

Australian Labor government boasts of cutting social spending to produce record budget surpluses

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Ever-more desperate to please the corporate elite as its electoral support implodes, Prime Minister Anthony Albanese's government this week unveiled its second consecutive annual budget surplus, crowing about outdoing the previous Liberal-National Coalition government in imposing "spending restraint" to do so.

Treasurer Jim Chalmers and Finance Minister Katy Gallagher released a joint media statement on Monday declaring that the Final Budget Outcome for 2023–24 showed that the government had "delivered the first back-to-back surpluses in nearly two decades" by cutting spending.

Their statement boasted of "the Albanese Government's responsible economic management." These are essentially code words for satisfying the demands of the financial markets to boost profits by cutting social spending.

This necessarily means inflicting economic hardship on working-class households, which have suffered more than an 8 percent fall in real income since Labor scraped into office in May 2022.

Chalmers and Gallagher insisted that Labor's achievement was historic. It had produced "the biggest back-to-back surpluses on record" and "the largest nominal improvement in the budget position in a Parliamentary term."

These claims were based on generating an underlying 2023–24 cash surplus of \$15.8 billion (0.6 percent of gross domestic product) following the \$22.1 billion (0.9 percent of GDP) surplus delivered in 2022–23.

This was "entirely" the result of reduced spending, Chalmers told the media, while refusing to disclose any details of the cuts.

In their statement, the two ministers were at pains to

contrast Labor's record of cutting spending with that of the last Coalition government headed by Scott Morrison.

"If we took the same approach as our predecessors, we wouldn't have come close to delivering back-to-back surpluses," they emphasised.

"Since coming to Government, we've found \$77.4 billion in savings and re-prioritisations, including \$12.2 billion in 2023–24, compared to zero expenditure savings in the last budget of our predecessors.

"Moreover, the level of real payments is now lower than what we inherited. After falling 4.9 percent in 2022–23, real payments grew in 2023–24 by 2.9 percent. Real spending growth under our predecessors averaged 4.1 percent."

In other words, Labor's main claim is that it has outdone the Coalition by slashing spending during its first year in office, then keeping expenditure down during the past year despite a deepening social crisis.

While the ministers' statement gave no details of where the \$77.4 billion worth of "savings and re-prioritisations" had been inflicted, previous budget statistics showed that the biggest cuts, compared to inflation and population growth, have occurred in health, education and housing.

For example, Labor's first budget, in October 2022, set university funding to decrease by more than 9 percent in real terms from 2021–22 to 2024–25.

This year's May budget set funding for government schools to rise by just 3.4 percent in 2024–25, which is below the real inflation rate and what is required to cater for the 2 percent population growth.

For all the pretence of the government tackling the affordable housing crisis, this year's budget papers

showed that spending on housing and community amenities would decrease by 43.7 percent from 2024–25 to 2027–28.

By contrast, the May budget provided a further boost to military spending as the government escalated its involvement on US preparations for war against China. It provided for nearly doubling annual military spending from \$53 billion this financial year to \$100 billion by 2033–34.

That is not counting the \$368 billion allocated for AUKUS submarines over the next decade and billions more for other weaponry, which inevitably means deeper cuts to social conditions.

The assault on basic social programs will intensify after the next election, due by May, regardless of whether the government is led by Labor or the Coalition. In recent weeks, Labor and the Coalition have already combined to push through parliament, legislation to drastically reduce projected allocations for the National Disability Insurance Scheme (NDIS) and residential aged care services.

Chalmers and Gallagher declared: “We’ve taken decisive action to address some of the biggest structural spending pressures on the budget through our reforms to the National Disability Insurance Scheme and aged care system.”

This offensive will accelerate due to expected falls in prices for iron ore, coal and gas amid a deepening global economic crisis and mounting US tariff and economic war measures against China, Australia’s largest export market.

The May budget itself forecast a deficit of \$28.3 billion for 2024–25, and the budget papers pointed to large deficits beyond that for the foreseeable future, fuelling corporate demands for even harsher austerity measures.

At the same time, Chalmers and Gallagher insisted that the government’s spending “restraint” had enabled it to “roll out responsible cost-of-living relief.” They referenced “tax cuts for every taxpayer, energy bill relief for every household, cheaper medicines, cheaper childcare and the first consecutive real increases to the maximum rates of Commonwealth Rent Assistance in three decades.”

The reality is that most of the benefits of these measures have gone to higher-income households. They have done little or nothing to alleviate the

intensifying financial pressures caused by soaring mortgage interest rates, house prices, rents and other essentials.

For instance, for low-wage workers on \$40,000 a year, Labor’s revamped “Stage Three” income tax cut amounts to less than \$14 a week. That is about seven times less than the benefit received by the most affluent 4 percent of the population—those on \$200,000 or more per year.

Working-class households are also bearing the main brunt of rising unemployment, which has been deliberately driven up from 3.5 percent to 4.2 percent by 13 consecutive interest rates rises by the Reserve Bank of Australia, supported by the government.

This worsening social crisis is one of the major factors driving the collapse of the Labor government’s electoral support. Media polls indicate it has fallen below the 32.5 percent primary vote it obtained in 2022 by falsely promising “a better future.”

Compounding this implosion is the government’s ongoing support for the US-backed genocidal Israeli onslaught on the people of Palestine and Lebanon, and US militarism as a whole, including the confrontations with Russia and China.

The same polls indicate no rise in support for the widely-reviled Coalition, whose vote fell dramatically in 2022 after nearly a decade in office. This is producing a profound political crisis, with great anxiety in the ruling class about the prospect of the looming election producing a “hung” parliament and a fragile government faced by rising discontent.

As this week’s budget surplus announcement illustrates, Labor’s main response has been to shift even further to the right to pledge to satisfy the demands of big business.



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