coalition governments, chronically-underfunded hospitals and

schools will be further starved of resources, with devastating consequences for patients and students, especially in working class and regional areas.

Last September, when Turnbull deposed his predecessor Tony Abbott, he initially sought to talk up the prospects of Australian capitalism. He tried to spur business investment and consumer spending in order to overcome the economic slump produced by the marked slowdown in China and the worsening global downturn.

Turnbull’s main catch phrase was: “It’s never been a more exciting time to be an Australian!” That “narrative,” which was always contemptuous of the intensifying hardship faced by ordinary people, is no longer sustainable.

The speculative housing bubble, which has partly offset the mining crash since 2011, is teetering on the edge of collapse. Record house prices, rents and building approvals are starting to fall. Saddled with huge mortgages, many people could lose their homes if they lost a job, took a pay cut, suffered a serious illness or were hit by a rise in record low interest rates.

Every day produces new indicators of the deepening impact of the economic slowdown. Australia’s second-largest telecommunications firm, Optus, yesterday announced nearly 500 job cuts. Various financial schemes to avert the closure of the Arrium steelworks in the South Australian regional city of Whyalla and the Queensland Nickel refinery in the northern city of Townsville have fallen through in recent days, directly threatening the jobs of over 2,000 more workers.

These developments have thrown further doubts over the viability of Australia’s four major banks, which are heavily exposed to the spreading closures and collapses of mining-related projects, as well as to any housing slump.

While welcoming Turnbull's "live within our means" slogan, business leaders are insisting that this cannot be left in words, and that far deeper spending cuts are required. In the lead-up to the impending federal budget, now scheduled for May 3, they are also demanding a reduction in the company tax rate, in a bid to boost profits and investment, which has fallen dramatically since the mining boom ended.

Former Commonwealth Bank of Australia chief executive David Murray yesterday reiterated these demands, warning that "lacklustre growth in the global economy and currency wars" made "the Australian economy more vulnerable." Without severe cuts in public spending and debt, the financial markets would strip the Australian government of its triple A-rating and "if we lose it, we could well see multiple downward re-ratings."

However, to implement these demands would place the government on a collision course with the majority of working people who are overwhelmingly hostile to the intensifying assault on jobs, basic services and social conditions.

Despite Turnbull's efforts to "talk-up" the economy, there is growing awareness that the conditions of life are worsening in Australia. A survey by the National Australia Bank's investment arm MLC, released yesterday, shows almost two-thirds of parents did not believe their children would achieve the same lifestyles as them. Around half the people surveyed did not think they could sustain their own standard of living in a decade's time and two-thirds believed the next generation would never be able to buy their own homes.

Recent adverse media polling results have exacerbated recriminations within the Coalition. When Turnbull was installed as leader, he vowed to deliver "strong economic leadership" that would revive the government's electoral fortunes after losing "30 Newspolls in a row." A number of backbench Coalition members of parliament made media comments today, mostly anonymous, criticising Turnbull's performance and voicing fears of losing their seats at the looming federal election, which must be held before next March.

The government confronts a predicament over Turnbull's threat last month to call a July 2 "double dissolution" election of all members of both houses of parliament. His move was a bid to clear out of the

Senate eight "independents" who have helped block some key austerity measures from the government's 2014 budget. It was also a step to get an election out of the way before the economic situation deteriorates further, and pave the way for a post-election austerity offensive.

A long election campaign leading up to a July 2 poll could politically backfire. Not only could the government be defeated but an even greater number of "crossbenchers" could be elected to the Senate on the basis of opposing budget cuts. On the other hand, delaying the election beyond July, could lead to an even worse electoral debacle.

The mounting frustrations and fears within the corporate elite were underlined by today's *Australian* editorial. It condemned both the Coalition and the opposition Labor Party for failing to "live up to" former Labor Prime Minister Kevin Rudd's 2007 election vow to stop "reckless spending."

The newspaper warned that government net debt was heading to a record high, "financed mainly by foreign borrowing." It raised the spectre of another global crash hitting Australia's precarious economy. "The financial crisis of recent memory should be reminder enough that public debt can suddenly explode in a crisis and global lenders can close their cheque books."



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