

# Australia: Budget crisis means deeper attacks on the working class

**Nick Beams****26 November 2024**

Australian government finances have taken their biggest ever hit, outside the fall resulting from the onset of the COVID pandemic, according to an analysis of the budgetary position released on Monday.

In its November update of the fiscal situation, Deloitte Access Economics forecast the deficit for this financial year would be \$33.5 billion compared to the government estimate of \$28.5 billion. The full extent of the fall becomes evident when it is measured against recent numbers.

In the previous financial year, the budget recorded a surplus of \$15.8 billion, in large part because of rising tax revenues generated by higher export prices for iron ore bought by China. The expected deficit for this year would be a turnaround of almost \$50 billion.

The government has been aware of the downturn with Labor Treasurer Jim Chalmers recently telling parliament that a budget update would see a downward revision in company taxes for the first time since 2020.

According to the Deloitte assessment: “While Australia appears to have achieved the much-vaunted soft landing [that is a reduction in inflation without a recession] that policy makers have been seeking, the federal fiscal position is returning to earth with a thud.”

It said the “stunning turnaround in Australia’s fiscal fortunes would be the largest annual contraction in the underlying cash balance on record, excluding the pandemic-hit budget of 2019-20,” adding that “worryingly, there is little to suggest that the situation will right itself in years to come.”

Over the four-year forward estimates to mid-2028, Deloitte has forecast that budget deficits will total \$149 billion, compared to the Treasury estimate of \$122.1 billion.

It said that over the next four years it expected Treasury to take in \$16.4 billion less in revenue than was forecast at the time of the May budget because of a slowing economy, while expenses are expected to be \$11.2 billion higher than forecast as a result of inflation which raises the cost of indexation.

While the surpluses of the previous two years were the

result of higher-than-expected commodity prices with \$80 billion coming from this source over the past four budgets, continuing to rely on such “unforeseen” upgrades was “not a sustainable strategy.”

The one-offs of the past are not going to be repeated, not least because of the worsening global economic outlook. China, the main export market for Australian capitalism and a major source of tax revenue derived from iron ore exports, has entered a major slowdown with doubts about whether it will reach the government’s target for growth of “around 5 percent” this year.

With the incoming Trump administration in the US having declared it intends to impose a 60 percent tariff on all Chinese exports, its economy is set to take a major hit from which the Australian budget would “not be immune given its reliance on commodity prices via company tax receipts.”

China, the world’s second largest economy, is by no means the only dark cloud building up. Germany, the world’s third largest, has entered what is shaping up to be its deepest economic crisis in the post war period.

Every day brings reports of a new round of sackings in the major German manufacturing industries, the latest being the announcement by steel firm ThyssenKrupp that it will lay off 11,000 workers.

The auto industry, one of the major users of steel, for which Australia supplies much of the iron ore, is embroiled in a vicious economic war in which “victory” is to be determined by which firm can sack the largest number of workers at the fastest rate.

As one of the voices of finance capital, Deloitte did not confine itself to the immediate situation, serious as that is. One of the themes of its analysis was that the attacks on the working class in the past had not been deep enough.

It said there had been a substantial lack of “reform” [a code word in financial circles for cuts in social spending and intensified exploitation of the working class] over the past two decades.

“That has resulted in a coddled and cosseted economy bereft of competitiveness,” Deloitte declared.

The latest budget numbers represent a significant escalation of the political problems confronting the Labor government, already widely unpopular with its support at record lows, as it prepares for the federal election to be held by May.

No doubt aware that one of the major factors behind the victory of Trump was the seething anger and social distress caused by the inflation surge of the past four years, Chalmers made an acknowledgement that this phenomenon was not confined to the US.

Speaking in question time in parliament he acknowledged, at least indirectly, the gap between the rhetoric of the government based on the claim that inflation was coming down, there was no recession and the economy was continuing to grow, and the real lived experience of millions of workers and their families.

“Despite good progress we are making in the national numbers, we know that doesn’t automatically translate into how people are feeling or faring in the economy,” Chalmers said.

Even in the official numbers there is an expression of the worsening position for the mass of the population in contrast to the tiny cohort of multi-millionaires and billionaires. It is estimated that since the March quarter of 2022, just before the Albanese Labor government came to power, living standards have fallen by 8.7 percent, an amount greater than any other major economy.

One of the factors underlying this trend is the fall in per capita GDP, that is, output per head of population. It has been in decline for six consecutive quarters, reflecting a long-term trend as noted by economist Saul Eslake.

“The fact we are now experiencing negative GDP per capita growth is an extension of a trend that was happening well before COVID but has become exacerbated by the downturn in economic growth around the world, prompted by the timing of monetary policy to deal with inflation.”

Eslake was correct to point to the longer-term trends and their international character, but incorrect in saying monetary policy, that is the jacking up of interest rates cutting the disposable income of working-class families by at least several hundred dollars a week, was aimed at inflation.

It never was. Inflation has resulted from profit gouging by transnational corporations and commodity speculators in world markets, particularly in food and energy.

Higher interest rates were directed not at this cause, but were aimed at suppressing the wage demands of the working class in response to the price hikes. This agenda has been enforced by the trade union bureaucracy which has imposed one sub-inflationary wage agreement after another.

Beholden to the dictates of finance capital and hostile to

the social needs of the working class, the Labor government’s response to the worsening budget crisis will be to deepen the attacks on the working class.

It has already been given its marching orders. At its annual meeting in October, the International Monetary Fund insisted that the number one priority of all governments had to be to reduce debt.

And under conditions where the Labor government, like all others around the world is committed to increased military spending, this can only mean deepening attacks on health, education and other necessary social services.

The IMF message was recently reinforced by the governor of the Reserve Bank of Australia, Michele Bullock, who warned the government to be “very conscious” of the inflationary impact of any pre-election promises.

There are profound political issues confronting the working class as a result of the worsening budget situation. Major attacks, outweighing those that have gone before, are coming.

To meet them, the working class must develop a strategy based on a sober assessment of the objective situation.

The first step is recognising that the mounting problems confronting the working class derive from a crisis gripping the global capitalist system and cannot be met with any national-based strategy. Rather, an internationalist perspective—the global fight of the working class to end the profit system—must form the bedrock of industrial and political struggles.

And second, that the fight for this perspective, that is, the development of the independent strength and social power of the working class, can only be taken forward in a political struggle against the Laborites and the trade union apparatuses which function as the enforcers of the dictates of the financial and corporate ruling class.



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