

# Australia: Victorian state Labor government delivers pro-business budget

Patrick O'Connor  
21 May 2021

The Labor government in the Australian state of Victoria delivered its annual budget last Thursday, announcing a speedy return to surplus on behalf of finance capital and big business through a combination of measures that include cuts to the real wages of public sector workers.

Since coming to office in 2014, the government of Premier Daniel Andrews has advanced the interests of the capitalist class, including through the privatisation of public assets such as the Port of Melbourne worth \$10 billion, and the Land Titles and Registry office worth \$2.9 billion.

In early 2020, state treasurer Tim Pallas announced his intention to deliver an austerity budget, involving spending cuts of \$4 billion to maintain the surplus that international credit rating agencies demanded. The pandemic-induced economic slump forced a change in that plan, with last year's substantial budget deficit designed to prop up economic activity including through various corporate subsidies.

Now the government is returning to austerity, announcing a planned return to cash surplus by 2022–23. This is a faster timeline than the federal Liberal-National government.

Public sector expenditure has been slashed by \$3.6 billion and a new annual wage cap of just 1.5 percent announced for public sector workers, including teachers, nurses, ambulance workers, and public servants. Many of these workers were placed at significant risk during the coronavirus pandemic, and publicly hailed as heroes by the government, but are now being threatened with a significant cut to their real wages.

Even greater austerity measures against the working class will emerge, as the budget is based on grossly unrealistic forecasts. Growth forecasts include expectations that substantial numbers of migrants, tourists, and international students will return in 2022—but

this remains in question given the debacle that is the national vaccination program, together with the federal government's refusal to build proper quarantine facilities.

The Victorian government, preparing for an election in November next year, announced several limited investments.

These included \$1.6 billion to build 13 new schools in Melbourne's outer suburbs, together with upgrades to 35 metropolitan and 17 regional schools. This represents a drop in the bucket compared to the expenditure required to fix existing dilapidated public schools and construct enough new ones to prevent overcrowding and ease pressures on families to send their children to private schools.

The government is also spending \$3.8 billion to rebuild the mental health system, after a royal commission into the mental health crisis concluded that the system had "catastrophically failed." The Labor Party, in power in Victoria for 18 of the last 22 years, is responsible for this failure at the state level, but is now attempting to take credit for its limited investment.

The new expenditure mostly goes to clinics and intervention services—while doing nothing to address the social crisis caused by the capitalist system that is responsible for the epidemic of mental illness. Currently 20 percent of the population experiences a mental illness in any year.

The mental health initiative is being funded by a new levy on the largest 5 percent of corporations. Businesses with wage bills of more than \$10 million will pay an additional 0.5 percent of payroll tax, with another 0.5 percent for businesses paying wages greater than \$100 million nationally. Additional taxes on corporate property investors will raise \$2.7 billion over four years.

The imposts amount to a tiny fraction of the super profits generated by big business during the pandemic, courtesy of multi-billion dollar federal and state

government subsidies. Howls of outrage nevertheless emerged from sections of the ruling class. The Murdoch press hysterically portrayed the budget as a class warfare measure against business. The *Age* front page featured a cartoon of Treasurer Tim Pallas dressed as Robin Hood.

This ludicrous response served to cover over the pro-business content of the budget. The Labor government is a ruthless representative of the interests of the ultra-wealthy and the corporations. Pallas himself, a former official with the National Union of Workers (now United Workers Union), devoted part of his maiden speech when he entered parliament to denouncing the class struggle. Praising “a sense of balance... that is a credit to generations of employers and unions, as well as governments,” he declared, “I want to make one thing clear: I do not now believe nor have I ever believed in the concept of class conflict.”

Speaking with the *Australian Financial Review*, Pallas adamantly defended the government’s pro-business record. “The state, having been there when the community and business needed it, has every right to say ‘now is your turn to make a contribution,’” he declared, adding that state government subsidies for property investors totalled \$2.6 billion.

The hostility towards the new tax measures within corporate circles reflects a conviction that any measure impinging on the interests of big business and the ultra-wealthy, no matter how minor or tokenistic, is politically illegitimate. Business Council of Australia chief executive Jennifer Westacott pointed to this when she declared the Victorian budget represented “a very dangerous precedent of fiscal repair.”

A warning to the government was issued by the Australian Industry Group’s Tim Piper. “We want to make sure that business has a free run from here on in,” he declared. This is wider warning to all governments, state and federal, that big business will not tolerate any financial imposts to pay for essential social services.



To contact the WSWS and the  
Socialist Equality Party visit:

**[wsws.org/contact](http://wsws.org/contact)**