Australian Labor government's budget benefits the corporate elite behind token "cost-of-living relief"

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15 May 2024

The Albanese government's third budget, handed down last night, is a fraudulent one. Above all, the Labor administration is desperately trying to head off working-class discontent over the intensifying cost-of-living crisis via small, one-off handouts, with a federal election due within 12 months.

At the same time, this budget, described as "responsible economic management" by Treasurer Jim Chalmers, is aimed at satisfying the demands of the financial markets and the corporate elite, including for deeper social spending cuts, bigger corporate tax cuts and ever-greater military spending.

All this is based on the most dubious short-term economic assumptions. These include the calculation that the budget's token "relief" measures will mechanically lower the inflation rate to prevent further painful Reserve Bank interest rate hikes, yet the Reserve Bank predicts that inflation will rise from 3.6 to 3.8 percent in June and remain at that level until December and has warned of another possible rate rise.

An even greater assumption is that high export prices will continue for iron ore, coal and gas despite a deepening global economic crisis and mounting US tariff and economic war measures against China, Australia's largest export market. While mining revenues may help to produce a $9.3 billion budget surplus this financial year, the budget papers themselves point to large deficits beyond that for the foreseeable future.

Chalmers was deliberately vague about what he called the "fraught and fragile" global conditions, with "tensions" rising in the Middle East and Ukraine. The reality is that the Labor government is fully committed to three interconnected war fronts: the US-backed Israeli genocide in Gaza, the US-NATO war against Russia in Ukraine and the escalating US-led economic and military confrontation with China.

As for the budget's "cost-of-living package," the headline item was a one-off $300 cut to energy bills this year. For working-class households, this pittance, less than $6 a week, will do nothing to offset the worsening impact of soaring bills, mortgage payments, rents and prices for essentials. To add insult to injury, this payment also goes to the wealthiest layers of society—and even more for the many with multiple properties—alongside the termination of the last budget's one-off $500 rebate for people living on pensions or social security benefits.

The main component of the "relief" package is the previously announced reconfigured "Stage Three" income tax cuts. These deliver by far the biggest benefits to the most affluent 4 percent of the population, those on $200,000 or more per year. They will get $4,529, or $87 a week. That is about seven times as much as low-wage workers on $40,000 a year, who will get a $654 tax cut, or less than $2 a day or $14 a week.

Interviewed on television this morning, Prime Minister Anthony Albanese blatantly defended this bonanza for the rich, boasting "every one of your viewers" would get a tax cut, including mining billionaire Gina Rinehart, the country's wealthiest individual.

However, there is no relief at all for more than 3 million households living below the tax-free threshold of $18,200 a year or depending on sub-poverty pensions or welfare payments.

Moreover, the more than $300 billion in reduced income taxes over the next decade will mean deeper cuts to public health, education and other social spending, on top of the hundreds of billions to be spent on the AUKUS alliance and other military preparations for a US-led war against China.

Rejecting recommendations from its own Economic Inclusion Advisory Committee, the government also refused to raise the Jobseeker unemployment benefit from the punitive level of about $40 a day, which is about $225 a week below the poverty line. That is despite the budget being based on the expectation that the official unemployment rate will rise from 3.8 percent to 4.5 percent by next year, throwing an estimated 150,000 more workers out of a job.

The worst effects will be felt in working-class areas, such as western Sydney, where the jobless rates are already nearly double the national average and where "distressed" property sales by people unable to pay their mortgage bills are far higher than elsewhere.

Contrary to Chalmers' claims of improving real wages after years of decline, the budget banks on rises of just 3 percent annually over the next four years. By the middle of 2028, the average wage would still be 2 percent lower than before the COVID-19 pandemic, due to the role of the trade union apparatuses in enforcing sub-inflationary deals.

On every front, the budget continues an offensive by the government and the central bank, which has hiked interest rates 13 times since May 2022, to impose the burden of inflation and slowing economic growth onto the backs of workers and their families.

The budget lowered the government's estimates for economic growth next year from 2.25 percent to 2 percent, with household spending growth down to 0.25 percent, far below the population growth of around 2 percent.

The plunge in retail spending is worsening. Australian Bureau of Statistics retail spending figures last week revealed a 0.4 percent fall in the March quarter, with sales volumes down 1.3 percent compared to the same time last year. That is despite all the government's claims in last year's budget to be providing cost-of-living relief.

Last December's National Accounts showed that real household disposable income, a measure of living standards, fell 5.6 percent over the year to September 30 and 8.3 percent over two years. That underestimates the impact on working-class people, who are being hit hardest by the sky-rocketing cost of living.

Recent data has shown that households in Australia are experiencing the largest fall in living standards in half a century, and have been for two years, mostly under the Labor government.

The budget continues the chronic under-funding of public health, education and housing, spearheaded by cutting access to the National Disability Insurance Scheme (NDIS) to reduce spending forecasts by $14 billion over four years. Behind a few headline announcements, such as a one-year freeze on pharmaceutical prices, this year's allocations for education and health cement significant cuts over the past two years. For example, funding for government schools will rise by just 3.4 percent, which is below the inflation rate and what is required to cater for the 2 percent population growth.

For all the pretence of tackling the affordable housing crisis, the budget papers show that spending on housing and community amenities is expected to decrease by 43.7 percent from 2024–25 to 2027–28. The government's recycled promise that 1.2 million new homes will be built over the next five years depends on further boosting—via training subsidies and slashing supposed "red tape" regulations—the corporate developers and construction companies that have created the crisis.

An increase of about $9 a week in rental assistance for people on welfare will not alleviate the impact of record-breaking rents which rose by 8.6 percent in the year to March.

These pittances are dwarfed by the largesse going to big business, the mining conglomerates and the military-security apparatus.

The budget allocated $22.7 billion over 10 years for the government's Made in Australia package, primarily through corporate tax incentives, including $13 billion in production tax credits for critical mineral extraction and clean hydrogen production. This is on top of nearly $4 billion already handed out this year in largely unspecified subsidies, grants, cheap loans and other forms of support to some of the country's largest companies and wealthiest people, including Rinehart, for similar ventures.

These handouts are bound up with matching the United States, Canada, Japan and the European powers in subsidising industries to undercut China and develop war economies.

The budget confirmed soaring military spending. Deputy Prime Minister and Defence Minister Richard Marles again boasted last night that the Labor government was "making the biggest commitment to increasing defence funding over the forward estimates in decades."

This features spending $330 billion on new weapon systems, including long-range missiles, over the decade and nearly doubling annual spending from $53 billion this financial year to $100 billion by 2033–34, or 2.4 percent of the gross domestic product.

There were also moves to bolster the domestic security apparatus, including a $569.4 million boost for the Australian Border Force to intercept asylum seeker boats and increased money for the domestic spy agency, the Australian Security Intelligence Organisation (ASIO), and the overseas Australian Secret Intelligence Service (ASIS), taking their combined annual budgets from $1.5 billion to near $1.7 billion.

Some business leaders were happy enough with the budget, for now, particularly those sectors to benefit most from the subsidies and tax concessions. The Business Council of Australia said the budget had taken some positive steps toward making Australia more "globally competitive," but it called on the government to cut the "uncompetitive" 30 percent corporate tax rate and go further to lift productivity, which means ratcheting up the rate of exploitation of workers.

Other ruling class voices were more explicit in demanding deeper social spending cuts. Today's *Australian Financial Review* editorial denounced the government's "pre-election spending spree." The *Australian* editorial called for greater cuts to "welfare, health and other social spending."

A political crisis is developing. Narrowly elected two years ago on the slogan of "a better future," the Albanese government faces growing disaffection over the deteriorating living conditions, as well as its commitment to US militarism.