Australian government hands more cash to big business as recession deepens

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Last Thursday, the same day that the Liberal-National government conceded that the Australian economy was officially in recession for the first time in three decades, it announced another handout to major corporations—$688 million for the construction industry.

Over the past three months, the government and its state and territory counterparts have allocated unprecedented amounts totalling more than $250 billion, either in cash or access to cheap loans, for rescue packages targeted to benefit the banks and big business.

Yet the slide into recession has continued, leaving an estimated 2.5 million workers out of work or on short hours—20 percent of the labour force. The statistics released on Thursday show that the slump began before the main COVID-19 pandemic restrictions commenced in the third week of March, and has led to the greatest loss of livelihoods since the 1930s Great Depression.

Treasurer Josh Frydenberg declared Australia was in recession after the economy officially contracted 0.3 percent in the first three months of 2020, with a much worse result expected for the current June quarter. The statistics show only the initial impact of the coronavirus, which came on top of a global downturn over the previous three months and the catastrophic summer bushfires.

If not for government spending to prop up business, the drop in gross domestic product (GDP) would have been 0.7 percent. Household consumption plummeted 1.1 percent in the quarter, the worst result in 34 years, pointing to the devastating effect on many working-class households.

This blow has intensified since the end of March. Updated retail figures for April, published this week, showed that turnover plunged 17.7 percent in the month, the biggest drop ever recorded.

Frydenberg prematurely claimed that Australia would avoid an earlier predicted GDP drop of more than 20 percent in the June quarter, saying that would have been “the economists’ version of Armageddon.” This false optimism flies in the face of the worsening worldwide pandemic, which is causing a severe global recession.

Prime Minister Scott Morrison’s government is trying to use the crash as a reason to ratchet up the drive to fully reopen businesses. Working through the bipartisan “national cabinet,” it is ditching at breakneck speed the safety restrictions that may have limited the COVID-19 outbreak in Australia so far.

But even if this headlong rush, backed by the trade unions and the opposition Labor Party, succeeds in pushing workers back into workplaces, many of their jobs will have been eliminated and mass unemployment will continue.

Melbourne University economics professor Jeff Borland told the *Australian Financial Review* the “best-case scenario” is that about 850,000 to 950,000 jobs may be regained by the end of September, less than half the job losses.

By then, the government is scheduled to end its JobKeeper wage subsidies and expanded JobSeeker welfare payments, adding to the pressure on workers to take any job they can find, regardless of the pay and conditions.

The March quarter statistics underscored a longer-term economic crisis. Business investment contracted 0.4 percent in the quarter and 2.9 percent for the year. Non-mining investment went backward long before the coronavirus containment measures. It fell 1.7 percent in the three months to March 31 and 6.6 percent through the year.

For all the government's hype about a "business-led recovery," capital expenditure plans by business for next financial year have fallen 9 percent to $90 billion, according to figures published last week.

With the government due to hand down a delayed annual budget on October 6, it will demand that the cost of the immense business bailouts be extracted from the working class, both through deeper social spending cuts and through reduced wages and working conditions.

Because of the pandemic, federal government net debt, already at $570 billion, will rise by up to $620 billion extra by the end of this decade, according to Parliamentary Budget Office projections. The budget deficit will reach nearly $200 billion in the next financial year.

Working in close collaboration with the unions, the employers and the government are demanding that the cuts to pay and working hours they jointly imposed at the outset of the pandemic be made permanent and widened.

As the Australian Council of Trade Unions commenced its tripartite talks with big business and the government on such industrial relations "reforms," the country's biggest employer, retail giant Woolworths, publicly called for cutting after-hours wage penalty rates, supposedly to "create jobs."

The Morrison government's latest corporate subsidy—its $688 million "HomeBuilder" package—epitomises the propping up of big business at the expense of working people. The scheme offers grants of $25,000 to people to buy a new home or undertake a "renovation" worth $150,000 or more.

Only the wealthiest 10 percent of people could spend that much money, and only substantial contractors, not local "tradies," could undertake work on that scale. That is why the Property Council and the Master Builders Association, representing the major companies, back the government's bailout.

In reality, millions of working-class households are unable to meet their mortgage payments or pay their rent, with average household debt rising to 200 percent of income long before the pandemic.

The scheme's only purpose is to try to reverse an underlying home building industry collapse. After the four boom years to 2017–18, when the industry started around 225,000 homes a year, new starts have fallen to around 165,000 this financial year.

Due to the Construction Forestry Maritime Mining and Energy Union (CFMMEU) suppressing workers' opposition to the lack of physical distancing, construction sites have been kept open during the pandemic. Nevertheless, investment in new and used dwellings fell 2.9 percent in the March quarter and 15.5 percent through the year.

The most blatant feature of the government's package is the exclusion of spending on social housing. Accommodation is urgently needed for those with the lowest incomes. National Shelter estimates the current shortfall at around 500,000 homes.

About a quarter of public housing applicants in "greatest need" in 2017–18 had been on a waiting list longer than 12 months, according to a study released this week by the Australian Institute of Health and Welfare.

Federal, state and territory governments have presided over the loss of more than 20,000 public housing units during the 10 years to 2017–18. Despite a 55,470 increase in non-government social housing during the decade, the increase had "not kept pace with the growth in households," the study said.

The housing package once again demonstrates the class bias of the government's so-called rescue operations, which bolster corporate profits and the wealth of the super-rich at the expense of the working class.