COVID outbreak and China tensions expose Australian government bid to claim "recovery"

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Frantic efforts are being made by the Australian government and corporate media to talk up prospects of "economic recovery," despite continuing mass unemployment, rising tensions with China—the country's biggest export market—and the raging global COVID-19 pandemic.

In releasing the government's "mid-year economic and fiscal outlook" (MYEFO) last Thursday, Treasurer Josh Frydenberg did his best to promote the economic prospects of consumer travel and spending. He declared: "Australians are approaching Christmas with optimism and hope."

This was despite the government's own statistics showing that more than three million workers remain dependent on poverty-line JobKeeper wage subsidies or JobSeeker dole payments, both of which have been slashed and are due to be cut again on December 31.

The vastly understated official unemployment figures released the same day showed the seasonally-adjusted jobless rate dropped slightly from 7 to 6.8 percent in November. Yet that still left almost a million workers seeking jobs and nearly 2.5 million classified as "under-utilised" (unemployed or under-employed, that is, trying to get extra hours).

A more accurate picture was provided by the Roy Morgan monthly employment survey. It estimated the total under-utilisation rate at 21 percent, or just under 3 million people. Employment rose in November—largely due to the lifting of pandemic restrictions in Victoria, the state previously worst affected by COVID-19—but about 40,000 people dropped out of the workforce.

New proof of the vulnerability to the pandemic came with an outbreak in Sydney just as Frydenberg released the annual budget update. The cluster quickly exposed one of the most blatant profit-driven assertions in the update: that the coronavirus is under control and there will be no more lockdowns or border controls.

Despite the renewed danger of infections spreading, Frydenberg said it would be "premature" and unnecessarily damage consumer and business confidence if any safety restrictions were imposed in response to the Sydney outbreak.

Nevertheless, popular concern over the deadly and infectious virus compelled most state and territory governments to reintroduce travel restrictions, denting big business hopes for a lucrative Christmas tourism and retail boom.

While Frydenberg promoted hopes of a national vaccine "rollout" by "late 2021," he admitted there were "downside risks to Australia's economic recovery." These included "the timing, distribution and effectiveness of the vaccine in stopping the spread of the virus globally, trade tensions that limit Australia's access to export markets, and domestic economic uncertainty."

Just a day before the MYEFO release, the Liberal-National government announced it would ramp up its conflict with Beijing by referring China to the World Trade Organisation to challenge anti-dumping tariffs imposed on Australian barley imports. This is one of a growing number of disputes—from wine to coal—now threatening Australian exports worth more than $6 billion a year.

The government has increasingly committed Australia to back the US confrontation with China. Yet the MYEFO underscored the ongoing reliance of key sections of Australian capitalism, and overall government revenues, on China—especially for iron ore sales. Higher ore prices, fuelled by the Chinese regime's stimulus measures and supply problems in Brazil, are expected to boost Australia's gross domestic product (GDP) by $25 billion this financial year and increase company tax receipts by $1.3 billion this year and $4.8 billion next year.

Prime Minister Scott Morrison and the media falsely reported the MYEFO as showing a significant improvement in the economic scenario—primarily because of the ending of Victoria's restrictions—since the annual federal budget was belatedly handed down on October 6.

Headlines such as "Recovery gathering pace" highlighted a $16 billion drop in the predicted federal government deficit for this year, from $213.7 billion to $197.7 billion, and a decrease in the four-year deficit total from $480 billion to $456 billion.

However, these remain the highest deficits ever recorded in peacetime. Federal government debt is still set to soar over $1 trillion by the end of the 2020s—a measure of the depth of the worst global economic breakdown since the 1930s Great Depression. State governments are also running large deficits, causing global credit ratings agencies to strip their AAA rankings from both New South Wales and Victoria, the two most populous states.

Even the cut in the forecast federal deficit was almost entirely due to the winding back of the JobKeeper and JobSeeker payments, which have barely kept millions of working-class households out of destitution since March. There will be an $11 billion drop-off in JobKeeper and a $3.7 billion cut in welfare payments this financial year.

In other words, almost all the budget "improvement" is at the expense of working people. The resulting social crisis will intensify as mortgage, rent and small business insolvency moratoria are ended in the New Year, throwing millions more workers and family business operators into poverty.

This is a foretaste of the financial stress and social misery to come as the government implements "budget repair"—that is, imposes deeper austerity measures to extract the cost of the government deficits and debts by slashing social programs, including public health and education.

The MYEFO upgraded economic growth for this financial year to 0.75 percent, from minus 1.5 percent in the October budget. But that presupposes an end to a recession that produced the sharpest ever quarterly fall in GDP—7 percent from July to September. And the budget update confirmed negative net overseas migration and slower population growth because of the worldwide pandemic.

Even by the rosy predictions issued by Frydenberg, unemployment is yet to peak and non-mining private investment will plunge by a staggering 14.5 percent this financial year.

That is despite the federal, state and territory governments pouring about $300 billion in subsidies and incentives into the hands of business, mainly big business, this year. As well, the Reserve Bank has locked in record low interest rates of 0.1 percent for three years, and providing the financial markets with $100 billion of "quantitative easing."

For all the upbeat propaganda, key corporate media outlets are lashing the government for not moving fast enough to unleash "budget repair" and "industrial relations reform" to further cut workers' wages and conditions.

The *Australian Financial Review* editorial on Saturday accused the government of evading its "political challenges" by failing to chart a course to "wind back" spending. It also demanded "structural reform," deeper cuts in the company tax rate and more aggressive moves to tackle the "quagmire of an industrial relations system."

Likewise, the *Australian* editorial on Friday insisted that overcoming the budget deficits would require "structural reforms including in the hard-fought areas of industrial relations and tax."

Another warning of the ruthless plans of the ruling elite came from the only expansion of social spending announced in the MYEFO. That was $850 million to fund the creation of another 10,000 "home care packages," which are designed to keep elderly people out of residential nursing homes.

Over the past year, the government now claims to have funded 50,000 such packages. But that still leaves up to 100,000 people on waiting lists, often for more than 12 months. The MYEFO pittance is a continuation of the contempt for the lives of retired workers displayed by the fact that so far 685 of the country's 908 COVID-19 deaths, or three-quarters, have occurred in chronically under-funded and poorly-staffed aged care facilities.