

Australian “cash splash” budget masks military boost and pandemic health cuts

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The most obvious feature of the budget handed down last night by the Australian government is a desperate pre-election vote-buying swindle to try to head off deepening working class unrest. It offers very limited temporary “cost of living” measures that will do nothing to relieve the impact of soaring prices and falling real wages on working people.

With Prime Minister Scott Morrison having to call an election by mid-May, his Liberal-National Coalition is “splashing” some \$8 billion on immediate, short-term handouts. They feature \$250 one-off “cost of living” payments to welfare recipients and retirees, a six-month 22 cent-a-litre cut to the fuel excise, and a one-year tax break of \$420 for people on incomes of up to \$126,000 a year.

With petrol prices having surged above \$2 a litre, and inflation predicted to hit 5 percent by mid-year, these pittance will hardly help working class households that are finding it increasingly impossible to make ends meet. They face living and housing costs accelerating far above the official cost of living index and the looming prospect of rising interest rates amid record levels of household debt. This is on top of years of cuts to real wages, which have deepened throughout the COVID-19 pandemic.

Moreover, the \$8 billion handed out in the next few months is going to all be gouged back in the next financial year through the announced axing of tax offsets for low and middle income earners. That is just an indication of deep new inroads that are going to be made in the social position of the working class.

Whatever the shape of the next government—Coalition, Labor Party or a minority government backed by various independents—it will quickly turn to making the working class pay for the huge budget deficits and spiralling government debt (\$1.1 trillion by 2024-25) created by handing hundreds of billions of dollars to big business in pandemic support packages and pouring billions more into military spending.

Behind the misleading “cash splash” headlines, the opening lines of the budget speech by Treasurer Josh Frydenberg gave more ominous indicators of what is to come. “Tonight, as we gather, war rages in Europe,” he said. “The global pandemic is not over. Devastating floods have battered our communities. We live in uncertain times.”

Chillingly, a wartime message ran throughout his speech.

Belying the ludicrously rosy jobs and economic growth forecasts in the budget, Frydenberg spoke of “a deteriorating geostrategic environment and economic disruption.” Without specifically naming China, he said the nation had to prepare to meet “aggression” and “coercion.”

Although barely mentioned in the media coverage, a centrepiece of the budget was a further boost to military spending in preparation for participation in US-led wars against both Russia and China.

The biggest single new item was \$10 billion over ten years to double the size of the electronic spy agency, the Australian Signals Directorate, and ramp up its ability to conduct “offensive” as well as “defensive” cyber warfare. Another \$1.2 billion was allocated for a “national space mission”—a step toward war in space.

These announcements added to those already made in recent weeks: at least \$38 billion to increase the size of the armed forces by nearly 20,000, and \$15 billion for a naval shipyard upgrade and a new east coast naval base for the nuclear-powered long-range attack submarines to be acquired under the AUKUS treaty signed last September with the US and UK.

As previously pledged to US governments, the budget also increased the share of funding for the military to more than 2 percent of gross domestic product (GDP), with \$48 billion in funding in 2022-23. This is on top of \$270 billion already allocated for military hardware during this decade.

Much more expenditure is to come once the election is out of the way. The budget included no allocations for actually paying for the AUKUS submarines, or for the advanced long-distance missiles or armed drones announced in recent months.

Equally ominous was Frydenberg’s declaration that COVID-19 will continue to wrack the world, including Australia, exposing the lie of the government and media claims that the pandemic is coming to an end. In fact, the budget papers warn of further waves of Omicron or potentially even more lethal mutations: “Beyond winter, it is assumed that Australia will continue to experience intermittent, localised waves of Omicron, or other new COVID-19 variants.”

Yet, the budget contains a massive cut to health spending—by \$10 billion to \$105 billion this year, or more than 10 percent in real terms. That means less money for vaccines, COVID-19

treatments and support for doctors, aged care providers and hospitals, including personal protective equipment.

The government rejected the calls by the state governments for a 50-50 share of public hospital funding and by the Australian Medical Association for a \$20 billion injection into the overwhelmed hospitals. As a result, bed and staff shortages, and ambulance delays and “ramping” (queuing) will worsen.

At the same time, the government-corporate offensive against workers’ living standards will intensify. By the government’s own admission, in the budget papers, inflation rose by 3.8 percent last year, double the 1.7 percent growth in wages, and this wage-slashing will continue this year, with inflation growing 1.25 percentage points faster than wages.

Far from the government’s claim that real wages will rise next year—a false promise made in every single budget—it has deliberately driven workers, especially young workers, into highly casualised, insecure and poorly-paid employment by cutting income support during the pandemic. That is the phoney basis of the official unemployment rate falling to 4 percent, plus the absence of temporary overseas workers, who numbered about 2 million before COVID-19, or 10 percent of the workforce. This year, the government has “saved” \$11 billion on welfare payments by pushing people off benefits and into cheap labour.

There is no money in the budget for wage rises for the over-stretched nurses and their fellow health workers, or for aged care workers, teachers and other public sector workers. Instead, the budget contains further cuts to education and other essential social programs, including:

- * Payments for state and territory government schools to drop by \$796.5 million over four years.

- * Another 5.5 percent off higher education, and a prediction of no early return to pre-pandemic level of full fee-paying international students.

- * Real spending on arts and culture to decrease by 10.6 percent this financial year and by 13.1 percent from 2022-23 to 2025-25.

Despite all the scientific warnings about the necessity for urgent action to halt global warming, and the growing frequency of floods, bushfires and other climate-related disasters, the budget papers reveal a 35 percent annual cut to climate change spending over four years, to just \$1.3 billion annually. Over the same years, many times more money than that will be spent on subsidies and support packages for oil, gas, coal and other fossil fuel companies.

Flood victims will continue to be left to fend for themselves, along with bushfire survivors. While the government claimed to be expecting to spend \$6 billion on flood recovery by June 2026, the bulk of that money is to rebuild roads or reimburse state governments for relief programs already unveiled, overwhelmingly for the benefit of business operators. The government’s \$5 billion Emergency Response Fund will again allocate only \$150 million in the upcoming financial year.

The budget is also based on years of tax cuts and write-offs for companies and the wealthiest layers of society. The Australia Institute thinktank recently estimated that income tax cuts due to be fully implemented by 2024-25 mean a bank chief executive will enjoy a tax cut of \$9,075, while a typical bank worker will end up paying an additional \$878 compared to this financial year, and a registered nurse will pay \$399 more.

As soon as the election is over, the financial elite will demand urgent action to reduce the resulting multi-billion dollar budget deficits predicted over the next decade and rising federal government debt, which is due to hit \$1.1 trillion by 2024-25, and the repayments of which will increase as interest rates rise.

Today’s *Australian Financial Review* editorial insisted: “Whoever wins the election is going to have to confront the challenge of restoring Australia’s public finances honestly and openly.” In its main pre-budget editorial, published on March 7, the newspaper demanded “hard ‘guns versus butter’ choices” to end a supposed addiction to “promising more money for endless worthy causes.”

For all the government’s assertions of a fast “recovery” from the pandemic, the budget’s optimistic economic forecasts, which themselves only predict anaemic GDP growth of 2.5 percent from next year, are based on continuing booming commodity exports, above all, iron ore exports to China. A military confrontation with China would drastically cut or end those revenues.

Labor leader Anthony Albanese will deliver a budget reply on Thursday. But Labor has already supported all the key elements of the budget, such as the military expansion, the tax cuts and the deadly “live with the virus” policies implemented via the bipartisan “National Cabinet.” And while Labor pretends to oppose the wage-cutting, its partners in the trade unions have presided over it, working overtime to suppress the growing discontent of workers.



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