

# Bipartisan bidding war on budget cuts in Australia

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26 August 2016

With a highly unstable Australian parliament about to convene on Tuesday, and the economic situation worsening, opposition Labor Party leader Bill Shorten addressed the National Press Club this week, seeking to outflank the Liberal-National government by offering to impose deep cuts to social spending.

Shorten spoke against a backdrop of growing calls in the corporate media for a bipartisan front between Prime Minister Malcolm Turnbull's fragile government and the Labor Party to push through a severe austerity agenda in the face of popular opposition.

Parliament will meet for the first time since the July federal election, the results of which point to the continuation of the protracted political crisis that has developed since the 2008 global financial breakdown. Turnbull's government has been reduced to a razor-thin majority of just one seat in the lower house, despite Labor's vote being its second lowest in history. The widespread hostility to the political establishment, including the Greens, found a distorted expression in the election of 11 non-major party "crossbenchers," mostly right-wing populists, being elected to the 76-seat Senate, the upper house.

In his speech, Shorten said Labor's assistance was needed to deliver budget cuts that went well beyond the measures proposed by the government. "We are absolutely committed to budget repair," Shorten said. "But let's be frank—our budget and our economy need something a lot more serious and a lot more substantial than [the government's proposals]."

Shorten accused the government of three years of "waste and mismanagement" that had placed "Australia's hard-won triple-A credit rating at risk." He reiterated Labor's determination to honour its budget-cutting pledges, made during the election campaign, as long as "our friends in the Liberals" were ready to negotiate with Labor, rather than "asking us to sign a blank cheque."

Essentially, Labor is proposing a united front with the government in order to carry through multi-billion dollar cuts to public health, education and welfare, while covering their tracks with efforts to give the austerity offensive a façade of "fairness" via limited reductions in some tax concessions to the wealthy. Shorten said "both major parties want a stronger bottom line for the country," but "the current disagreement is how we get there."

Shorten was replying to Turnbull's speech a week earlier, in which the prime minister appealed to Labor to pass an initial package of cuts, worth \$6.5 billion over four years, as soon as parliament resumes. Turnbull's "Omnibus Bill" will be based solely on 21 "tough" measures that Labor pledged to support during the election campaign, including cuts to welfare, healthcare, tertiary education, pensions, aged care and family payments.

Among these commitments is scrapping a "clean energy supplement" that was originally supposed to compensate the country's 2.2 million pensioners, unemployed and other welfare recipients for the cost of the previous Labor government's carbon tax. This cut alone, worth \$1.3 billion over four years, will take \$4 to \$7 a week from the pockets of people already living in poverty.

In his address, Shorten confirmed that Labor would stick to these commitments, while trying to distinguish Labor from the government by saying that his party wanted to see the details of the bill, and to be consulted, before signing off on the entire package. Shorten vowed to deliver these measures during the election campaign, in order to seek the backing of the corporate elite, but there remains considerable nervousness about actually inflicting the cuts because of the intense popular discontent.

Shorten is also trying to deflect attention from the fact that Labor committed itself to even more severe measures during the campaign. In the lead-up to the election, it

abandoned previous promises to oppose or reverse government budget measures totalling an estimated \$33 billion over the next four years, as well as hospital funding cutbacks of \$57 billion over 10 years.

To underscore his “absolute commitment” to “budget repair,” the Labor leader outlined a bigger package of budget savings than Turnbull’s. Shorten declared that Labor’s “practical, achievable plan” would cut \$8.1 billion off the budget deficit in four years, and \$80.5 billion over a decade. His headline items were a \$4.7 billion increase over four years in levies on tobacco products—a measure that will predominantly hit poorer layers and which the government has already embraced—and a \$1.9 billion reduction in tax concessions for “negative gearing” by property investors.

Shorten also volunteered some “compromise” proposals to assist the government to resolve bitter conflicts that have erupted within its own ranks since the election over slightly reducing the tax write-offs on superannuation schemes handed to the wealthy elite.

By these means, the Labor leader is seeking to attach a label of “fairness” to a long list of cuts, such as a \$362 million abolition of a baby bonus and cutting subsidies for vocational education by \$380 million over four years.

Shorten reiterated his pitch yesterday, responding to a speech by Treasurer Scott Morrison, in which Morrison tried to bolster the government’s stocks by warning that the economy would be plunged into recession unless welfare spending was slashed. Shorten said that instead of engaging in “bad tempered foot-stamping,” Morrison and Turnbull should “start governing.” He declared: “Australians don’t want a whinger as treasurer, Australians want a doer as treasurer.”

Significantly, Morrison’s speech cited former Labor Treasurer Paul Keating’s 1986 warning that Australia would become a “banana republic” unless pro-market economic restructuring was imposed to meet the requirements of global investors. That declaration was exploited by the Hawke and Keating governments, backed by the trade unions, to carry through a vast redistribution of wealth to big business and the rich, at the expense of working class jobs, living standards and basic rights.

A far greater social assault is now being demanded by the financial elite, because of the implosion of the mostly China-driven and debt-fuelled mining boom that temporarily delayed the full impact of the 2008 crash on Australian capitalism.

Editorials today in both the *Australian Financial Review* and the *Australian* insisted that Labor must, like

Hawke and Keating, play a central role in suppressing popular resistance to the dictates of the financial markets. Murdoch’s *Australian* urged the government to “play up” Labor’s “special responsibility as a major party and custodian of the Hawke-Keating reform legacy.”

The editorial declared: “Labor faces a pivotal choice. If it solidifies as the party of welfare entitlement, winning office will be a Pyrrhic victory because the state of the budget will make government impossible. Much better for Labor to rediscover its pedigree as a mainstream party for aspiration, reform and government in the national interest.”

In reality, Shorten and the Labor leaders are already striving to maintain that “pedigree,” including by positioning themselves to take office if Turnbull’s government implodes. There is mounting anxiety in ruling circles that the current government, and the parliamentary order itself, cannot deliver the austerity agenda demanded.

There was a whiff of that discussion in today’s *Australian* column by contributing economics editor Judith Sloan. “I am fast coming to the conclusion this government couldn’t operate a toaster,” she wrote. “The only conclusion is real economic reform and budget repair will occur only when a real crisis occurs because our crop of political leaders is not up to the task.”

This is another warning to workers in Australia and internationally of a turn to more authoritarian forms of rule to impose the dictates of the capitalist class in the face of rising discontent and disaffection.

*The author also recommends:*

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[5 July 2016]



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