

Australian Labor's budget reply and the fear of political unrest

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The response by the opposition Labor Party to the Liberal-National Party Coalition government's budget testifies to the mounting concerns in ruling-class circles over the extent of social discontent. In a populist and rambling speech, Labor leader Bill Shorten denounced the deterioration of working-class living standards, falling real wages and growing underemployment. He accused the Liberal Party of waging a "war on young people." He vowed Labor would block many of the budget measures in the Senate, the upper house of the parliament, which the government does not control.

The budget, brought down on Tuesday night by Treasurer Scott Morrison, was pitched as an effort to eliminate intractable deficits while, at the same time, ramping up military spending and cutting corporate and high income tax rates. It includes immediate increases in student university fees and cuts to university funding; further punitive measures to drive people off welfare; vicious initiatives against overseas workers and non-citizen permanent residents; ongoing job cuts in the public service; and an increase, from 2019, in the Medicare levy paid by most wage earners, from 2 percent to 2.5 percent of their income.

So-called "defence" spending, under conditions of Australia's frontline involvement in US war preparations against China, potential war with North Korea, and ongoing operations in Afghanistan and the Middle East, was boosted by over 6 percent. Over the next four years, military spending will exceed \$150 billion; the Turnbull government is accelerating increases in the defence budget to two percent of Gross Domestic Product (GDP), in order to comply with the Trump administration's demands of its allies.

To present the budget as "fair," and portray the burden of deficit reduction as "shared," the Coalition has proposed a 0.06 percent levy on the liabilities of the country's five largest banks, which will deprive them of just \$1.5 billion of their \$30 billion collective annual profits.

Morrison presented the rise in the Medicare levy, which will raise over \$4 billion per year after 2019, as essential to fund the National Disability Insurance Scheme (NDIS). The

NDIS is portrayed as a great advance for the disabled. In reality, it is aimed at establishing a "competitive market" for services, i.e., contracting-out whole areas of once-public health care to private companies.

Likewise, the treasurer presented other cost-cutting measures as necessary to finance a purported \$18.6 billion increase over 10 years in "needs-based" federal funding to schools. The additional funding to education exists only on paper and is unlikely to ever eventuate. The true purpose of the education agenda, popularly known now as "Gonski," after the bureaucrat who drew it up, is to tie federal grants directly to student performance. It pours billions into assisting the expansion of the fee-paying private school sector, and is establishing the conditions for the wholesale contracting-out to private operators of so-called "failing" public schools, whose students do not achieve the required results in their standardised tests.

The Labor Party crafted the NDIS and education funding regime when it held government between 2007 and 2013. Morrison and Prime Minister Malcolm Turnbull made their appeal to Labor to support the budget on the basis that its policies would be implemented.

Labor, however, along with the trade unions, is acutely conscious of the extent of class tensions. Growing numbers of workers and youth are becoming politically animated by the glaring extent of social inequality, within Australia and on a world scale. Masses of people view both the Coalition and Labor with deep hostility.

University students have already begun to demonstrate against the budget, while teachers, health workers and whole sections of the working class are becoming ever more restive. The grip of the unions is beginning to weaken, after decades of collaboration with employers and with federal and state governments to push through endless demands for greater "efficiency" and "productivity"—which means the destruction of secure, full-time jobs, the suppression of wages and worsening conditions.

What motivated Shorten's budget reply, above all else, was the prospect of industrial and political unrest. His

response was a somewhat desperate effort to promote the conception that a solution to the concerns of masses of people could be achieved through appeals to the parliamentary establishment. It was an attempt to revive illusions in the Labor Party, by posturing as the “lesser evil” to the Coalition.

Shorten declared that Labor would only support the Medicare increase for taxpayers earning over \$87,000. He demanded that a temporary 2 percent increase in the highest income tax rate, which was introduced in 2014, be made permanent rather than ended in this budget. On education, Shorten denounced the Coalition’s promised funding as inadequate and asserted that Labor would increase it by an additional \$22 billion over the next decade. He declared Labor would oppose the lifting of university fees and the proposed cut to university funding.

Shorten again vowed to block the next stage of the government’s planned cuts to corporate tax, which will lower the rate for companies, which have over \$50 million in revenue, from 30 percent to 25 percent. Companies under that revenue threshold are already progressively receiving the reduction. The Labor leader made great play in his speech of revelations that the amount of lost corporate tax would total \$65 billion over 10 years.

Citing statistics that cast a shaft of light on the resources that flow to corporate profits and the wealth and income of the top 10 percent of society, Shorten said, at one point in his speech: “The next time the government lectures Australians about fairness or debt and deficit, consider these decisions—they are ignoring negative gearing and capital gains, that is \$37 billion; they are letting multinationals and tax minimisers off the hook, that is \$36.7 billion; they are giving the top 2 percent of Australians a tax cut, that is \$19.4 billion; and they are clinging onto their handout to big business, that is \$65.4 billion. This is \$128 billion....”

In fact, to correct Shorten’s additions, it is \$158.5 billion over 10 years. Moreover, Shorten made no mention in his speech of the predicted \$494 billion that will be squandered on the Australian military apparatus over the next decade—expenditure for which Labor gives unconditional support.

The figures indicated by Shorten underscore that, contrary to the claims that there is “no money” to address the crisis in public education, health and other areas of social life, the problem is one of class priorities. Immense resources exist, but they are channeled into, and monopolised by, the wealthiest sections of the population.

Shorten’s budget reply is only the latest indication of the fear within the Labor and union apparatus, which has traditionally dominated over the working class in Australia, that a movement could erupt outside of its control. The new

leader of the Australian Council of Trade Unions (ACTU), Sally McManus, has issued a series of demagogic statements attacking cuts to workers’ wages and against industrial laws—introduced by Labor—that illegalise strike action, except during strictly limited bargaining periods (see: “New Australian union head feigns concern for workers’ rights”).

At the same time, the entire political establishment, including all the parliamentary parties and the trade unions, is under intense pressure from dominant sections of big business.

Leading corporate figures have already denounced the Coalition government over its budget levy on the banks and avoidance of harsher austerity cuts to public spending, and attacked Labor for its populist rhetoric against big business and the rich.

In the most threatening statements, the CEO of National Australia Bank, Andrew Thorburn, warned that international investors, from which Australian banks borrow 30 percent of their capital, could boycott Australia. Qantas Airlines CEO Alan Joyce warned of capital flight from the country, complaining: “Are we going to just start having an imposition on any profitable business out there and a policy for more taxes when businesses do well?” Former NAB and BHP-Billiton CEO Don Argus declared: “If people give you capital they expect a fair return on that capital.”

The threat of a capital boycott by international banks and investment funds, to force the parliamentary establishment to ride roughshod over public opposition, and impose drastic austerity measures, while leaving corporate profits untouched, is not an idle one. It would rapidly compel the Reserve Bank, or the domestic banks, to ramp up interest rates in order to attract capital and stave off a collapse in Australian financial markets and the currency. Even a small increase in interest rates would crash the over-heated housing market, destroy hundreds of thousands of jobs, and drive large numbers of workers, who have borrowed massive amounts to purchase a home at astronomical prices, into bankruptcy.



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