

Australian Greens make debt ceiling deal with Abbott government

By Mike Head
10 December 2013

Signalling their readiness to work closely with the Abbott government, the Australian Greens joined hands with the ruling Liberal-National Coalition yesterday to scrap the so-called government debt ceiling. Legislation to eliminate the \$300 billion limit was pushed through parliament just two days before the ceiling was reached, averting the immediate risk of a downgrading by the global money markets.

Last month, the Greens voted with the Labor opposition to reject a government proposal to raise the ceiling to \$500 billion. Treasurer Joe Hockey warned of “massive cuts” unless the standoff was resolved by December 12. Savage cuts to social spending will still be unleashed, but now they will be contained in next May’s budget rather than being unveiled before Christmas.

Prime Minister Tony Abbott, who previously described the Greens as “economic fringe-dwellers,” praised Hockey for getting “responsibility out of the Greens.” Hockey said the Greens had moved to the “sensible middle” on the economy. His comments echoed an *Australian* editorial that welcomed the avoidance of a “damaging US-style standoff” and praised the Greens for securing “sensible undertakings from the government.”

Asked on radio about Labor’s complaints that the Greens saved the day for the government, Greens leader Christine Milne retorted: “Oh, for goodness sake. These kinds of comments are just part of the political sideshow. The answer here is the Greens will work with both sides.”

Milne’s remarks are in line with the trajectory she set out when she assumed the Greens’ leadership in April last year: the Greens must become a party of government. As the Socialist Equality Party warned during the election campaign, “the Greens are ready to

work with either of the major parties, including in coalition.” (See “Australian Greens posture as ‘compassionate’ alternative”).

Greens deputy leader Adam Bandt sought to put a progressive gloss on the debt pact, saying: “We will be firmer in our resolve to oppose cuts that would be harmful to the economy. It’s now clear that the need for harsh cuts in the budget has now evaporated.”

In reality, the Greens have a long record of enforcing “harsh cuts” whenever required by the ruling class. For the past three years they were in a de facto coalition with the minority Labor government, which last year imposed the greatest spending cuts since the 1930s. Milne often invokes her record in Tasmania, where she led the Greens in partnerships with Labor (1989-1992) and the Liberals (1996-1998) that delivered severe austerity measures.

The Greens’ suggestion that they will oppose the Abbott government’s spending cuts when they are unveiled is not driven by any concern for the social devastation being caused by the cuts to welfare, healthcare, public education and social services. Instead, the Greens fear the impact that further cuts could have on the prospects of the banks and major corporations, under conditions of a deepening slump.

Amid warnings by corporate figures of a developing economic crisis, driven by the collapse of the mining investment boom, Bandt explained: “We have now removed a hurdle in the way of the government stimulating the economy, which, as the national accounts have shown, is critical to keeping the economy ticking.”

Last week’s national accounts showed that the economy grew at just 2.3 percent over the past year, far below the “trend” rate of 3.25 percent on which the Treasury’s budgetary calculations were based. The

estimated 2013-14 budget deficit, to be released in next week's mid-year budget statement, is likely to be about \$40 billion, with government debt rising to over \$400 billion—well above Treasury's last forecasts of \$30 billion and \$370 billion.

Despite removing the debt ceiling, which was introduced by the Labor government in 2008, the agreement with the Greens will apply constant pressure to lower the debt, via social spending cuts, while boosting spending on infrastructure and other pro-business purposes. The government will table a parliamentary statement every time the debt increases by \$50 billion, explaining the factors behind the increase.

Labor accused the Greens of assisting the government to back away from vows to slash spending. Shadow Treasurer Chris Bowen told Radio National: "This is a government which said they'd pay back the debt." Labor has aligned itself with those sections of the corporate elite that have dismissed concerns that more austerity could trigger a deep recession, demanding that the government swiftly impose historic cuts to social spending, to match the measures being imposed against the working class in Europe and America.

Speaking for these interests, an *Australian Financial Review* editorial, "A debt deal with the Greens?!" voiced alarm that the agreement could provide the Greens "with a platform of legitimacy" to "threaten to block government spending cuts." The editorial demanded that the government's budget update next week provide evidence of "fiscal credibility."

There is no doubt that the Greens will comply with these dictates. They represent an upper middle class layer and sections of corporate Australia.

The coming together of Greens and Liberals points to an underlying crisis of the parliamentary order itself, confronted by deep popular disaffection as a result of declining living standards and the growing chasm between ordinary people and the ultra-wealthy capitalist elite.

The 2010 federal election produced a hung parliament, the first in 70 years, with the Labor Party negotiating an alliance with the Greens and independents to remain in office. Labor's landslide defeat in 2013 did not reflect any positive support for the Coalition. In fact, there was a record 25 percent

vote for other parties—apart from Labor, the Coalition and the Greens—in the Senate, producing a highly unstable situation. Depending on a High Court ruling on the disputed Senate results in Western Australia, mining magnate Clive Palmer's rightwing Palmer United Party, which posed demagogically as an opponent of the three parties of the political establishment, will control three or four votes in the Senate from July 1, enough for it to block government legislation if the Greens vote with Labor.

If the Greens side with the Abbott government, however, as they did on the debt ceiling, it can avert a political impasse that might force it to cut deals with Palmer or other unpredictable Senate independents. Such are the calculations behind the debt ceiling deal—it is a message from the Greens of their intent to try to stabilise the parliamentary framework and impose the requirements of big business.

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