Huge Australian budget deficits mean intensified assault on workers

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The global COVID-19 pandemic, coming on top of an already slumping world capitalist economy, is producing by far the biggest federal and state budget deficits in Australia since the issuing of war bonds to finance the military operations in World War II.

Already, governments and the corporate elite, in partnership with the trade unions, have begun extracting the cost from the working class, via job destruction, pay cuts and freezes, and attacks on working conditions, as well as social spending cuts. But much more is to come.

The federal budget deficit hit almost $86 billion last financial year, Treasurer Josh Frydenberg revealed yesterday in an "Economic and Fiscal Update," and will more than double to $184 billion in the current 2020–21 financial year.

That deficit will equal almost 10 percent of gross domestic product, or more than twice the proportion recorded during the global financial crisis of 2008-09. State governments have begun reporting similar impacts.

All the Liberal-National Coalition government's repeated claims to have brought the budget "back in black" after a decade, with a projected 2019–20 surplus of just over $5 billion, have been torn to shreds. Gross federal government debt is expected to reach $852 billion in 2020–21.

The yawning deficits are not only the product of the worst worldwide crash since the 1930s Great Depression. This has produced mass unemployment globally, which, in Australia, is reflected in a projected $63.9 billion decline in income tax revenue this financial year.

Much more, the deficits are the result of the biggest corporate handouts in history. Since March, the federal, state and territory governments have handed out more than $300 billion in "stimulus packages." The lion's share has gone to big business, including via JobKeeper wage subsidies that have so far kept millions of their employees on the job, generating profits.

At the same time, more than 2.5 million workers—or nearly a fifth of the labour force—have been thrown into unemployment or under-employment. Prime Minister Scott Morrison's government yesterday announced that this toll will deepen by the end of the year, with another quarter of a million jobs expected to be eliminated.

Yet, the government declared that the burden must be borne by workers through "industrial relations reform"—a code phrase for slashing jobs, wages and conditions—and fast-tracked pro-business "deregulation."

Frydenberg insisted that the "first cab off the rank" for the government would be entrenching changes to workplace laws, agreed by the unions in March as part of the JobKeeper laws. Almost one million businesses must get permanent powers to change workers' hours, duties and location, the treasurer said.

This issue will be discussed when Industrial Relations Minister Christian Porter and Australian Council of Trade Unions (ACTU) secretary Sally McManus resume talks next week. In March, Porter called McManus his BFF ("best friend forever") when the ACTU agreed to impose these "flexibilities" on millions of already low-paid retail, hospitality and clerical workers.

For the past two months the unions have been involved in five tripartite "working groups" with the government and employer groups in devising further industrial relations "reforms." What is being prepared is another wholesale restructuring of economic relations at the expense of the working class.

Frydenberg also foreshadowed bringing forward historic income tax cuts previously legislated for the next several years. This will be another bonanza for the wealthy. Those receiving above $200,000 a year—that is the top 5 percent of income recipients—will benefit to the tune of some $33 billion over five years.

Simultaneously, as announced on Tuesday, the government is slashing the JobKeeper wage subsidies and

JobSeeker unemployment benefits on which about 5 million workers and their households depend to survive.

According to Frydenberg, such measures are essential to halt the “free fall” in business investment. The government and the corporate oligarchs are exploiting the economic breakdown of their own system to demand far greater “incentives” to invest and chase profits.

At the same time, the collapse of investment exposes the government’s predictions that economic growth will suddenly soar to 2.5 percent in 2021 after contracting 7 percent in the current June quarter.

Business investment is expected to plunge 12.5 percent this financial year, driven by a collapse in non-mining investment of 19.5 percent. Housing investment is forecast to drop 16 percent. These statistics point to a steep and prolonged recession.

The government’s forecasts are not simply optimistic. They are based on continuing the deadly economic “reopening” drive, despite the COVID-19 surge in the two most populous states, Victoria and New South Wales. The financial calculations assume that Victoria’s partial shutdown will last only four more weeks, that no new safety shutdowns will occur anywhere else in the country, and that international travel will resume from January 1.

Frydenberg admitted that the situation could deteriorate due to the coronavirus outbreak in Victoria, where 13 deaths and almost 1,200 new cases have been reported in the past three days.

The government’s estimates are based on cutting pay levels too. Predicted wage growth has been revised down to 1.25 percent for 2020–21, the lowest since official records were kept. This average figure disguises the outright cuts inflicted on many low-paid insecure and casualised workers.

The treasurer said the staggering budget deficits “reveal the real cost to the budget of protecting lives and livelihoods as result of coronavirus.” That is a barefaced lie. Lives and livelihoods are being destroyed as a result of a bipartisan profit-driven policy.

As the WSWS warned, the return of large-scale infection is a predicted consequence of the decision by the “national cabinet,” consisting of Morrison and the state and territory leaders, both Labor and Liberal-National, to lift limited shutdown measures in May. This de facto national unity government did so in order to push workers, including school teachers, back into workplaces for the sake of corporate profits.

Even based on the government’s assumptions, Treasury forecast that the jobless rate could hit 10.75 percent by December. This is a vast underestimate of the real loss of jobs and working hours, especially among young workers. The Grattan Institute has estimated that nearly 12 percent of the jobs worked by those under 30 have disappeared in the past four months.

Some corporate economists, such as Chris Richardson from Deloitte Access, have promoted the illusion that the economy can “grow” out of the deficits over time, as happened during the post-World War II years. But that period was fundamentally different, based on the international boom that eventually followed the victory of the US and its allies.

Today, the COVID-19 pandemic has triggered and accelerated a protracted economic breakdown in US and world capitalism. Moreover, in the 1950s, the rich were compelled to help pay off the debt, via high marginal income tax rates that began at 75 percent in 1951 and then 67 percent from 1955 to the 1980s. Then the Hawke and Keating Labor governments began to slash them to today’s top rate of 45 percent, and the company tax rate from 49 to 33 percent (soon to be 27.5 percent).

As for the financial elite, its message is blunt. Today’s editorial in the Murdoch media’s *Australian* told the government that its “policy marketing” had to shift. It was time to “break the news” to the population about the need for “hard reforms.” The *Australian Financial Review* called for the revival of “the supply-side revolution of the 1980s and ‘90s.”

That “revolution”—a brutal restructuring on the back of the jobs, wages and conditions of the working class—was implemented by the Hawke and Keating Labor governments, backed to the hilt by the unions. Labor is just as committed to satisfying the new requirements of the ruling class. In response to the budget deficit announcement, the opposition shadow treasurer Jim Chalmers mainly criticised the government for allowing the deficits and debt to grow before the pandemic—in other words for not being sufficiently austere.