A desperate and vicious pre-election budget in Australia

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Wracked by splits, popular discontent and intense pressures from the Trump administration's corporate tax cuts and trade-war showdown with China, the Australian government last night handed down a budget intended to allow it to try and scrape back into office, via an early election, before the situation worsens.

Based on a short-term boost to tax revenues over the past six months, mainly from higher iron ore prices, the Liberal-National Coalition government is holding out the prospect of income tax cuts—however small—for lower- and middle-income households. Politically, it is desperate to produce a narrative that it is not just ruling on behalf of the wealthy, the banks and big business, to which it has promised tax cuts worth $80 billion over the next decade.

At the same time, Prime Minister Malcolm Turnbull's Coalition is raising military spending to prepare for war, and boosting the intelligence apparatus to suppress dissent. It is also slashing spending on welfare, health, education and housing to attempt to satisfy the insistence of the financial markets on radically lowering the company tax rate, eliminating the budget deficit and curbing the public debt.

Barely surviving with a one-seat parliamentary majority since mid-2016, the Coalition is trying to break through an underlying political impasse produced by rising unrest over inequality. The dissatisfaction has resulted in a decade of unstable governments and an incapacity to push through the full austerity agenda demanded by the financial elite.

The government and the corporate media headlined the budget's income tax cuts. Yet there is only a pittance for working-class people, with far greater cuts for high-income households.

Workers paid less than $37,000 a year will get up to $200 in a tax offset after July 1, 2019. Those paid up to $90,000—well above the average wage—could get an offset of $530. Offsets of between $4 and $10 a week will do nothing to compensate for declining real wages and sky-rocketing costs for housing, utilities, child care and other essentials.

Far less media attention has been given to an immediate shift, from this July 1, in the 32.5 percent tax threshold from $87,000 to $90,000. High-income households, on combined incomes of up to $300,000, will benefit by up to $764 a year, rising up to $8,350 a year from 2024–25. The latter prospect, although seven years off, is part of a virtual flat tax plan, whereby tax rates would not rise for incomes of $41,000 to $200,000.

This bonanza for the wealthy goes hand in hand with vicious cuts to social programs. There is no increase in the sub-poverty level unemployment and youth allowance payments, which successive Coalition and Labor governments have frozen for many years. Jobless youth and workers will continue to get less than $40 a day, in order to coerce them into low-paid, insecure work.

The assault on the jobless and other welfare recipients will be ramped up, with another $229 million to be "saved" over three years by intensifying "fraud detection" and "debt recovery" operations. These include the "robo-debt" automated welfare cut-offs that have already caused misery to thousands of impoverished people.

Another $202 million is to be gouged out over five years by increasing the waiting period for migrants to access most welfare benefits from three years to four years from July 1. In the name of "encouraging self-sufficiency for newly arrived migrants," they will be added to the cheap labour pool.

Staffing levels in Centrelink, the agency that controls the delivery of welfare payments, will fall by 1,280 to 27,307 over the next 12 months, on top of the 1,200 job cuts in last year's budget. Centrelink's phone call centres are being handed over to contractors, ensuring that welfare recipients will continue to experience delays and

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difficulties in challenging benefit cut-offs and penalties.

The budget entrenches the deep cuts to public hospitals, schools and universities unveiled in recent months. These include a 6.5 percent cap on public hospital funding, which is not enough to cover population growth and health cost inflation. Private schools will get most federal cash, at the expense of public schools, under the government's "Gonski 2.0" plan. University funding for student enrolments will remain frozen for two years, cutting $2.2 billion and leaving more than 23,000 places unfunded by 2020.

Funding was promised for an additional 14,000 high-level home care packages for elderly retirees over four years. This would help a fraction of the 105,000 people already waiting on a national priority list. The only purpose is to further reduce funding to residential nursing homes, which have suffered about $2 billion of cuts in recent years.

Aged pensioners will be able to earn an extra $50 a fortnight without reducing their pensions, and a loan scheme could allow them to borrow against the value of their homes to increase their income up to $17,787 a year. These schemes highlight the inadequate level of pensions, especially for those who do not own a home.

Australian Broadcasting Corporation news services and jobs will be further gutted by freezing its funding until 2021–22, slicing another $83.7 million over three years, on top of $254 million in cuts imposed since 2014.

In a bid to answer widespread hostility over traffic congestion and other infrastructure failures, the budget outlined $24.5 billion in various projects, mainly in key electorates. But only about $4.2 billion will be spent in the next four years.

By contrast, the budget brought forward $500 million of spending on military equipment to 2017–18, taking military expenditure to $36.4 billion. This will rise to $42.4 billion in 2020–21, or 2 percent of gross domestic product, in line with commitments made to the US to boost preparations for potential conflicts with China. Procurement of submarines, frigates, warplanes and other weaponry over the decade will cost more than $200 billion, which could build hundreds of schools and hospitals.

To deal with anticipated social and political disaffection, the Australian Security Intelligence Organisation (ASIO), the domestic political spy force, will receive a $24.4 million boost this year, up from $518.6 million, adding 121 full-time jobs to its staff of about 1,800.

Funding for the new Office of National Intelligence and a Joint Capability Fund to integrate intelligence capacities have been kept secret. As has the increase for the Australian Secret Intelligence Service (ASIS), the overseas agency, but other documents show ASIS will get an extra $40 million.

The entire budget is predicated on what many economists branded "optimistic" or "heroic" assumptions of roaring economic growth, wages and business investment that will drive up tax revenues.

Growth is forecast to jump from 2.75 percent this year to 3 percent next year. This would be the best performance for a decade. Wages growth is predicted to soar from 1.9 percent in 2016–17, continuing a seven-year real average wage cut, to 3.5 percent in 2020–21. In reality, the trade unions have imposed far lower rises in enterprise bargaining agreements. Corporate investment is supposed to soar from a 4 percent decline in 2016–17 to a 4.5 percent increase in 2017–18.

The government's pledge to deliver a budget surplus of $2.2 billion in 2019–20 relies heavily on global iron ore prices remaining at $US55 a tonne. If the assumption is wrong by $US10, the budget bottom line would drop by $3.6 billion. The price fell below $40 in 2015–16 and greatly depends on sales to China, which is facing an extraordinary trade war ultimatum from the US.

As has already been demonstrated since the 2008 global financial crisis, Australian capitalism is extremely vulnerable to falls in commodity prices, as well as the drying up of foreign investment.

In its response to the budget, global ratings agency S&P said the outlook for Australia's AAA credit rating remained negative because of "risks to the country's fiscal outlook," including increasing "global trade tensions" and "rising investor aversion to emerging markets."

Labor Party leader Bill Shorten will reply to the budget on Thursday night. Labor is already denouncing the government from the standpoint of satisfying the dictates of the financial markets. Shadow Treasurer Chris Bowen said the government had "waved the white flag" on eliminating the budget deficit, but Labor was committed to the necessary "tough decisions."

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