Australian media denounces Labor government for postponing major spending cuts

By Patrick O'Connor
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The Labor government of Prime Minister Julia Gillard has been roundly denounced for failing to announce major new public spending cuts in its Mid-Year Economic and Fiscal Outlook (MYEFO) 2010-11 yesterday.

Treasurer Wayne Swan boasted of the government's "really tough discipline" and described the projected return to budget surplus by 2012-13 as the most rapid shift from deficit to surplus in Australia since the 1960s. But big business remains unimpressed. In September, the incoming minority government received detailed briefing documents from the Treasury and Finance departments, outlining a series of measures including not only immediate cuts aimed at eliminating the deficit, but also "structural" reforms targeting areas such as public healthcare and the Pharmaceutical Benefits Scheme, aged care, and pensions. The Gillard government is yet to make clear how it intends to proceed with this agenda.

The establishment media had anticipated that the treasurer's MYEFO would outline new and significant spending cuts, using as a pretext the nearly $10 billion in lost revenue allegedly caused by the stronger Australian currency affecting export and profit earnings.

The *Australian Financial Review* (AFR) today led the chorus of condemnation of the government's failure to deliver. Its editorial, "Swan missing in action on cuts", referred to the unprecedented budget cuts and austerity measures now being implemented in Britain, Greece, Ireland and Germany. "Australia needs its own version of the new austerity because the price of the China boom is an unprecedented level of volatility and risk for the economy and the budget, and because we also face increased budgetary pressures from an ageing population and surging healthcare spending," it declared. "Yet the fine-print of the MYEFO reveals the Gillard government has been no braver than the Rudd government when it comes to making tough spending decisions."

The AFR demanded that serious cuts be implemented and used as "down payment on some real tax reform to reward enterprise"—that is, to slash tax rates on corporations and the ultra-wealthy. It concluded by issuing advice to the treasurer: "If he wants to know how to make his mark, Mr Swan could look to British Prime Minister David Cameron, his own predecessor Peter Costello, or former prime ministers John Howard, Bob Hawke, and Paul Keating. Or he could go to the source—Baroness Thatcher and Mr Reagan—for inspiration."

The Murdoch press responded in similar fashion. The *Australian*'s editorial, "Economy is strong, but the response is weak", declared: "The start of the electoral cycle is usually the best time to make tough decisions, and yesterday's statement disappoints with its lack of courage in dodging major spending cuts... Wayne Swan is hard pressed to point to any 'hard decisions' comparable to those made by Paul Keating in the mid-1980s or Peter Costello in his first budget in 1996."

Chris Richardson of Access Economics added: "[Fiscal] policy is unchanged but it does need to change. And we do need those tough decisions to get us to a surplus and we're not getting them yet."

The increasingly insistent demands from ruling circles for a sweeping austerity program points to the precarious state of the Australian economy.

Official economic growth and budget forecasts are predicated on the assumption of continued high growth rates of Chinese industrial activity. The MYEFO anticipated better than previously forecast Australian gross domestic product and unemployment data; economic growth this year is estimated at 3.25 percent and next year 3.75 percent, official unemployment is expected to be 4.75 percent this year and 4.5 percent next year. The improved growth figures are predicted to generate about $7 billion in additional revenue due to higher tax receipts and lower welfare spending, offsetting most of the $10 billion lost through the appreciating dollar.

Swan yesterday boasted that "our economy is already streets ahead of the other major advanced economies". He argued that the higher than expected growth data confirmed that the government would deliver a budget surplus in three years. This is supposedly on the basis of spending cuts and budget "savings" already outlined during the August election campaign, together with relatively minor measures announced yesterday—including postponing both the "cash for clunkers" car rebate scheme and the Victoria Regional Rail Link—totalling $1.1 billion in reduced spending.

However, any slowdown in China's economic expansion—let alone a full blown economic crisis in East Asia—would instantly upend all of the Gillard government's projections. Similarly, the emergence of a "double dip" global recession or another shock to the financial system would inevitably trigger a major economic crisis in Australia. This is why the *Australian Financial Review* today warns of "unprecedented level of volatility and risk", following the Treasury's "Red Book" advice to the government that it must anticipate "large negative shocks from a volatile global economy in what looks like being an extended period of heightened uncertainty".

World economic developments are determining the political agenda in every advanced capitalist country. National governments everywhere are advancing savage austerity measures aimed at making the working class pay the price for the breakdown triggered by the 2008 financial crash in the United States. Australia is no exception.

The Liberal-National opposition coalition has also attacked the government for failing to proceed quickly enough. Shadow treasurer Joe Hockey has encouraged Gillard to adopt the opposition's proposed $50 billion in cutbacks, including sacking 12,000 public sector workers.

The Labor government's stalling on the implementation of the agenda being demanded by big business and finance capital is due to its deep fears about triggering explosive social struggles.

While the *Australian Financial Review* and the Murdoch press are urging Gillard to emulate her Labor predecessors between 1983 and 1996, Bob Hawke and Paul Keating, they were only able to carry through their assault on the social position of the working class—including mass sackings and the destruction of entire industries—due to lingering illusions both in the Labor government itself—as some kind of bulwark against the excesses of capitalism—and the treacherous role played by the trade unions, which utilised their authority among workers to smash resistance to the government's "free market" program. Now, however, the trade unions are utterly discredited and the Labor government has no genuine social base of support. Gillard herself is without a parliamentary majority and confronted with ever-declining poll ratings. Widely regarded as in illegitimate prime minister, she is only in office thanks to the coup against Kevin Rudd and subsequent post-election horse trading with the Greens and independent parliamentarians.

Notwithstanding Labor's concerns and its tenuous hold on office, Gillard has received her marching orders. She is on notice to outline a definite plan of action by the time the next budget is delivered.