Australian budget set to heighten social and political antagonisms

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The Liberal-National Coalition government has tabled its first budget since scraping back into office, less than a year ago, with a one-seat majority in the lower house and no control in the Senate. Taken together, the budget measures will intensify the class antagonisms wracking the country.

The government of Prime Minister Malcolm Turnbull and Treasurer Scott Morrison has crafted measures that amount to a desperate attempt to reassure myriad ruling class interests that it has taken into account their concerns, while trying to delay the eruption of social discontent. It will fail to do either.

While scarcely mentioned in the establishment media, the budget is, first and foremost, marked by the government's ever-increasing allocation of resources to the military and police-intelligence apparatus.

The budget commits to boosting expenditure, in order to develop the war preparations of the Australian military and the Pentagon, by 6.1 percent over the next year, and to continue to make such increases until 2020–2021. In an unprecedented expansion, initiated by the former Labor government, some $150.6 billion will be spent on the military over the next four years. This includes the purchase of F-35 jet fighters and new warships, the first stage of construction of 10 new submarines, and the financing of the ongoing Australian involvement in military operations in Iraq, Syria and Afghanistan. Over the next decade, around $494 billion will be spent on the armed forces.

Some $320 million will be added, over the next four years, to the budget of the Australian Federal Police and the country's intelligence agencies, boosting annual "public order" spending to $3.9 billion.

As far as the credit agencies and sections of big business are concerned, the 2017–2018 budget is the tenth in a row that, while registering a large deficit of $29.4 billion, pledges to achieve a surplus within the four-year timeframe of budget estimates. With public debt rapidly blowing out, the credit agencies are threatening to downgrade Australia's current AAA rating, which allows it to borrow at low interest rates.

Like previous budgets, the "return to surplus" is based on fanciful projections of global economic growth, and, therefore, growth in Australia. The budget predicts that the economies of the US, Japan and China will expand in coming years, holding up the prices of Australian exports, of government, corporate and income tax revenues, and the inflow of foreign investment. Australian growth is predicted to increase from barely 1.75 percent this year to 3 percent by 2019–2020.

Even as job- and wage-cutting accelerate across the country, and consumer spending figures, released yesterday, show that Australia's retail sector is sliding into recession, the budget projects that wages' growth will rise from two percent to three percent over the next four years. The budget forecasts exclude the possibility of a devastating crash in the country's vastly overheated housing market, and the ensuing destruction of hundreds of thousands of jobs, or the impact of the final closure of car manufacturing at the end of 2017. Instead, it predicts unemployment will fall from 5.9 percent to less than 5 percent by 2020–2021.

The projected return to surplus relies upon a 0.06 percent levy on the liabilities of Australia's five largest banks, which will raise about $1.5 billion per year. The banks are expected to pass this impost on their collective $30 billion annual profit by increasing interest rates or charges. Crackdowns on corporate tax avoidance are projected to raise $1.6 billion over four years. Again, companies will pass on such costs, further dampening consumer spending.

A small 2 percent increase in tax on the incomes of the wealthy, introduced in 2014–2015, has been abolished. And small business operators can claim, for another year, tax deductions for purchases of up to $20,000.

The budget ostensibly commits to providing billions of dollars in funding to various road, rail and energy infrastructure projects around the country, as well as more than $5 billion to construct the long-delayed second international airport in Sydney, the country's largest city. Major corporations have been demanding some of these projects for decades. Others appear intended to win back support for the Coalition in economically hard-hit states such as Western Australia and Queensland. An economic slump, however, will see such commitments tossed aside.

On every front, the budget seeks to deepen the decades-long assault on the living standards and social rights of the working class, inflicted by successive Labor and Coalition governments—but without imposing outright cuts to key areas of

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public spending.

In 2014, Labor, along with the Greens, blocked in the Senate savage spending cuts contained in the first Coalition budget brought down by then Prime Minister Tony Abbott and his treasurer Joe Hockey. Their motivation was not to defend the interests of the working class, but to retain whatever was left of their credibility in the face of enormous popular opposition.

Despite failing to pass the Senate, the announcement of these cuts saw a precipitous drop in support for the Coalition. In the 2017–18 budget, Turnbull and Morrison have consciously pitched for Labor's support to push their policies through the Senate.

As well as its blanket commitments to the US-Australia military alliance, the Coalition is making an overt appeal to Labor via its health care and school education measures. Morrison announced in his budget speech versions of policies that Labor had introduced while in office from 2007 to 2013. These had as their aim the long-term transfer of essential public services to private profit interests.

The budget commits to financing the national roll-out of Labor's National Disability Insurance Scheme (NDIS). The stated objective of the NDIS is to establish a "competitive market" for the provision of services to hundreds of thousands of disabled people, while pushing as many as possible back into the workforce and therefore off the welfare-funded Disability Support Pension (DSP).

To pay for the NDIS, the Coalition expects to raise over $4 billion a year from 2019, by increasing the Medicare "levy"—a tax on the majority of income earners, to finance the ostensibly "free" public health system—from 2 percent to 2.5 percent. At the same time, it will be calculating on savings from the reduction in outlays on the DSP.

In education, the Coalition has committed to the so-called Gonski, "needs-based" federal funding to schools, introduced by Labor. Media reports have touted the funding as an "increase" of $18.6 billion over 10 years and $1.8 billion over the next four. In fact, federal increases will be just $106 million in 2017–2018, $295 million the following year, and, purportedly, $840 million in 2020–2021. But the decade-long funding exists only on paper.

While barely any additional resources will flow to address "student need," federal funding for schools, as Labor intended, is explicitly tied to rankings of student performance, such as the now notorious NAPLAN standardised tests. In the US and Britain, performance-ranking systems have been used to justify the transformation of public schools into for-profit charter schools or "academies." The Australian state governments, which finance the public education system, are being pressured into pursuing a similar agenda.

In populist pitches to "Australia First" and anti-foreign worker campaigns, which are being pushed by the Labor Party, the trade unions, and right-wing nationalist formations, the Turnbull government is introducing an annual "levy," ranging from $1,800 to $5,000, on employers who bring overseas workers into the country. Visa application costs will also increase. Foreign investors in housing will face higher taxes and a $5,000 fine if they fail to rent out or live in their property for at least six months of the year.

The unemployed, welfare recipients, and working-class and overseas students—who are viewed as politically irrelevant by the powers-that-be—will face yet more savage attacks.

For the unemployed, there will be even harsher eligibility tests, including, for the first time, random drug testing.

For local students, university fees are being increased and the income threshold at which the fees must be repaid, once they enter the workforce, has been dramatically cut. In a particularly vicious policy, most permanent residents and New Zealand citizens will now be charged "international" fees for tertiary education, rather than the same rates charged to Australian citizens.

For international students, the outrageous fees they are already being forced to pay will only increase, as universities face a 2.5 percent "efficiency dividend" or annual cut, that will accompany their government grants. Already universities and colleges around the country treat these students as a veritable cash-cow, gouging over $20 billion from them annually to study in Australia.

The Coalition government appears to have calculated that populist measures, aimed against the big banks, foreign workers and welfare recipients, could win backing for the budget from right-wing parties in the Senate, such as Pauline Hanson's One Nation Party, the Nick Xenophon Party and the newly formed Conservative Party headed by renegade Liberal, Senator Cory Bernardi. Turnbull and Morrison clearly hope, however, that the bulk of the budget will pass with Labor's support.

The corporate media is already signaling its displeasure with this possibility. The *Australian Financial Review* editorial today denounced the "Labor-lite budget," declaring it was based on "a mixture of hopeful assumption and tax whacks on easy targets like unpopular banks and foreign workers." Rupert Murdoch's *Australian*, in a similar vein, attacked the budget's overtures to Labor, via the NDIS and the school funding model, while "ducking the hard decisions" of imposing genuine austerity.

With such recriminations in corporate circles, the budget may well become mired, yet again, in the bitter in-fighting between—and within—the discredited establishment parties, which has characterised the parliamentary setup for the past decade.

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