

# Australian Labor government defends brutal budget

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Despite a hostile public response to its first budget—given a limited and distorted expression in media polls—Australia’s Labor government is doubling down on the budget’s imposition of an historic cut to the living standards of working-class households.

Speaking at an *Australian* newspaper-Melbourne Institute conference last night, Prime Minister Anthony Albanese and Treasurer Jim Chalmers vehemently defended the government’s refusal to provide cost-of-living relief and its insistence on cutting social spending.

They made plain they are thus meeting the demands of the global financial markets for “budget repair” even as skyrocketing inflation and interest rates threaten millions of people with financial hardship and potential defaults on home loans.

While feigning concern for people “feeling the pain of rising prices, especially off the back of a decade of stagnant wages,” Albanese scornfully rejected calls, including by welfare groups, for rebates or other measures to offset soaring household bills.

“The easy option would have been for us to funnel these savings straight into a cash-splash, a one-off giveaway to buy a headline,” Albanese said. He derided “handouts” as “cheap politics and hugely expensive economics.”

In reality, the working class is being made to pay for the huge “handouts”—over \$400 billion—in government corporate bailout packages in the first two years of the COVID-19 pandemic, on top of the unprecedented pouring of billions into the financial markets since the 2008-09 global financial crisis.

Addressing the same event, Chalmers boasted of outdoing the previous Coalition government by restricting real spending growth to an average of 0.3 percent over four years, which he said was almost 10 times lower than the Coalition’s pre-pandemic average.

Echoing Albanese’s contempt for the ordinary people facing hardship, Chalmers said: “It would have been easier—and no doubt more popular—to splash borrowed cash on an expansionary cost of living response.”

Chalmers said any “responsible” budget had to focus on inflation, “first and foremost.” That means further cutting social spending and keeping wage growth far below rising prices.

Yet wages have been falling in real terms for a decade, so they are obviously not the cause of inflation. That lies in the deepening global financial crisis, the refusal of capitalist governments to take the necessary action to end the pandemic, and the catastrophic US war drive against Russia and China.

As the WSWs warned last week: “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.”

The speeches by Albanese and Chalmers underscore Labor’s anti-working class agenda. It is seeking to impose on workers the full burden of the worsening world capitalist economic crisis triggered by the ongoing pandemic, the pouring of trillions of dollars globally into the hands of the financial elite and the escalating US-instigated war against Russia in Ukraine.

The budget tore up what was left of Labor’s fraudulent May election promises of a “better future,” “higher wages” and a dramatic cut to electricity bills. The budget was based on real wages continuing to fall for at least two more years, more than 150,000 jobs being lost in the same period and prices for food and other essentials soaring—compounded by staggering domestic electricity and gas hikes of 56 percent and 40 percent respectively.

Modelling estimates that average wage earners will be \$5,000 a year worse off as a result of the budget, and up to \$13,000 if they are mortgage holders. This impact will grow as the Reserve Bank of Australia (RBA) continues, as it did yesterday for the seventh consecutive month, to raise interest rates in order to produce a slump and drive down wages.

Media polls have reported that the budget was the most poorly received since the horror “emergency” budget of 2014 in which the Liberal-National Coalition government

imposed deep spending cuts, fuelling mass opposition that led to the replacement of Prime Minister Tony Abbott the following year.

According to the Murdoch media's Newspoll, for example, just 12 percent of people believe this Labor budget will make them better off, the lowest result since 2014, when just 5 percent of voters thought so.

A JWS Research survey reported by the *Australian Financial Review* said just over one in 10 voters believe the budget was good for them. Of the 16 budget measures tested by the survey, the least popular (9 percent) was not extending the low-income tax offset, which provided an end-of-year rebate of up to \$1,800 for the 10 million workers earning up to \$126,000.

That tax hit dovetailed with the government's other pro-business tax measures. They include the retention of the "stage three" income tax cuts—which will benefit wealthy households on annual incomes of \$400,000 by up to \$23,280 per year—and the government's refusal to tax the super-profits being made by the energy giants on the back of the Ukraine war.

Deeper attacks on living and social conditions are to come. In his speech, Albanese warned of "stormy waters" ahead as Europe and the US brace for recessions and Australia heads into an economic slowdown. The RBA is already predicting worse outcomes than last week's budget. The bank yesterday forecast inflation to hit 8 percent by year's end and not ease until 2025, and economic growth to slump to 1.5 percent for both 2023 and 2024.

After lifting virtually all pandemic safety measures, resulting in a predictable new wave of coronavirus mutations, Albanese said "the long tail of COVID continues to impact supply chains and construction costs."

His only answer was to "reform our way through." That means working with the unions to impose job cuts and workplace restructuring to drive up productivity—the extraction of profits from workers' labour power—and slash basic social programs that the capitalist class regards as unacceptable imposts on profit-making.

To reduce budget deficits, Albanese spoke of "the obvious, standout structural spends: growing pressure on healthcare; a crisis in aged care; new investments in our defence and national security, critical in this time of regional instability; and cost pressures on the National Disability Insurance Scheme."

That is setting the scene for further cuts to health, aged care and disability services—on top of the budget slicing \$2.4 billion off public hospital funding over four years—in order to meet debt repayments and pay for vastly expanded military spending to prepare for a US-led war against China.

Albanese said rising interest rates will add to the

repayments on government debt, which the budget predicted to peak at \$1.16 trillion, or 43.1 percent of gross domestic product, in mid-2026.

"At \$12 billion, the increase in the interest bill over the next four years is not just the largest payment variation in the budget, it is also the fastest growing cost. And this interest bill is forecast to rise at more than 14 percent a year over the next decade."

But the working class is not responsible for this debt. It is above all the result of the pandemic bailouts of business, as well as decades of income and company tax cuts.

Albanese claimed his government is meeting its election commitments by "getting our investments in cheaper childcare, cheaper medicine, fee-free TAFE, local manufacturing and affordable housing on the books and under way as soon as possible."

These pledges, he reassured his corporate audience, were driven by an agenda to boost business outcomes. They delivered on "the three Ps: participation, productivity and population."

In keeping with that agenda, however, the lion's share of the benefit of these measures, as well as the massive income tax cuts, is going to higher-income families. As a result, social inequality, already accelerated throughout the pandemic, will intensify.

The prime minister claimed that fixing the "broken bargaining system" will help lift stagnant wages. But the government's industrial relations bill, tabled in parliament last week, is designed to enhance the powers of the pro-business Fair Work Commission to block strikes and expand trade union coverage over sections of workers to help the union bureaucrats suppress workers' struggles.



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