

Australian budget update flies in face of pandemic disaster

Mike Head**17 December 2021**

Despite an accelerating COVID-19 crisis, the Australian government handed down a mid-year budget review on Thursday that is predicated on no major safety measures being implemented to combat the soaring infections.

The Liberal-National Coalition government's budget plan directly reflects the demands of the corporate elite for a full reopening of the economy, in the interest of profit, regardless of the human cost in illness, hospitalisations and deaths.

The Mid Year Economic and Fiscal Outlook (MYEFO) assumes that lockdowns and state border closures are no longer imposed, most remaining domestic restrictions are lifted by early 2022, and "only baseline levels of physical distancing and density restrictions" remain for the first half of next year.

The extremely-transmissible Omicron mutation is starting to spiral out of control in Australia, further fuelling the impact of the axing of safety measures in the face of a deadly Delta surge. Yet the document states: "The Omicron variant is not assumed to significantly alter current reopening plans or require a reimposition of widespread health and activity restrictions."

After releasing the MYEFO, Treasurer Josh Frydenberg reinforced the message, warning the state and territory government leaders not to reintroduce restrictions. "Our economic recovery depends on it," he stated. "Keep calm. Carry on. Don't panic. Don't overreact."

Nevertheless, the MYEFO admits: "The ongoing impact of the pandemic means the economic outlook remains highly uncertain." Given the record levels of infections erupting in many parts of the globe that is a gross understatement.

As an initial sign of what is to come, the government

had to cut its growth forecast to 3.75 percent for the current financial year, down from the optimistic 4.25 percent forecast just seven months ago in this year's May annual budget.

The document's even rosier predictions of an economic rebound next year and low jobless rates are based on making the working class bear the burden of the "recovery" by further driving down real wages.

Compared to inflation, wages are forecast to fall another 0.5 percent this financial year. That figure is after inflation more than doubled the average rate of wage rises in 2020–21, and comes on top of a decade of declining real wages for lower-paid workers.

This will trigger a rising level of strikes for higher pay and better conditions, like the ones already launched by teachers, rail workers and transport workers, despite the efforts of the trade unions to isolate and suppress them.

The budget update promises a marginal lift in real wages in the years to come. But such predictions by governments have repeatedly failed to materialise over the past decade. Instead, the gulf between wages and the income and wealth of the super-rich has widened dramatically.

Moreover, even without factoring in the impact of the pandemic, the MYEFO points to a longer-term fiscal and economic deterioration in the fortunes of Australian capitalism. The next government, whether Coalition or Labor Party, will demand deep cuts to social spending as soon as the 2022 federal election is out of the way.

The government posted a revised deficit of \$99.2 billion for 2020–21, a \$7.4 billion improvement since the May budget. Yet for the next entire decade, the government projects budget deficits of about \$40 billion to \$60 billion annually, with government debt

heading to \$1.2 trillion. These deficits will run well into the 2030s, the decade after next.

That is partly due to huge income tax cuts for people on more than \$180,000 a year, expected to cost \$17 billion-a-year from 2024. These were enacted into legislation with the support of the Labor opposition.

There is also soaring spending on the military, as well as increased aged care and pension payments because of an ageing population.

Another cause is the \$337 billion that the MYEFO estimates has been spent on federal government “support” packages during the pandemic, equivalent to 16.3 percent of gross domestic product (GDP). By far the largest share of that money, including for the JobKeeper wage subsidy scheme, went into the pockets of the corporate ruling class, with billions even paid to companies that recorded higher profits.

The National Disability Insurance Scheme (NDIS) is being targeted already for post-election slashing, with the MYEFO asserting that its cost has “blown out” and could hit \$75 billion a year by 2030. In reality, many people suffering from disabilities and their families already experience severe hardship because of NDIS rationing and exclusions.

Another measure being canvassed is a doubling of the 10 percent goods and services tax (GST), a regressive consumption tax that shifts the burden of paying for the corporate largesse onto working class households.

Evidently, the government hopes to use the MYEFO as the starting block for an early election, possibly to be held before the scheduled March 29 annual budget. That budget would then be used to begin inflicting the social pain. The MYEFO sets aside nearly \$16 billion for unannounced projects—an election slush fund. That is more than 10 times the equivalent item in last year’s MYEFO.

Even this may not help the increasingly unstable, paralysed and faction-wracked government of Prime Minister Scott Morrison, which was unable to pass any legislation through parliament in the final session of 2021 without the backing of the Labor Party.

Big business and the financial press condemned the MYEFO for delaying “budget repair” until after an election. The *Australian*’s editor-at-large Paul Kelly declared: “The Liberals have surpassed Labor as big spenders. Spending now under Morrison/Frydenberg and into the future is running at a higher level as a

proportion of GDP than during the Rudd-Gillard era with spending in 2031–32 projected at 26.7 percent of GDP, distinctly above Labor’s record.”

The *Australian Financial Review* hosted an opinion column by former Labor Prime Minister Kevin Rudd, in which he criticized the Morrison government for “mind-boggling spending of 32.1 per cent of GDP—a modern record.” This was fuelling an “eye-watering deficit” that dwarfed the one left by his government in 2013.

Rudd concluded: “In an era of growing inflation, this reckless fiscal indiscipline is grossly irresponsible.” That is a warning that any incoming Labor government would seek to inflict deep austerity measures on the working class.



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