

Australian Treasury issues a blunt demand for austerity offensive

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One of the central political frauds being perpetrated for the July 2 double-dissolution election was laid bare last Friday. The heads of Australia's Treasury and Finance departments issued, in effect, a blunt edict to whichever parties take office after the election: slash social spending and launch a deep assault on workers' conditions.

Less than three weeks after the Turnbull government's May 3 budget, the country's financial chiefs declared, in the official Pre-Election Economic and Fiscal Outlook (PEFO), that the budget's predictions of economic growth and tax revenues were unrealistic and likely to be quickly overtaken by the deepening economic slump globally and in Australia.

The PEFO echoed the demands being issued by the corporate elite internationally for the dismantling of welfare and workers' conditions. It warned that unless government spending was reduced and "structural reform" pursued with "renewed vigour" to drive up productivity, the international financial markets would strip the Australian government of its AAA credit rating. The statement said this would have disastrous consequences throughout the economy, because of its heavy reliance on overseas borrowing.

This ultimatum points to the reality that all the parties of the political establishment—Liberal-National, Labor and Greens—are trying to keep hidden from public view until after the election. Australian capitalism is facing a worsening crisis, generated by the collapse of the two-decade mining boom and the closure of entire sections of basic industry.

The slowdown in China and stagnation in Japan, Europe and North America are continuing to drive down prices for the resource commodities—such as iron ore, coal and liquefied natural gas—on which the Australian financial elite's profits, and government

revenues, substantially rely. And there are signs that a debt-fuelled property bubble has started to burst, with house prices and rents dropping in mining-related areas and growing predictions that the fall will spread nationally.

Far from the campaign slogans of "jobs and growth" or "putting people first," Australia is being drawn into what financial commentators have described as a deflationary "vortex" of record low interest rates, declining prices, falling real wages, fewer working hours, reduced consumer spending and a lack of business investment.

All the various spending promises being made by the major parties will be dumped as soon as the voting is out of the way, in order to impose the real agenda: making young people and the working class pay for the growing impact in Australia of the global capitalist breakdown that erupted in the 2008 financial crash.

The PEFO described the assumptions underpinning the May 3 budget as "benign"—a polite term for over-optimistic. It declared: "Should Australia experience a significant negative economic shock, the fiscal position would be expected to deteriorate rapidly and not be consistent with the projections."

Despite Australia's "relatively rich endowment," the country was dependent on "the willingness of foreign savers to finance current account deficits and support higher levels of investment." Federal government debt levels were "projected to reach recent historical highs, both on a gross and net basis."

The PEFO declaration triggered a fresh warning from Moody's, one of the major international ratings agencies, that meeting the budget's forecasts would be "challenging."

The May 3 budget forecast that economic growth, as measured by nominal gross domestic product (GDP),

would suddenly rise from 1.4 percent last financial year to 5 percent for the foreseeable future. There were equally fanciful revenue calculations, such as that company tax, which fell 2.2 percent this year, will surge 19 percent across the next two years.

With obvious frustration, the PEFO statement alluded to the political impasse that triggered the rare double-dissolution election for all members of both houses of parliament. “Reducing spending growth has proved difficult in practice,” it said, adding that “unlegislated policy decisions” alone would blow out the budget’s deficit predictions by \$18 billion by 2019–20.

Prime Minister Malcolm Turnbull called the election in a bid to meet the mounting demands of the financial elite to break through the blockage in the Senate of key cuts to health, education and other social spending that were originally contained in the 2014 federal budget. These measures were stalled by Labor, the Greens and a number of independents, who all feared an electoral backlash if they voted for any of the cuts because of intense public hostility to the austerity program.

Most of these stalled measures—\$18 billion worth—remain in the “benign” budget forecasts. The government is still counting on them to help eliminate the budget deficit, currently projected to be \$39.9 billion in 2016–17 (up from \$35 billion in last year’s budget), by 2020–21.

This logjam is part of a deeper political crisis. Since the 2008 crash, a succession of prime ministers, both Labor and Coalition—Kevin Rudd, Julia Gillard, Tony Abbott and now Malcolm Turnbull—have sought to slash social spending, but none have survived a full three-year term in office.

The PEFO warning was generally buried by the mass media—anxious to keep the truth out of sight during the election. But the financial elite’s main mouthpieces reinforced the message.

The *Australian Financial Review*’s May 21 editorial declared: “PEFO is intended to be a reality check on overheated campaign spending promises, and in these days of chronic budget deficits, a benchmark against which would-be governments must set their path back to surplus. This year’s document should be a jolt for both parties.”

A Labor government, with or without a coalition with the Greens, would be fully committed to imposing this agenda. Labor’s shadow treasurer Chris Bowen used

the PEFO to reiterate his pledge to the financial markets to hand down a mini-budget within three months of taking office that would include “realistic assumptions and forecasts” for the budget.

These pronouncements foreshadow a vicious offensive against working class people, in order to meet the profit demands of a tiny super-rich elite. Already, millions of households in Australia struggle to make ends meet, more than a million workers are unemployed or under-employed and hospitals, schools, social services and other essential facilities are chronically under-funded and substandard.

As we explain in our election statement, the Socialist Equality Party calls for a vast redistribution of wealth to secure the social rights of all, including the right to a stable and decent-paying job, free, high-quality public education and health care, affordable housing, and a living income on retirement. These essential social rights cannot be achieved without ending the domination of a financial and corporate oligarchy over economic life, in Australia and on a global scale.

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