

Australian Labor budget inflicts historic cuts on workers

Mike Head**25 October 2022**

The Albanese government's first budget, handed down last night, is the opening shot of a further offensive against the wages, jobs and social conditions of working-class households in order to impose the dictates of the financial markets.

The budget inflicts the deepest cuts to workers' living standards since World War II, but this is just an initial down payment on the agenda of austerity and war preparations demanded by the ruling class.

On the direct orders of the money markets and big business, Labor is setting out to impose the full burden of the global capitalist economic crisis triggered by the ongoing COVID-19 pandemic and the escalating US-instigated war against Russia in Ukraine.

In his budget speech, Treasurer Jim Chalmers assured the financial elite that it "begins the hard yards of Budget repair." That means slashing social spending, particularly on health, aged care and disability services, to pay off the looming \$1 trillion debt incurred by pouring billions of dollars into corporate pockets since the 2008-09 global financial crisis, and even more during the pandemic.

As the Socialist Equality Party alone warned throughout the May election campaign, Labor's phony promises of a "better future"—featuring rising wages and a reduction in household electricity bills by \$275—have been scrapped and replaced by insistence on "hard decisions" for the "hard days to come."

Under Labor's budget, real wages will continue to fall for at least two more years, while more than 150,000 jobs will be lost and prices for essentials will soar—fuelled by staggering domestic electricity and gas hikes of 56 percent and 40 percent respectively.

Having already fallen for the past decade and by about 3.5 percent in 2021-22, real wages will be cut by about 5 percent by next June, with worse to come. This is an historic reversal in working-class living conditions.

Treasury also expects unemployment to rise to about 4.5 percent next year—axing some 150,000 jobs—and 5 percent if the world economy turns down more sharply.

Official inflation, now at 7.3 percent, is predicted to hit 7.75 percent by the end of the year, before supposedly dropping to 5.75 percent next year. These figures are a severe underestimation of the real cost of living. Price data from grocery app Frugl released on Monday put overall grocery inflation at close to 9.5 percent for the year.

Adding to the hardship and social distress, mortgage interest rates and rents will keep skyrocketing, spending on health and aged care will be cut in real terms despite the international resurgence of the pandemic, and the lack of any welfare payment rises or household bill relief will send millions of people and their children deeper into poverty.

Yet, Prime Minister Anthony Albanese contemptuously labelled the budget "family friendly" and Chalmers said the "responsible budget" would repay the Australian people's "faith in a new government."

Nothing could be further from the truth. By "responsible" the Labor leaders mean whatever is necessary to satisfy the demands of the global financial markets. This sets the government on a collision course with the growing strikes and struggles of workers to oppose this offensive.

In a pre-budget address to Labor MPs in Canberra on Monday, Albanese reinforced the message of the financial aristocracy sent by the rapid removal of UK Prime Minister Liz Truss for not sufficiently slashing social spending. "If you want to see the counterpoint to how a new government can perform, look no further than the UK," he said.

The vicious class character of the budget is epitomised by Labor's refusal to tax the super-profits being made by the energy giants on the back of the Ukraine war. According to an Australia Institute study, "loopholes" in the petroleum resource rent tax mean that despite windfall profits of up to \$40 billion per year, gas companies are avoiding paying any resulting increase.

These energy giants are not only profiteering on the war, they are imposing the global doubling of gas prices on domestic customers.

Likewise, Albanese and Chalmers have dismissed calls to scrap planned "stage three" income tax cuts for the wealthy,

now estimated to cost \$252 billion over a decade, while benefitting households on annual incomes of \$400,000 by up to \$23,280 per year.

Labor leaders, echoed throughout the corporate media, insist that no real cost of living relief is possible for ordinary people because that would stoke inflation and interest rates. This is a monumental fraud. The cause of inflation is not wages and social spending, both of which are being gutted.

The causes lie in the unprecedented engorgement of the money markets over the past decade, the workforce shortages and supply chain disruptions resulting from the refusal of governments to take the measures needed to end the pandemic, and the US-NATO war against Russia, which is threatening humanity with a nuclear catastrophe.

Another major driver of inflation is the raising of interest rates by central banks around the world, purely to induce recessions in order to suppress workers' wages demands. The Reserve Bank of Australia is expected to push the official interest rate to a peak of 3.35 percent early next year, up from a record low of 0.1 percent until May.

The budget papers estimate that since May, the typical monthly repayments on a \$500,000 mortgage have increased so far by \$700, and house prices are falling as a result, threatening many thousands of working people with "negative equity" and the danger of default.

The aggressive interest rate hikes also have a double impact. They are sending government interest payments rocketing. The budget estimates that debt repayments will rise by 14 percent a year, reaching \$70 billion a year by 2032, making them one of the biggest expenditure items.

Throughout the corporate media this is treated as an unavoidable impost that simply must be extracted from the population, particularly the most vulnerable, such as those depending on the National Disability Insurance Scheme (NDIS), a privatised form of support programs, which the government is more openly targeting for wholesale cuts.

Also presented as necessary is a vast expansion of military spending to prepare for a US-led war against China. This budget is a first instalment on this front as well. Military aid to Ukraine is to be boosted by \$213 million over five years, intensifying Australia's role as the biggest non-NATO contributor to the war against Russia.

Military outlays will increase by 8 percent this financial year, continuing growth from around \$34 billion in 2016 to \$70 billion by 2030. But these figures will soar next year as the result of a "Defence Strategic Review" due in March, along with a decision on the nuclear-powered submarines to be bought under last year's anti-China AUKUS pact with the US and UK governments. The proposed eight submarines alone are estimated to cost up to \$171 billion.

That will mean much deeper cuts to social spending.

Already this budget provides sub-inflationary increases of 6.1 percent for hospitals and 5 percent for aged care, making a mockery of Labor's claims to be addressing the service meltdowns and intolerable workloads in both. A continued freeze on Medicare rebates for doctors will further propel the end of bulk-billing, forcing patients to pay upfront for essential medical services.

None of the government's pledges on childcare, parental leave or housing are any more believable than those on wages and power bills. Every budget for the past decade, including each produced by the ousted Liberal-National government, made similar empty commitments.

In fact, in his budget speech to parliament Chalmers acknowledged the worldwide economic implosion. He sought to lay the basis for reversing further promises, declaring: "The global economy teeters again, on the edge—with a war that isn't ending, a global energy crisis that is escalating, inflationary pressures persisting, and economies slowing—some of them already in reverse."

Amid the almost universal media praise for the budget, the *Australian Financial Review* and the Murdoch media's *Australian* insisted that the government had to go far further. "Dr Chalmers says he has made a start on the 'hard yards' of budget repair," the Financial Review declared. "In truth, the hard work has hardly begun."

In addition to slashing social programs, the ruling elite is demanding aggressive industrial relations "reforms" to drive up profits and productivity at the expense of workers' jobs and basic conditions.

To enforce this assault, the capitalist class and its servants in the Labor government are relying on the trade union bureaucracy, which is intent on imposing wage rises that average 3.5 percent—less than half the official inflation rate—despite being widely discredited in the eyes of workers after decades of suppressing workers' struggles.

The united front between the union bureaucrats and the corporate elite was on display in response to the budget. On Australian Broadcasting Corporation television, Business Council of Australia CEO Jennifer Westacott and Australian Council of Trade Unions president Michele O'Neil were in furious agreement in praising the vicious budget as "responsible and careful."



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