Australian Labor government unveils big budget surplus but rejects cost-of-living relief

Mike Head 4 July 2023

Australian Prime Minister Anthony Albanese and his ministers crowed about their supposed economic achievements after unveiling a near-record budget surplus last Friday, even as they rejected calls for assistance for working-class households suffering enormous financial and personal stress due to soaring mortgage payments, rents and living costs.

Higher than predicted revenues from elevated global commodity prices and record corporate profits, combined with cuts to public health, education, housing and other social programs, produced a cash surplus of \$19 billion for the first 11 months of 2022-23. This will likely represent the outcome for the financial year. That is almost five times more than the \$4.2 billion surplus forecast in the government's May 9 budget.

Overall, tax receipts were \$8.5 billion higher and government spending was \$3 billion lower than predicted in the budget. The surplus, the first in 15 years, is set to rival the highest-ever surplus of \$19.8 billion recorded by the outgoing Howard Liberal-National and incoming Rudd Labor governments in 2007-08.

Albanese declared that the surplus was "a result of this government's responsible economic management." He claimed credit for turning around the \$78 billion deficit that was forecast under the previous Liberal National government.

For all the fanfare, the surplus is actually a result of Labor's program to enforce the biggest cut to working-class living conditions since World War II by slashing social spending and real wage levels. At the same time, it is committed to handing out huge income tax cuts for the wealthy and allocating hundreds of billions of dollars to prepare for a US-led war against China.

On the revenue side, the government is profiting from war. Its income boost was mostly derived, despite low company tax rates, from staggering war profits of the gas, iron ore and coal conglomerates from the soaring prices triggered by the US-NATO war against Russia in Ukraine and the US-led sanctions imposed on Russian coal and energy exports.

The big banks and other corporate giants also paid more in taxes after lifting their profit margins on the back of the aggressive 12 interest rate hikes by the Reserve Bank of Australia (RBA) over the past year. These rate rises have crippled many working-class households by cutting more than \$1,200 from the monthly disposable income of households holding an average \$500,000 mortgage.

Although the RBA "paused" another rate rise yesterday, further hikes are expected in coming months because inflation remains near 7 percent, far above the central bank's 2-3 percent target band.

On the spending side, the surplus is a result of the "historic restraint" of which Albanese and Treasurer Jim Chalmers boasted in the May 9 budget in order to meet the requirements of the financial markets and corporate boardrooms. The two Labor leaders declared they were proud of "responsibly" making \$40 billion in spending cuts in their first two budgets.

As a result, the public hospital crisis will worsen because total spending on health will fall to \$104.1 billion in 2023-24, down from \$115.5 billion in 2021-22. That is mainly due to the government's termination of COVID-19 safety measures, despite the ongoing pandemic.

Likewise, federal funding for government schools will grow only 5.7 percent to \$10.8 billion, below inflation and the 2 percent population growth. Higher education spending will rise from \$10.6 billion to \$10.9 billion, or less than 3 percent—a cut of near 4 percent in real terms.

Even bigger cuts are planned for public and social housing despite the mortgage, rent and homelessness crisis. Total expenses under the housing and community amenities budget are set to decrease by 31.8 percent in real terms from 2023–24 to 2026–27.

One of Labor's biggest targets is the privatised National Disability Insurance Scheme (NDIS). The government plans to slash \$74 billion off the NDIS's projected funding requirements over the next decade.

The budget also terminated 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.

When asked by a journalist about the disparity between the huge boost to the government's bottom line and households struggling with the cost-of-living crisis, Albanese flatly insisted that the surplus was essential to curb inflation.

"I believe that Australian families will look at the federal budget and say it is good that we have a government that is putting in place responsible budget management in order to put that downward pressure on inflation," he said.

This flies in the face of what working-class households are experiencing. Foodbank queues are growing and more people are living in cars or tents. Workers are being forced to take second or third jobs to survive. Real wages fell by a record 4.5 percent in 2022, following more than a decade of wage stagnation.

On July 1, domestic electricity and gas charges increased again by as much as 30 percent across much of the country, despite very limited and ineffective government price caps. Average electricity prices already rose by 14 percent in 2022-23. A one-off \$500 government rebate for some households will do little to offset the impact.

Australian Council of Social Service surveys show that 65 percent of people on income support are cutting back on heating and 60 percent are going without essentials like food and medication to afford their bills.

Last week, the Australian Energy Regulator revealed that the number of residential electricity customers participating in hardship programs in the first three months of this year had jumped by 19 percent to 89,201 since the same quarter last year.

Last month, the Australian Bureau of Statistics reported that the inflation rate slowed to 5.6 percent in May from April's 6.8 percent. However, that hides the

reality. Petrol prices fell in May, masking the continuing rise in the prices of other essentials.

Over the past year, dairy product prices rose by 15.1 percent, bread and cereals by 12.8 percent, food and non-alcoholic beverages by 7.9 percent, furniture, household equipment and services by 6.0 percent and rents 6.3 percent. Insurance prices surged 14.2 percent, the highest annual rise on record.

Albanese's assertion that the surplus will help fight inflation is also a fraud. The causes of inflation do not lie in the totally inadequate government spending on social programs or household relief. They are bound up with the pouring of trillions of dollars by governments and central banks internationally into the money markets since the 2008-09 global financial crisis. That has been compounded by the supply chain breakdowns caused by the COVID-19 pandemic, the impact of the Ukraine war and corporate profit-gouging.

While ruling out relief for households, the Labor government is proceeding with the "stage three" income tax cuts that it helped the previous Morrison Liberal National government legislate. The cost of these handouts, overwhelmingly benefiting the wealthy, has grown to \$313 billion over the next decade.

The fossil fuel giants have also gained from the government's rejection of a super-profits tax, despite the gross profits of LNG exporters alone exceeding \$63.5 billion last year.

At the same time, Albanese's government has allocated \$368 billion for the AUKUS nuclear-powered submarine program over the three decades, plus billions of dollars on long-range missiles and "hardened" bases and facilities for use by the US in a war against China.

Labor's budget surplus, driven by its agenda of war and austerity, places it even more on a collision course with workers and youth, confronted by intensifying hardship and social inequality.



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