

Australia: Victorian state Labor government budget tries to conceal austerity agenda

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The state Labor government in Victoria released its annual budget on Tuesday. This was a political fraud, centrally directed toward covering up the Labor Party's preparations, at both the federal and state levels, for austerity policies aimed at making the working class bear the burden of the worsening economic crisis.

The federal election will be held on May 21, and the Victorian state vote on November 26. Ahead of each, Premier Daniel Andrews sought to promote illusions that Labor governments would represent some form of alternative to the Liberal-National Party agenda. In reality, only tactical issues separate the major parties—regardless of who wins, the agenda of big business and finance capital will be advanced.

Since coming to office in 2014, the Victorian Labor government has promoted various pro-business measures. These include the privatisation of remaining publicly-owned assets, including the Port of Melbourne for nearly \$10 billion in 2016. On behalf of international finance capital, Labor suppressed spending on social welfare and infrastructure, with the Victorian government maintaining the lowest per capita spending on public hospitals and schools of any state in Australia.

In February 2020, Treasurer Tim Pallas announced he was preparing \$4 billion in spending cuts aimed at maintaining a budget surplus, with public sector jobs and wages targeted. The COVID-19 pandemic disrupted this plan. The economic slump hit Victoria the hardest of all states, with Melbourne experiencing a lengthy, necessary lockdown during the “second wave” of infections between July and October 2020.

Government stimulus spending and massive handouts to big business saw state debt and deficits blow out to record levels. State debt is forecast to rise to \$167 billion over the next four years. The 2021–22 state

budget is in deficit by \$17.6 billion.

The international credit rating agencies previously downgraded Victoria's status from AAA to AA in late 2020. Further downgrades are being mooted. Moody's vice president John Manning last week declared: “We expect Victoria's debt burden will not stabilise before the end of fiscal 2027, further increasing negative pressure on the state's rating.”

There is no doubt that the Labor government will respond to being put on notice. A clear indication of the anti-working class agenda that is being prepared was delivered with a draft industrial agreement covering public school teachers that was negotiated by the government and the Australian Education Union. The deal, which will shortly be voted on by public school workers, involved a base salary rise of just 1 percent every 6 months, amounting to a savage real wage cut in the context of an official annual inflation rate of 5.1 percent.

The state Labor government nevertheless disavowed austerity policies as it released its budget earlier this week.

Treasurer Pallas declared that “austerity is not a solution” and insisted that debts and deficits could be reduced through economic growth alone. The government said it would not impose spending cuts beyond the previous \$3.6 billion in public sector so-called efficiency measures announced in last year's budget.

This is nothing but a fiction, based upon entirely unrealistic economic forecasts. The world economy is experiencing an accelerating crisis, with supply chain breakdowns seeing official inflation rates surge toward 10 percent in advanced capitalist countries such as the US and Britain, while a growing number of poorer countries are experiencing outright collapse, as in Sri

Lanka. In Australia, costs of living are surging and the recent official interest rate hike has hit mortgage holders with additional payment obligations.

Despite all this, the Victorian government forecasts nothing but economic clear skies. Pallas boasted of “spectacular” current annual economic growth of 5.5 percent—but this comes after the sharp contraction in the previous two years. For the next four years, economic growth rates are forecast at 3.25, 2.25, 2.75, and 2.75 percent. All this, the government insisted, would deliver a return to budget surplus by 2025-26.

The forecasts have been widely discredited by economists. Even the Treasury acknowledged that risks were “greater than normal” and the growth predictions were “subject to a higher degree of uncertainty.”

There is little question that after the May federal election and the November state poll, revised economic figures will be issued—and an openly pro-austerity agenda.

Until then, however, the Andrews government is promoting limited spending initiatives. On education, \$779 million is allocated for employing another 1,900 public school teachers. Another \$1.8 billion is for 13 new schools and building upgrades.

On health, the government has launched a \$12 billion “pandemic repair” plan, labelled “Putting Patients First.” This includes providing extra hospital surgeries, employing another 2,250 nurses over the next two years, upgrading ambulance services and improving the disastrous 000 emergency response line. More than a dozen people have died in the past year while waiting for a 000 phone call to be answered—provoking widespread outrage.

The various spending measures pale in comparison with the scale of the social crisis in Victoria. Thirteen additional schools does not even scratch the surface of what is required. Whole suburbs in Melbourne’s west and north have been developed in recent years, with property developers reaping fortunes while working-class residents are left without basic infrastructure and amenities, including public schools. Overcrowding has fuelled the drift of students into the private school system.

Likewise with health, the public system has long been in an enormous crisis. One reason for the extended 2020 lockdowns was the government knowing that the over-stretched hospital infrastructure would have

collapsed if widespread COVID infection developed. The spending in the government’s latest budget amounts to a band-aid applied to a gaping wound.

It remains to be seen whether even the pittance that has been promised ever eventuates. The *Age* reported on May 5, that of the 10 community hospitals promised by the government before the 2018 state election, zero have been constructed, with building work commenced on just one site.

Pro-business measures, on the other hand, are developed with lightning speed. This is set to include another privatisation unveiled with the latest budget, of road authorities’ number plate and car registration operations. The corporate sell off is expected to raise a significant portion of funding for a \$10 billion “Future Fund” that is directed toward establishing a permanent base of funding for measures boosting corporate profits.

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