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Austerity and the State in Australia

A Critique of Ideational Explanations

Angus Brown

Honours Thesis

Submitted as partial requirement for the degree of Bachelor of Arts (Honours), Political Economy, The University of Sydney, 14 October 2015.
Statement of Originality

This work contains no material which has been accepted for the award of another degree or diploma in any university, and to the best of my knowledge and belief, this thesis contains no material previously published or written by another person except where due reference is made in the text of the thesis.
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Introduction

General Introduction: Austerity and the State

Reflecting on a period of significant Marxist theorising about the state that occurred during the 1960s and 1970s, Leo Panitch (1999) concluded that state theory had, by the end of the 1990s, become ‘impoverished’. This assessment was directed at the work of those writers who tended to study the state independently of any proper recognition of its enmeshment in broader social and economic relationships. This tendency continues to bedevil analyses of the nature and direction of state action since the 2007-08 global financial crisis (GFC). It has been especially evident in studies of austerity – understood as a set of public policy initiatives that aim to cut state expenditures so as to reduce budget deficits and accumulated public debt. This will, its proponents claim, promote economic growth through encouraging competitiveness and business investment (see Blyth 2013a: 2; Bougrine 2000a: 11). Notably, these studies attach a great deal of importance to the ideas held by state elites. Politics and power are thus understood and explained as the product of the particular ideas that state elites have about the world, and the application of these ideas to processes of policymaking. Moreover, despite numerous failures to actually re-ignite economic growth, the persistent implementation of austerity policies by states across the globe is explained as the result of the continuing grip that austerity, as an economic idea, has over the minds of state managers (Blyth 2013a, 2013b, 2013c; Krugman 2013b). Despite critiques of this tendency to focus on the ideas held by state managers independently of a broader analysis of the conflicts between the competing interests and social forces that promote these ideas, such perspectives remain significant in studies of the trajectory of political economies in the post-GFC period. As Damien Cahill (2014: viii) has recently argued, these accounts may be appropriately characterised as ‘idealist, or ideas-centred’, in which ideas about the world are held to be the main drivers and determinants of political economic change.

Ideas-centred approaches have certainly influenced discussions of the Australian state’s turn to austerity in 2014. Accounts of austerity in Australia have drawn a clear line of causation between the state’s policy choices and the intellectual
dominance – at least in elite policy circles – of ‘neoliberal’ political and economic philosophies. Critics of austerity, as well as its proponents, have argued that austerity policies accord to the *laissez-faire* vision proposed by neoliberal theorists. In this way, austerity is taken to promote, in principle and practice, the advance of markets as the most efficient means of coordinating economic and social activity through the reduction of forms of state interference and intervention in economic life (Cahill 2014: viii; Harvey 2005: 2). While critics generally are sceptical of the capacity for these (allegedly) ‘free’ markets to deliver harmonious and equitable social outcomes, some have nonetheless advanced the view that all that is needed to combat these misguided policy decisions is the articulation of a rival ideology and the political will to impose it (Lloyd & Ramsay 2014/15: 49; McAllister 2014).

The argument advanced in this thesis challenges these ideational or ideacentred views, as austerity is the product of more than just the mechanical application of particular ideas to processes of policymaking. Instead, this thesis argues that austerity is a political project, actively constructed and shaped in the interests of particular social forces operating on the terrain of the state. Scholars that claim all that is required to reverse austerity’s ideological grip – and, therefore, its deleterious social effects – is the political will to do so fundamentally misunderstand the nature of the capitalist state, the agency of state managers, and underestimate the powers of those social forces and structures that confront austerity’s opponents. In developing this argument, the thesis draws upon some of the core insights of Marxist state theory that argue the state and economy cannot be studied in abstraction from the social relations of capitalism (Jessop 1990; Panitch 1999). The adoption of this approach to the analysis of austerity highlights the misleading character of (even progressive) claims that such policies necessarily mark a withdrawal of the state from the management of economic life. Instead, it points to the crucial role that states continue to play in the expanded reproduction of capitalist economic and social relationships. For some, the application of these basic Marxist claims to an analysis of the Australian experience may appear to be hardly novel. Yet, as Dunn (2014: 418) has written with regard to austerity, Marxist state theoretical ‘observations might seem rather banal, were they not ignored by much mainstream and even putatively radical economic theory’.
Austerity in Australia: Thesis Context and Structure

Though not Australia’s first experience with austerity, the particular project discussed in this thesis concerns the policies and actions of the Liberal-National Party Coalition (LNP) following their formation of government after the 2013 federal election. Led by former Prime Minister Tony Abbott, the particular nature of the austerity policies that were first proposed by the LNP government in its 2014-15 Federal Budget have not been as extensive as those pursued elsewhere in the world. Nonetheless, little has been written that directly attempts to explain the origins and sources of austerity in Australia, and its resilience even in the face of significant opposition. Though many analysts have begun to ask why this particular path has been taken (Marks 2015; Stilwell 2014; Varoufakis 2014), such questions have not been systematically or adequately explored.

The austerity policies of the Abbott government were initially constructed and justified in light of an apparent ‘budget emergency’ – a problem that could, it was argued, only be resolved through a concerted effort to end what former Treasurer Joe Hockey (2012) called the ‘age of entitlement’. In the 2014-15 Federal Budget, Hockey proposed a range of deep, albeit highly selective, cuts to state expenditure. Austerity was to see changes to welfare and social services arrangements, healthcare provision, foreign aid, education funding, and public sector employment. Federal government figures initially projected that these changes, if implemented, would produce a return to budgetary surplus around fiscal year 2018-19 (Commonwealth of Australia 2014b: section 1-8). Despite impediments encountered in the actual implementation of policy, and the downgrading of government receipts due to changing economic conditions, the government continued to express optimism in their 2015-16 Budget projections the following year, with just a one-year delay in a return to surplus (Commonwealth of Australia 2015b: section 1-8). The actual figures quoted in Budget documents are, of course, speculative and problematic, projecting fiscal stability on the basis of essentially unknowable economic conditions (Beckert 2013). The accuracy of government predictions is not, however, a direct concern of this

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1 Malcolm Turnbull replaced Abbott as Prime Minister in September 2015 (Alston 2015).
thesis. What is of central concern is the notion that the targeted cuts to those particular areas of state expenditure outlined above are not incidental; there is a reason there has been no substantial cut to corporate subsidies (Mansillo 2014). This has to do with the nature of austerity as a political project. The thesis thus addresses itself to the questions, ‘how should we understand and explain the rise, various impacts, and fluctuating fortunes of austerity in Australia under the Abbott government’? It will be argued that an answer to these questions must be firmly grounded in an analysis of capitalism and conflicts over its social relations.

The thesis is divided into four chapters. Chapter One examines dominant idealist and ideational explanations of austerity. It argues that, as a result of a fundamental misunderstanding of the ontological nature and role of states in capitalist societies, these perspectives are unable to explain the historical emergence of austerity policies. Through adopting an alternative understanding of the state and state power that is better able to explain the rise of austerity, this chapter argues austerity must be understood as a political project. Turning to more empirical matters, Chapter Two traces the emergence of an austerity politics in Australia, and its eventual development into a political project. It argues that this project was constructed by particular fractions of capital and state managers, configured through the prior construction and framing of political economic crises. The third chapter returns to the ideology of austerity in Australia, and argues that the understanding of austerity’s ideological underpinnings is essential for explaining the nature of austerity as a political project. Specifically, it explores the ways in which pro-austerity narratives obscure the inherently political character of austerity policies, and so naturalise the class interests that they serve. The final chapter ties this discussion together through an overview of the development of the Abbott government’s agenda in the face of political resistance and changing economic conditions. Contrary to those who argue state power is ‘waning’ in the face of advancing market forces, Chapter Four traces the way in which the exercise of state power remains central to the maintenance and promotion of austerity as a political project.
Chapter One

Theorising Austerity: State, Structure, and Ideology

Introduction

This chapter establishes the basis of an approach that allows for a conceptually informed understanding of austerity as a materially grounded political project. In particular, it argues that austerity needs to be understood as the product of the material forces, conflicts, and structures that drive political and economic change. Instead of understanding austerity as reflecting the (however misguided) desire of state managers to reduce the state’s role in economic management, this chapter stresses the importance of understanding the factors of cohesion and interests that work to underpin austerity. First, the chapter provides a brief outline of the dominant idealist approach to understanding neoliberalism in general, and austerity in particular. In light of this discussion, the second section highlights the way in which these idealist or ideational perspectives rest on a misleading understanding of the role of the state in political economic change. In response, the chapter develops a more fruitful way of thinking about states and markets in capitalist societies by drawing on strands of Marxist scholarship. It is argued that while ideas certainly matter, a more nuanced understanding of austerity as an expression of the exercise of state power must explore the complex interrelations between and intersection of ideology, interests, conflict, and social structure.

Idealism, Neoliberalism, and Austerity

For many writing about the consolidation of state finances since the global financial crisis, the problem of austerity is understood principally to be about the clash of ideas. Nowhere has this understanding been more evident than in the work of Mark Blyth (2013a, 2013b, 2013c), whose monograph – Austerity: the history of a dangerous idea – has been at the centre of contemporary debates (see Jabko 2013; Peck 2013; Streeck 2013; Thompson 2013). Blyth details the history of austerity
through its emergence as an economic idea, and contrasts these theoretical underpinnings against its major historical failures (see also Elson 2013; Krugman 2013a; Schui 2014). To explain the rise and continued adoption of this failed policy regime by states across the globe since the crisis, Blyth stresses the durability of neoliberal ideas, and the neoclassical economic theories that underpin them (Blyth 2013a: 152-8). Thus, he writes:

Austerity … has been an unmitigated failure … And yet it continues. Why? … If this is creditor/debtor politics, then the creditors are being hurt just as much as debtors, and yet there has been no policy reversal … This is what pushes me to push ideology to the fore. ‘Good’ ideologies … are frameworks for action that have one defining feature: they are immune to empirical refutation. They persist and grow *despite the evidence*. (Blyth 2013b: 738-9, original emphasis)

In this sense, Blyth’s emphasis on ideology draws on certain approaches to political economy. Though far from a unified approach to the problems of political economic change, the concern with the study of ideas emerges from what scholars refer to as the ‘ideational turn’ in political science and political economy (Blyth 1997, 2003; Gofas & Hay 2010b). As explored further below, such views emphasise that ideas are important variables in political analysis in their own right, and cannot simply be understood as reflections of deeper material factors. They thus reject the ‘perennial dualisms’ that flow from an ontological distinction between the ideational and the material (Gofas & Hay 2010a: 3-5). A particularly dominant set of approaches that has contributed to this burgeoning ideational scholarship is social constructivism, which takes material interests not as given either by structures or institutions, but as ideationally constructed. Social constructivists thus ascribe transformations in political economic order to the way in which ideas shape the actions of agents in a given context, and, through these actions, come to form a web of ‘intersubjective meaning’, informing and framing interests and agency. This, scholars claim, integrates the material and the ideational in a dialectic relationship, where ideas are ‘causally constitutive’ of material relations (Gofas & Hay 2010c: 50).

However, as Bieler and Morton (2008: 109) have argued, ‘the problem of social constructivism, as a theory of history, is that it is grounded in an idealist understanding of transformations in social relations because of the disembedding of
intersubjective ideas, norms and values from the social relations in which they cohere’. There is thus an implicit understanding in social constructivism that, despite an apparent dialectic relation, the ideal and material are ‘always and already separate’, which, in particular circumstances, ‘are then brought together as a set of constraints that agents respond to’ (Bruff 2011: 85, original emphasis). In understanding ideas as productive of effects that are external to the nature of particular social relations, the problem confronting constructivists and other ideational scholars is thus a preoccupation with questions of ‘how’ certain ideas come to dominate, without an adequate explanation of ‘why’ ideas emerge as dominant when and where they do.

Arguments that replicate the social constructivist understanding of austerity have emerged time and again in the work of putatively critical scholars, where a commitment to austerity as an economic idea is understood to be the sole, or at least main explanation for its continuity (see Quiggin 2012: 209-39; Skidelsky 2015: 380). In the same vein, in the immediate aftermath of the GFC many argued the crisis heralded the end of neoliberalism’s ideological grip over global capitalism. Concomitantly, fiscal stimulus programs adopted by states were interpreted as signalling an end to the neoliberal, free market-led epoch, and a return to Keynesian ideas and a period of state-led economic governance (Rudd 2009). However, the renewed assault of austerity and other policies associated with neoliberalism cast significant doubt on this interpretation of events, leading commentators to conclude that neoliberal, ‘zombie’ ideas were not so easily displaced (Mirowski 2014; Quiggin 2012). The ideological hegemony of neoliberalism has thus been central to explaining the practice of austerity.

Crucially, however, the understandings of neoliberalism that dominated these arguments have been highly problematic. Scholars have assumed, for whatever reason, that the ‘neoliberal era’ is one that saw the advance of ‘free’ markets, and a withering of the state. As Cahill (2014: 15-6) recognises, this interpretation is at least partly understandable, given the correlation of neoliberal theoretical prescriptions to the actual political practices of capitalist states. However, as Panitch and Konings (2009: 68) have written:
The central problem with this [idealist] perspective is the tendency to analyse the financial dynamics of the past decades within the terms of that era’s hegemonic self-representation—that is, through the key tenets of neoliberal ideology: the retreat of public institutions from social and economic life, and the return to a pre-Keynesian era of non-intervention.

As Cahill (2014: 8) argues, two implicit assumptions underpin these idea-centred, or idealist understandings of neoliberalism. The first is that the concrete reality of the ‘neoliberal era’ reflects neoliberal ideas, and the second that the shift to the neoliberal epoch was driven by the influence of these ideas and their proponents. Because of the way in which the idea of austerity is encompassed within broader neoliberal ideational frameworks, the deployment and intended effect of austerity policies is similarly understood. Indeed, the implementation of austerity policies is understood as driven by the influence of neoliberal ideas and the intellectuals, such as Milton Friedman and Friedrich von Hayek, who express them (Blyth 2013a: 104-77). Furthermore, while scholars have recognised that austerity policies have not worked in ways projected for them – that is, they have not been successful in ‘reducing [state] debt and promoting growth’ (Blyth 2013a: 4) – this is not dissimilar of critiques of other neoliberal policies. The logic of idealism remains, however, insofar as it is assumed that, given the right economic conditions, austerity would reduce the ‘size’ of the state as theoretically claimed, even if these conditions are ‘highly specific’, and ‘do not happen to describe the world in which we live at the moment’ (Blyth 2013a: 97). While this recognises that there are real impediments to the realisation of theoretical projections, there is nevertheless an enduring commitment to the belief that the state is ‘reduced’ merely through decreasing the size of its budget (for critique, see Chester 2008: 9). Importantly, then, idealist understandings of austerity explain its persistence with reference to the hegemony of certain ideas about the state in which austerity finds its home. Similarly, they mistakenly assume that the state’s concrete reality actually operates according to the logic of those ideas. Having outlined, albeit broadly, the dominant framing of austerity, the chapter now turns to explore in more detail these misleading views about the nature of the state in idealist, or ideational understandings.
Ideas, the State, and Double Movements

A dominant conceptualisation of austerity policies sees it to be the product of particular ideas, which further the ‘neoliberal’ objective to advance ‘free’ markets through curtailing state intervention in economic management. The influence of this understanding has certainly been evident even in more progressive commentaries on the turn to austerity by the Australian federal government in 2014. Writers have understood the imposition of austerity to be driven by an enduring commitment on behalf of state managers to neoliberal ideas. In particular, the claim is that austerity has represented a move to reduce the role of the Australian state in economic management (Aly 2014; Lloyd & Ramsay 2014/15). Take, for example, Lloyd & Ramsay’s (2014/15: 42) claim following the election of the LNP that:

[T]he orthodox neoliberal (small state) policy has not changed on the right of Australian conservative politics … when we observe the … federal budget’s fiscal ideology of austerity … These ideological expressions and extreme measures … show that … the current Abbott government … has not just continued the neoliberal status quo but pushed it considerably further.

These authors thus assume that neoliberal ideas in general, and austerity in particular, presage an attenuation of the state and state power. This thesis challenges this idealist view, arguing that it is underpinned by an inadequate understanding of the ontology of the capitalist state.

At this point, two related critiques can be made. First, the ontology of states and markets underpinning idealist accounts has been informed by the Polanyian concept of the ‘double movement’ (see Cahill 2014: 7-8; Konings 2015). Pre-neoliberal economic arrangements are understood to have been embedded in particular sets of social foundations. Following the imposition of neoliberal ideas, with their prescriptions regarding states and markets, the latter become ‘disembedded’, and operate independently from social and political constraints (see Blyth 2002: 5-6, 2013a: 162-3). This understanding becomes increasingly possible if

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2 It is noted that the concept of the ‘double movement’ is based on a contested interpretation of Polanyi’s work. Recently scholars have argued that Polanyi (2001 [1944]) actually developed the concept of the ‘always embedded’ economy (Cahill 2014: 62).
one views ideas to be the main determinant of historical change. For, insofar as neoliberal ideas contain a prescriptive outline of the appropriate role of the state, the extension of these ideas to reality must necessarily entail the actual separation of the state from the economy (Cahill 2014: 8). Of course, no causal relation has been empirically demonstrated. Indeed, those scholars who have paid attention to the historical record have repeatedly noted the divergence of actual political practice from these theoretical prescriptions (Cahill 2014; Panitch & Gindin 2012). This divergence, however, demonstrates a theoretical point that has been made by those working in the Marxist tradition. This insight, at its core, challenges the notion that the economy can ever become ‘disembedded’ from socio-political relations, or that the capitalist state could ever operate autonomously from conflicts and struggles over the structure and possible transformation of economic arrangements.

In addition to the misleading nature of disembedding narratives, idealist accounts offer a description of change that provides no historical explanation of why particular ideas emerge when they do. In this sense, they often adopt – either implicitly or explicitly – an essentially voluntarist understanding of the state. Indicative of this kind of explanation, Blyth (2013a: 39) writes:

> Economic theory is … causally important in the world, and not just a correspondent reflection of it … Different theories tell us which rules to pick, which policies to follow, and how to design institutions, providing different payoffs to different groups, in the process changing the world that the theories purport to map.

While it may be right to say that ideas are more than simply a ‘correspondent reflection’ of the world, Blyth’s (2013a: 158) notion, which flows from the above quote, that the process of policymaking can be simply explained by the adoption or acceptance of an economic theory by state managers is inadequate. It is in this way that explanations of change which defer to the power of economic ideas embody a voluntarist understanding of the state. This is because the choice of policy alternatives available to state managers is understood to be largely unconstrained by the specific political economic context within which they operate. Though the dominance of some ideas is acknowledged, there is little offered in the way of explaining why some economic policy alternatives prevail over others. This particular voluntarism is thus intrinsically idealist, as it treats the exercise of ‘power as an outgrowth of pure
consciousness or will’ (Isaac 1987: 90). What ideas are chosen to inform policy, and which groups are privileged above others is largely understood to be a matter of political will or autonomous choice for those who are (formally) invested with the capacity to exercise state powers.

Through the ontology of the state that flows from both disembedding and voluntarist narratives, idealist perspectives understand the state in abstraction from the economy and society. In seeing the state as necessarily diminishing because of the imposition of neoliberal policies – such as austerity – these analyses fundamentally misunderstand the nature of the state and its relation to the capitalist economy. Indeed, the very notion that ‘states’ could be considered separate from, or a fundamentally different sphere of organisation to ‘markets’ relies on an understanding of these categories that lacks any historical specificity (Panitch 1999: 24-5). In particular, it ignores the evolution and interrelation of states with the synchronous development of the social relations of capitalist production, which take the form of an internal relation between capital and wage-labour, defined through the former’s exploitation of, and extraction of surplus value from the labour of the latter (Bieler & Morton 2008: 116). While the state and economy may be differentiated from one another in strictly theoretical terms, this is not to say that there has ever been anything like a real separation. Capitalist relations have historically relied on forms of extra-economic (state) action to secure, produce, and reproduce the conditions necessary for their continuity (Cahill 2014: 72-3). Similarly, states have increasingly become reliant on the successes of capital accumulation for their basic functioning. As a result, the actions of state managers cannot be viewed in abstraction from this relation. The history of capitalism has thus seen the increasing enmeshment and structural interrelation between the political and economic.

It therefore makes little sense to talk of neoliberalism and austerity as marking the withdrawal of the state from the economic sphere, as the relationship between these two spheres is not quantitatively measurable (Chester 2008: 9). To say the economy is becoming increasingly disentangled from states and the operations of state power is thus to fundamentally ignore the way in which both are constituted and mediated by social relations. If the state and the capitalist economy and its class
relations appear formally separate or institutionally autonomous, this autonomy is ever only relative. Thus, as Jeffrey Isaac (1987: 165-6) writes:

The concept of relative autonomy denotes the structural relation between class relations and the state. Each is a condition of the others’ existence, and each is in this sense implicated in the other, while at the same time maintaining its own respective autonomy. Because of this essential and necessary relation between state and class, *because the state is what it is in virtue of its relationship to class relations, and vice versa, they are only relatively autonomous*. (emphasis added)

The state and state power, under neoliberal conditions, have not become increasingly separate from capitalist class relationships, nor have they operated independently of the conflict and dynamics that define those relationships. In this context, the concept of relative autonomy encourages us to recognise the manner in which the state and markets – the political and the economic – have become entangled and enmeshed in changing and different ways. This understanding of the necessary and mutually determining relation between the state and economy offers a sound ontological, and analytically more useful approach to explain the rise of austerity programs. In particular, it is through this lens that we can begin to understand austerity’s nature as a political project, as economic forces are never truly separate or autonomous from the political forces and structures that govern their production and reproduction.

Indeed, it has been argued by ideas-focused scholars that neoliberalism and austerity shift political economic conditions in favour of capital, yet such explanations face the problem of demonstrating how this shift in the balance of power actually occurs (see, for example, Dow 2015: 37; Lloyd & Ramsay 2014/5: 41). This is because such arguments operate with an inadequate conceptualisation of the state and state power and its relation to class, and other forms of social power. In remedying these problems, in light of that detailed above, neoliberalism can be understood as a particular historical period within the broader history of capitalist development, in which the interests of capital have become increasingly ‘internalized within specific forms of the state’ (Bieler, Bruff & Morton 2010: 31). This historical and conjunctural reconfiguration of state-economy relations ‘organic to the epoch of capitalist development’ (Bieler, Bruff & Morton 2010: 31) was crucially driven, and continues to be driven in varying ways and in various contexts, not just by ideas but also by
competing material forces, conflicts, and social processes (Jessop 2013: 70-2). This is not to suggest that there has been a clear and direct epochal shift from the ‘Keynesian-Fordist golden age’ (Chester 2008: 10) that characterised the post-war years to neoliberalism. However, what, at least in part, determined the neoliberal shift in advanced capitalist countries like Australia was the outcome of struggles between competing domestic social forces and interests, shaped in response to conflicts associated with the stalling of capital accumulation. As elsewhere, the result of these conflicts was a reconfiguration of the overall balance of forces in favour of capital over labour and other subordinate interests (Jessop 2013: 71). Considered in this sense, and as Lichten (1986: 24) writes, ‘[a]usterity is … the articulation of a … class politic; one which redirects state activity, specifically its budgetary/fiscal politics, to fulfil and enhance the accumulation of capital’. In developing an alternative theoretical framework for understanding these changes the chapter now turns to an elaboration of key concepts from the Marxist tradition.

**Ideology, Interests, and State Power**

The idealist thesis of political economic change, insofar as it pertains to austerity, is concerned in part with the process of interest formation. As highlighted in Blyth’s work, there exists a certain scepticism regarding the role that interests play in driving the actions taken by certain forces. If a course of action would appear to contradict an agent’s actual interests in a given situation then it cannot be those interests themselves that explain why such action would be taken (Blyth 2013b: 738-9). In such a situation, ‘agents’ interests become *something to be explained*, rather than something with which to do the explaining’ (Blyth 2002: 9). More particularly, in this view the notion that one is acting on one’s interests, absent other qualifications, necessarily entails assuming that they are acting on their ‘true’, or *objective* interests. As knowing what one’s objective interests are in any given situation is improbable, considering that it requires the possession of ‘perfect information’, then such interests cannot simply be ‘read off’ an agent’s structural location – that is, their gender, class, race, and so on (Blyth 2002: 28). To speak of interests therefore requires that one acknowledge the ideas that shape and *construct* interests. That is, ideas must ‘exist prior to individuals and give meaning and content to their preferences’ (Blyth 1997: 29).
One ought therefore to abandon dualism and conceive of ideas and interests as analytically interdependent (Blyth 2002: 29). Ideas are seen to provide a necessary ‘framework’ or ‘blueprint’ through which agents’ interests are constructed.

Again, it is possible to make two related critiques here. First, though ideas certainly matter, the notion that interests are not ‘given’ by social structure is misleading as it operates with a one-dimensional – ‘objective’, or ‘true’ – understanding of interests. In exploring the issue of social power, Isaac provides a more nuanced discussion of interests. He argues:

Rather than A getting B to do something B would not otherwise do, social relations of power typically involve both A and B doing what they ordinarily do … [N]either a conflict of revealed preferences, nor of objective interests, must be discovered in order to attribute power to these roles. (Isaac 1987: 96, original emphasis)

Here Isaac points to the role of social structure in the formation of interests. In addition to subjective interests, as those ‘revealed preferences that are actually held by particular agents’, and objective interests, ‘or what is really in the interest, or good, of an agent, whether he or she thinks so or not’, Isaac (1987: 96-8) introduces the concept of real interests. Real interests refer to ‘those norms, values, and rationalities implicit in the practices of social life and associated with social roles as their principles of action’ (Isaac 1987: 98). Crucially, the existence of both subjective interests and real interests points to the way in which the latter are causally effective even if they are not consciously recognised as an agent’s primary preference. In this sense, real interests, insofar as they involve ‘A and B doing what they ordinarily do’, are shaped by the material imperatives created by enduring structural relationships.

In addition, idealist perspectives adopt an understanding of ideas and interests as interdependent, but nonetheless separate variables. In reference to Blyth, Bieler and Morton (2008: 108) write that ‘[h]e adopts a dualistic view of material structure and ideas that are always-already separated as variables that are then combined in their

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3 This formulation is not merely a feature of Blyth’s earlier theorising. He has since, in much closer proximity to his writings on austerity, restated his position on this matter (see Blyth 2010: 168).
external relationship to one another’. As already stated, without an understanding of ideas as internally related to material structure and interests, idealist accounts offer no explanation of why certain ideas become important when they do. The precise nature of the error lies in conceiving of ideas as forming in abstraction from social relations, interests, and struggle. An approach that instead sees ideas as forming through processes of struggle between competing social forces and interests can thus more adequately describe historical change (Bieler & Morton 2008: 119; Hall 1986: 41). Moreover, as ideas emerge in this way from material conditions, then such ideas, or ideologies necessarily offer a particular reflection of the nature and operation of that structure, and thus ascribe social meaning to the relations and interests that comprise it (Isaac 1987: 100-1). It is in this sense that ideologies are tied to the process of domination (Thompson 1984: 4). For, if such ideologies imbue different interests with particular social meanings in a way that justifies the nature and relationship of these interests to others, it is not difficult to see how ideology therefore naturalises the social relations of power inherent in everyday practices and reifies them as objective social facts (Bieler & Morton 2008: 115; Isaac 1987: 100-1). It is in this light that we ought to analyse and understand austerity. Austerity does not solely emerge in virtue of its appeal as an idea, but through the way in which it reflects and secures the interests of certain social forces engaged in ideological struggle. Ideas are thus certainly important. However, as Stuart Hall (1986: 42) writes:

Ideas only become effective if they do, in the end, connect with a particular constellation of social forces. In that sense, ideological struggle is part of the general social struggle.

Ideas cannot be understood independently of the social relations and processes of struggle to which they are internally related.

An understanding of austerity’s nature as a distinct political project also requires alternative understanding of the state and state power. Although often treated implicitly, state power is central to ideational explanations of austerity. In these perspectives austerity is understood as the outcome of the exercise of state power to the extent that those actors who occupy positions within the state are captive to the idea of austerity. Under this conception idealist explanations are unable to recognise
the structural ways in which austerity can ‘make sense’ for particular forces and interests (Dunn 2014). Yet it is precisely with reference to the material forces and interests that drive neoliberal processes that the apparent paradox of austerity – that it persistently fails, but nonetheless continues apace – actually dissolves (Albo & Evans 2011: 285; Dunn 2014: 418).

An understanding of austerity must be grounded, then, in a definition of state power that recognises the relative autonomy of state and societal forces. Authors working within the Marxist tradition have developed such an understanding. While there is not the space here to provide a comprehensive review of this literature, a number of conceptual tools developed within this theoretical tradition are relevant for this thesis. As Bob Jessop (2014: 485) writes:

[State power is the form-determined (institutionally-mediated) condensation of a shifting balance of forces oriented to the exercise of capacities and powers associated with particular political forms and institutions as these are embedded in the wider social formation.

On this formulation, exercises of state power cannot simply be considered solely as the product of autonomous or voluntary decisions by state managers, but must instead be understood in relation to the political economic context in which states are always embedded. In virtue of the state’s ‘sui generis reality’ (Isaac 1987: 155) – in particular, the development of its role as a central locus for the manufacturing of the conditions necessary for capitalism’s expanded reproduction – it is inscribed with a strategic ‘selectivity’ in its relation to material forces. This selectivity means that the state cannot be viewed as operating autonomously from society, as ‘its apparatuses and practices are materially interdependent with other institutional orders and social practices’ (Jessop 2008: 5).

A number of implications follow from this. Though the institutions of the state apparatus may possess their own independent powers, the state under capitalism is ultimately dependent upon the successes of capital accumulation and the development of political capacities and resources held elsewhere within a social formation. As a result, if only in part, the state is differentially constituted to privilege the pursuit of control over state capacities to certain social forces and interests due to the distinctive
powers in their possession (Jessop 2008: 6). However, this forces a crucial qualifier. While the state is variously compelled to promote the accumulation of capital, as it relies on the resources and revenue that stem from this, this imperative rests on an essential contradiction. As James O’Connor (2009: 6) writes, ‘the capitalistic state must try to fulfill two basic and often mutually contradictory functions—accumulation and legitimization … This means that the state must try to maintain or create the conditions in which profitable capital accumulation is possible. However, the state also must try to maintain or create the conditions for social harmony’. These insights highlight the way in which the state comes to be, in virtue of the unique capacities ascribed to state power, the object of social struggle; that is, the state, as the primary medium through which to realise particular objectives, is also a site and terrain of conflict. Social struggle directed to the exercise of state power is, however, always mediated through the way in which the unique and evolving structure of any given state serves as a determinant in the outcome of such conflict. This is due to the way in which certain state institutions become inscribed with a strategic selectivity on the basis of the powers and resources available to those forces pursuing state power (Isaac 1987: 184; Jessop 2009: 379-80). The ultimate outcome of struggle, and thus the exercise of state power, is similarly mediated by the relations that form between politicians and state managers – those ‘formally invested with state power’ (Miliband 1969: 50, original emphasis) – and broader political forces, as well as the nature and articulation of the state’s embeddedness in its broader social environment. To conclude, as Jessop (2008: 6) emphasises:

Putting states in their place like this does not exclude (indeed, it presupposes) specifically state-engendered and state-mediated processes. It does require, however, that they be related both to their broader social context and to the strategic choices and conduct of actors in and beyond states.

It is in consideration of these insights that austerity is understood as a political project; as the outcome of the exercise of state power produced through a particular balance of social forces and interests.
**Conclusion**

This chapter has developed an approach to theorising, understanding, and explaining the paradoxical continuity of austerity. In particular, it has highlighted, through the lens of Marxist state theory, some of the specific ways in which ideational explanations of the rise of austerity offer inadequate understandings of political economic change. In particular, these ideational or idealist perspectives create an essentially voluntarist conception of state power, explaining the exercise of such power as the product of the more or less autonomous decisions of state managers. Moreover, involved in the construal of state power in this manner is the Polanyian narrative of a double movement, which ignores the internal relation of the state and the economy by virtue of a complex of social relationships. The final section of this chapter developed a view of austerity sensitive to the complex set of imperatives and processes of legitimation created by ideology, interests, and social structure. In light of this, the chapter outlined some conceptual tools geared to the explanation of austerity's rise, its basis in social relations, and its varying successes. These conceptual insights necessitate seeing exercises of state power not as an outgrowth of will or the autonomy of state managers, but as the contingent product of a relationship of struggle and conflict between social forces and interests operating on the terrain of the state itself. While these insights provide the basis for an understanding of austerity as a political project, understood as the product of social forces and interests, rather than simply of the ascendance of ideas, ultimately this must be substantiated through empirical investigation. It is with this in mind that the thesis now turns to an examination of austerity in Australia under the Abbott government.
Chapter Two

The Origins of Austerity: Class, Politics, and the State

Introduction

This chapter traces the emergence of austerity as a political project in Australia following, and prior to the election of the Coalition in 2013. Where commentators have noted the continuity of neoliberalism in Australia, via the commitment of the Abbott government to neoliberal ideas (Aly 2014; Lloyd & Ramsay 2014/15; Swan 2014b), this chapter advances an alternate narrative. It argues that austerity can be explained with reference to the actions of the Australian state vis-à-vis the process of political struggle in Australia. Particularly, rather than seeing events in Australian politics as driven primarily by ideas, it argues that the Coalition’s first Budget was the product of an uneasy, shifting, but nevertheless structurally powerful set of forces and interests operating on the terrain of the state. The aim is not to provide an exhaustive account of all those agents that can be linked to the formation of austerity, but merely to provide an introductory analysis to the political economy of austerity in Australia. First, the chapter will broadly trace key moments in the construction of an anti-state politics in Australia during the incumbency of the Australian Labor Party in the years following the global financial crisis. The emergence of this ‘anti-politics’ importantly had its foundation not just in particular coalitions or amalgams of interests, but in the movement of a broader, ‘popular’ set of forces. It is argued these provided a fundamental basis for the elaboration and articulation of a political project oriented to the promotion of capital accumulation via austerity. In light of the influence of these forces, the chapter will then consider the shaping of a more coherent austere project through the conjunctural and socio-historical interrelation and interaction of capitalist and state forces that eventually coalesced in the 2014-15 Federal Budget.
The Crises of Labor and a Mandate for Austerity

Though an important case could be made for tracing back the formation of austerity within a broader history of Australian capitalist development, there is little space to undertake such an analysis here. Instead, the main concern is to trace the conjunctural emergence of an austerity politics within the context of contemporary Australian neoliberal capitalism. Though a primary focus for this thesis is the actions of the Australian federal government and related institutions, this does not merely conflate the Australian ‘state’ with the Australian ‘government’. The Federal government constitutes but one institution, or institutional cluster, amongst a broader ensemble of state institutions, amongst which power is unevenly inscribed (Jessop 1990: 341). On the articulation of government and state, Ralph Miliband (1969: 49) asserted that in advanced capitalist economies (like Australia) the state ‘cannot claim anything: only the government of the day, or its duly empowered agents, can’. This does not imply that the government totally controls the exercise of state power. However, as argued in Chapter One, the state is ‘anchored’, in part, in class relations. As a result, there remain central institutions – particularly the economic ministries – that operate as loci for the pursuit of class objectives (Bruff 2008: 8). It is on this basis that a study of the Australian Federal government, and even more specifically, the Federal Budgets produced and circulated by the Treasury and Department of Finance is warranted. As these departments, in addition to the Department of Prime Minister and Cabinet, are responsible for the development and co-ordination of economic and fiscal policies their role in promoting the development of Australian capitalism has been well noted (Catley 1996: 101; Pusey 1991: 81-2). While the Federal government far from constitutes the state in its entirety, the role of its core institutions, and their relations to societal forces make it a central focus for studying the emergence of an austerity politics in Australia’s recent history.

Making the Crisis

The introduction of austerity policies is frequently predicated on the existence of crises. Yet in Marxist analysis, crises are not merely considered the product of contingent historical, political, or economic developments. Crises also become manifest in the time and place that they do as ‘the product and the process of
struggle’ (Lichten 1986: 12, original emphasis). This is no less true when considering the basis for the formation, first of an anti-state politics, and then an austerity politics in Australia in the years following the financial crisis. Indeed, in the years leading up to the election of the Abbott government, the operation of federal politics was punctuated by crises. Initially these were largely political in nature, and arose due to developments surrounding the policy proposals of the former Labor government. The proposal in 2010, for instance, for a Resource Super Profit Tax (RSPT) – colloquially termed the ‘mining tax’ – devised so that Australia might better reap the profits of its mining boom were met with considerable resistance (Bell & Hindmoor 2014: 473; McKnight & Hobbs 2013: 307). In the face of a multi-million dollar campaign funded by mining corporations opposed to the RSPT, the Labor government was forced to revise their initial plans to a new Mineral Resources Rent Tax (MRRT). The MRRT was legislated only after considerable concessions were made to mining interests, and, as it would turn out, was largely ineffectual at raising revenue (Marsh, Lewis & Chesters 2014: 715-6; Swan 2014a: 246). In addition, proposals for a Carbon Pollution Reduction Scheme (CPRS) to distribute emissions permits to polluting and trade-affected industries (Splash & Lo 2012, 72) – colloquially termed the ‘carbon tax’ – generated similar resistance. Over its various iterations – first the CPRS, then the Clean Energy Plan – the carbon tax faced considerable hostility. Indeed, the trajectory of public discourse over the tax soon gave rise to a public, ‘uncivil politics’ (Ward 2015), with active opposition and protest coming from a broad ‘grassroots’ social base, actively promoted by right-wing political and media figures (Swan 2014a: 317).

The mobilisation of social forces in opposition to various policy measures saw the production of a political crisis for (and of) the Australian Labor Party (ALP). In addition to the poor formulation, management, and reception of the ALP’s proposals, Labor suffered, as a result, significant internal divisions (Manne 2011: 78). Indeed, protests over both the mining and carbon taxes contributed to the development of internal leadership instabilities, which were to last for the remainder of Labor’s period in office. These divisions came to the fore particularly in three leadership challenges between Kevin Rudd and Julia Gillard, two of which were successful. It was on this
basis that the claim could be made that the Labor Party was a party in crisis (Abbott 2013b).

Though these political instabilities helped to solidify distinct public and sectional opposition to Labor, they also provided a social base upon which a fiscal crisis could be constructed. Indeed, the sentiment that characterised protests against the Rudd-Gillard Labor governments was directed to the critique of the apparent creep of the state and politics into everyday life (see Ward 2015: 233-4). A base thus existed for the construction of a crisis that could be justified on a general suspicion of the state. In addition to Labor’s intrusions into the affairs of business, and their imposition of unpopular ‘taxes’, their costly spending programmes were purportedly crippling Australia’s future through the burden of debt (Hockey 2009, 2012). These narratives created the spectre of a ‘budget emergency’. Importantly, creation of this narrative of fiscal crisis did not just arise within the rhetoric of politicians. Its construction was similarly contingent upon the emergence and interaction of a range of forces and interests. It was only in the context of these political developments that the Coalition could claim upon their formation of government that they had been given a ‘mandate’ for comprehensive fiscal consolidation (Atkinson 2013).

Never Let a (not-so) Serious Crisis Go to Waste

In the context of these emerging crises, the coalition of interests involved in the struggle against the Australian state forged support for the pursuit of particular policy initiatives that favoured capital’s conjunctural interests. As discussed in Chapter One, the pursuit of such policy objectives cannot be understood as merely produced through ideational shifts external to the social relations of power in Australian capitalism. The rise of ideas such as austerity must be understood as conjuncturally contingent, emerging in response to material processes, and in their internal relation to enduring structural relationships.

In this context, the eventual pursuit of austerity has its origins in the way in which capitalist interests were compelled into action through their confrontation with particular threats to the operation of capitalist accumulation. Indeed, the mobilisation
of those fractions of capital outlined above is reflected in former ALP Treasurer Wayne Swan’s memoirs. Swan (2014a: 365) laments:

In the last couple of years, Australia has seen the emergence of our own distributional coalitions willing to use their considerable wealth to oppose good public policy and economic reforms designed to benefit the majority.

This observation hints at the extent to which austerity was rooted in the strategies and struggle waged by these ‘distributional coalitions’. Indeed, as the previous chapter highlighted, austerity is better thought of as a political project advanced by the Australian state, insofar as the exercise of state power is the product of struggle and a balance of political forces. In the Australian context, struggle towards the exercise of state power in this manner has been strikingly evident. Indeed, the mobilisation of force opposing the mining tax was an attempt on the part of capital to secure their conjunctural interests through a confrontation with state forces. As scholars have noted, in this context state managers were relatively constrained in their capacity to exercise significant autonomy from such interests. Importantly, this was not simply because of the particularly public nature of the campaign, but also because of the inability of state managers to effectively counter the strategies advanced by those fractions of capital, manifest, for instance, in threats, whether believable or not, of divestment (Marsh, Lewis & Chesters 2014: 720-3). Considered in a broader sense, the victory of mining interests over plans to implement a tax on mining super-profits served not only to secure those profits for that individual industry, but also to reaffirm the power of capital in Australian society at large. This is, in essence, the sentiment that is echoed in Swan’s statement cited above. It is, then, in the context of this particular conjuncture that the turn to austerity has to be located.

Indeed, the interaction of particular capitalist and state forces forged the social base from which austerity could begin to develop as a political project. In particular, attention ought to be paid in considering the crises of Labor, and the further construction of a fiscal crisis of the state, to the efforts of mining interests. Mining magnates Gina Rinehart and Andrew Forrest – Australia’s richest and fourth richest individuals – led a rally of approximately 2000 protestors in June 2010 against the mining tax (Taylor 2010). Moreover, Swan (2014a: 335-6) recalls a rather unorthodox meeting with Rinehart in May 2011:
I was booked to take a courtesy visit from Gina Rinehart in my electorate office … When she arrived I was surprised at the size of her entourage. What I thought was going to be a low key one-on-one turned into a large meeting with several important and serious foreign investors in tow … As it turned out, it was far from a courtesy call, with serious propositions for tax relief put on the table. It seemed the inappropriateness of this had not occurred to her at all.

In addition, Clive Palmer, owner of the mining company Mineralogy, was elected to the Australian House of Representatives in the 2013 election, and was involved in the ultimate repeal of the MRRT (Cox, Massola & Hutchens 2014). In each case just described three powerful individuals representing particular capitalist interests actively engaged in an effort to neutralise a perceived threat to wealth. The interests that these fractions have thus advanced have been geared towards a removal of perceived state-imposed constraints on capital accumulation. Of course, the particular nature of reform targeted was not, at these points in time, geared towards austerity. However, the pursuit of tax repeal at one point and austerity at another can both be understood within the broader context of the ‘growth regime’ or model, pursued by the Australian state since the 1980s (Chester 2008).

Indeed, tax repeal and fiscal austerity are consistent with one another, despite the fact that austerity is (nominally) aimed to reduce state deficits, which tax repeal often only exacerbates. If austerity is understood, however, as a political project, produced through a conjunctural balance of political forces operating on the terrain of the state, one begins to see the continuity inherent in seemingly contradictory fiscal stances. Amongst the core stated aims of proponents of austerity is that of restoring growth through cuts to growth-constraining public outlays. In this way, any (perceived) impediment to growth, such as a tax, will only serve to stymie the efforts of austerity measures (see Blyth 2013a: 39). The reason provided by the Abbott government for the repeal Labor’s taxes was precisely that these would impede economic growth by lowering incentives for business investment and capital expenditure (see Cox, Massola & Hutchens 2014).\footnote{Incidentally, capital expenditure, particularly in the mining sector, has fallen despite the ultimate repeal of the tax (ABS 2015d). The removal of state-imposed barriers to the accumulation of capital in this way – reflective of the broader political economic struggles from which neoliberalism emerged – has been a recurring feature

\footnote{Incidentally, capital expenditure, particularly in the mining sector, has fallen despite the ultimate repeal of the tax (ABS 2015d).
of Australian economic policy since the 1980s (Chester 2008). Thus, despite the revenue to be derived from the mining and carbon taxes, it was claimed that, as a state-imposed barrier, they could only impinge upon growth. It is similarly along these lines that austerity measures are purported to enhance the incentives for the development of capitalist enterprise (Albo 1994: 147). In this context, austerity policies have the effect of promoting a mode of capitalist development, driven not by state oversight and redistribution, but by state enhancement of market forces.

Thus, austerity falls under a particular set of policies advanced by particular social forces and interests ostensibly designed to enhance the competitiveness inherent in market relations. Indeed, there have been strong examples in which particular individuals representing particular fractions of capital have expressed support for austerity on precisely these terms. Take, for instance, this excerpt of an essay published by Gina Rinehart (2014: 6-7):

> Australia should never forget, if we want the multinationals to continue to invest their profits here, we have to put out the ‘welcome mat’ and provide good business reason why they should keep investing here … Australia needs to live within its means and reduce our budget deficit, and to do this also needs to enable investment and revenue from industry to grow.

As discussed below, the austerity programme of the Abbott government has received other expressions of support from similar capitalist actors. These have had a more apparently visible impact on the actual formulation of the government’s programme. Yet the above discussion highlights that the formulation of austerity under the Abbott government became increasingly possible out of the (re)assertion, through drawing upon the opportunities presented by political economic crises, of a particular economic logic by certain material interests and social forces in Australian society. Australia was indeed, in the telling words of Tony Abbott (2014), ‘open for business’.

**Forging Coalitions**

In addition to the basis of support in particular fractions and representatives of capital, there was similarly an emerging popular sentiment regarding the economic role of the state. As discussed above, Labor’s carbon tax generated not only ‘elite’ political opposition, but also a form of grassroots, populist politics (Ward 2015).
Further, public support in general was falling sharply for Labor’s leadership throughout the course of these developments (McKnight & Hobbs 2013: 313-4). Indeed, support for core Labor government proposals such as the carbon and mining taxes was markedly divided. Over 2010-12 approximately 51 per cent of respondents to an Essential Media Communications poll (cited in Marsh, Lewis & Chesters 2014: 719) supported the push for a tax on mining super-profits. Though this was a majority, around 29 per cent also expressed their disapproval, while the final 20 per cent were undecided. Public opinion on Labor’s carbon pricing scheme was also divided, with polls conducted over 2011-13 demonstrating 50 per cent opposed the legislation, with around 37 per cent in support and 13 undecided (Essential Media Communications 2013). Though these numbers by no means represent an unequivocal opposition to state involvement in the affairs of business, the marked division in public opinion highlights that the balance of political forces was not simply comprised of capitalist actors. Indeed, in a poll conducted after the release of the 2014-15 Budget, 56 per cent of respondents believed that Australia was experiencing a ‘budget emergency’. Despite the Abbott government’s inability to effectively sell the first Budget, a year later 51 per cent remained committed to their belief in the existence of a fiscal crisis (Essential Media Communications 2015). While in both polls those responding doubted the Coalition’s ability to remedy the crisis, the narrative of crisis that required immediate remedial efforts, constructed by Coalition ministers, and fed in broader discourse by those like Rinehart (2014), thus had certainly gained some traction. Through the process of politico-ideological struggle, a coalition of forces and interests appeared to emerge between specific fractions of capital and sections of civil society.

As examined above, Australia’s fiscal crisis was constructed. Labor did not accumulate substantial debt, if only in comparison to other developed economies, through frivolous public spending (see Stilwell 2014; The Australia Institute 2014). It was not just the Coalition, however, who conjured this spectre of a fiscal cataclysm. It was, and continues to be, a narrative propagated by business groups in Australian public discourse. In the years following the GFC, the Business Council of Australia (BCA), Australia’s peak business organisation, has published annual submissions to the government's Federal Budget development process, warning that constraints
needed to be placed on the growth of state expenditure if the Australian economy was to avoid slipping into recession (BCA 2013: 3). This view echoes that position expressed by business leaders like Gina Rinehart, cited above, whose essay received extensive coverage (see Sexton 2014). In this vein, criticism has been not solely directly against the government itself, but also against those recipients of taxpayer largesse, who are seen to be a burden on Australia’s ascent to prosperity. This location of ‘freeloading’ individuals as the source of Australia’s ‘entitlement culture’ is a well-rehearsed narrative. Indeed, it finds its formal expression in policy proposals, such as that put forward by the mining magnate Andrew Forrest, who advocated for a reduction in direct transfer payments and the establishment of a restrictive ‘welfare card’, stemming from an apparent need to control the consumption habits of welfare recipients (Forrest 2014: 27-9). While this is but one example, it is fundamentally these areas of fiscal policy that are seen to be core to the production of entitlement culture, and thus of fiscal crisis (Stilwell 2000: 214-5). As one commentator observed:

The economic common sense peddled in contemporary Australia is that we are a high-taxing, high-spending, heavily indebted country burdened with terrible cost of living pressures and a welfare system that is too generous, and that something has to be done about it. (Wallace 2015)

That many Australians, as cited above, believed in the existence of a ‘budget emergency’ seemingly offered some traction to Joe Hockey’s (2014c) words that we cannot ‘spend… money we don’t have’. However, though the narrative of a ‘budget emergency’ did find some traction in public sentiment, this hardly reflected clear acquiescence to austerity measures. The Abbott government, then, may have claimed to have a mandate for fiscal reform, but this mandate was not the unequivocal product of widespread popular support. The government’s programme, in the early stages of its inception, thus rested on an uneasy, but nonetheless powerful coalition of social forces and interests that were variously active in supporting and promoting austerity.

Capital and the State in the Austeres Turn

While there was thus a social base upon which the Abbott government believed they could construct their programme, specific policies within the 2014-15
Budget itself were more directly the product of capitalist forces operating on the terrain of the state. The Australian federal government receives annual document submissions to the Budget development process from a number of organisations and interests on the nuances of fiscal policy. As noted above, since the GFC the submissions from the BCA in particular have argued for the necessity of ‘fiscal repair’, in the form of reductions to growth-constraining levels of public expenditure (see BCA 2010, 2011, 2013a). In fact, even a brief comparison of the submissions prepared prior to, or during the crisis with those published in the aftermath reveals an increasing sense of urgency over the need to control spending. The report prepared for the former Labor government in 2009, for instance, expressed a cautious acceptance of stimulatory fiscal policy:

The BCA considers this appropriate for the economic times. Running a deficit, however, is not an excuse for poor policy. Deficits should be clearly recognised as a temporary measure justified only in exceptional circumstances and which should not become ‘entrenched’. (BCA 2009: 1)

This statement stands in contrast to one offered in the Council’s 2014-15 Budget submission:

In the lead-up to this year’s budget there should be no disagreement [between the major political parties] on the fact that Australia has a serious fiscal problem that requires difficult trade-offs and decisions to be made in this and future budgets. (BCA 2014: 3)

Though broad, this latter report outlined an imperative to rein in fiscal expenditure in the 2014-15 Federal Budget.

Furthermore, even prior to this ordinary submission, in December 2013 the BCA submitted a report to the government’s National Commission of Audit (NCOA), a temporary institution established by the Abbott government to review the various functions of the Commonwealth (BCA 2013b). This particular submission contains recommendations that can readily be interpreted as sowing the seeds of policies that eventually emerged in the 2014-15 Budget, such as proposals to reduce the value of subsidies provided to general practitioners for patient visits – that which came to be
the much maligned Medicare co-payment in the 2014-15 Budget (BCA 2013b: 20). Other 2014-15 Budget austerity measures, albeit in a rudimentary form, were also outlined by the BCA, such as cuts to welfare payments like ‘Newstart’ or family tax benefits (BCA 2013b: 18). Though broadly framed, the BCA’s submission to the Abbott government alluded to a variety of actual policy prescriptions, designed to serve the interests of capital through deficit reduction and, supposedly, the creation of investment incentives.

The influence of those organisations, like the BCA, in articulating the interests of capital, or particular fractions of capital, should not be understated. While recent studies have cast doubt on the actual scope of the influence of the BCA, highlighting key problems with regards to the organisation’s administrative capacity to represent the ‘general will’ of its members (Bell 2006a, 2006b, 2008), these analyses largely fail to consider the BCA’s place within broader sets of social relationships. In terms of mediating the competing business interests of its members the BCA’s articulation of specific policy proposals that represent the ‘general will’ of its member companies may indeed be limited (see Jessop 1983: 159-60). However, as Cahill (2007: 228) has argued, in its interaction with the Australian state, the BCA is far from alone, forming but one of several pro-capital organisations. In this context, the BCA has historically been crucial in advancing the interests of capital, shaped within the terms of those broader accumulation strategies pursued by domestic and international capital through its interaction with the Australian state.

The BCA’s role in promoting the conjunctural interests of capital must still be acknowledged today. For instance, to take a point of comparison, the Australian Council of Social Service (ACOSS) produced a report for the Abbott government’s Budget submission process, which expressed its reservations over a focus spending cuts, without sufficient consideration of the social purpose served by state expenditure (ACOSS 2014b: 3-5). The recommendations made in this submission were developed with the intention of strengthening the social welfare system, while suggesting alternative ways to reach surplus (ACOSS 2014b: 5-7). Yet, as ACOSS’s (2014a) analysis of the Budget following its release notes, these suggestions were ignored. Meanwhile, those of the BCA were embraced. In this sense, as argued in Chapter
One, the state can be seen as possessing a selective terrain in which the strategies of some social forces to access state power are asymmetrically favoured, due in part to the nature of the resources in their possession, over other forces and interests. In this sense, the words of former Prime Minister Abbott (2013a) underscore the importance attached to the thrust of the BCA’s arguments, over those offered by groups such as ACOSS: ‘I am confident that the BCA will continue to tell the Government what it should do: to repeal the carbon tax, to repeal the mining tax, to cut red tape and to get the Budget back under control’.

The direct influence of capital interests on the formulation of the 2014-15 Budget can be further explored by a consideration of the government’s Commission of Audit. As stated above, the Commission was a body established by the government to conduct an independent review of the functions of the Commonwealth. The Senate Select Committee into the Abbott Government’s Commission of Audit (hereafter ‘Senate Select Committee’) (2014: 17) has argued, however, that the selection of Commissioners was ‘flawed’, as individuals appointed were seemingly chosen from only certain corners of the Australian community. Indeed, it was announced in October 2013 that the NCOA was to be chaired by Tony Shepherd, who was, at the time, the President of the BCA and chairman for the infrastructure management corporation Transfield Services (Hockey & Cormann 2013). As if to assure the absence of any conflict of interest, the preface of the Business Council’s submission to the NCOA states ‘[t]he Business Council of Australia has prepared the submission independently of the Commission of Audit and its chairman’ (BCA 2013b: 1, emphasis added). Simply declaring the independence of Shepherd’s position as chairman of the NCOA from his BCA associations does little to assuage any critical reader of the core interests represented at the heart of both the BCA’s report or the NCOA’s findings. While such actors may truly believe their interests represent those of broader society, the project they were advancing – due to their historical constitution as actors in a capitalist society (Konings 2010: 178) – was developed to promote capitalist interests.

Thus, while ostensibly independent, the Commission and its members were crucial in advancing, through the state apparatus, a political project of austerity.
Despite being established to ‘review … the scope, efficiency and functions of the Commonwealth government’ (Hockey & Cormann 2013) in general, phase one of the report – the lengthier of two phases – was concerned exclusively with the expenditure side of Commonwealth responsibilities (NCOA 2014). Conspicuously absent from the Commission’s report was the issue of revenue, particularly those revenues ‘forgone through tax expenditures (amounting to around $115 billion in 2012-13)’ (Senate Select Committee 2014: 5). The seventh chapter of the report in particular contained fourteen sections, denoting fourteen areas of fiscal reform, many of which made their way into the Budget itself (NCOA 2014: 80-160). It is no secret that the NCOA heavily informed the development of the Budget, as the government established the Commission for that very purpose. What the case of the NCOA thus illustrates with striking clarity are the ways in which capitalist forces were socially and asymmetrically positioned to determine, or at least strongly influence Australia’s turn to fiscal austerity.

Finally, attention must also be paid to the role of state managers when considering the origins of austerity. To point to the role played by class and other social forces is not to suggest that austerity has its origins only in the structural relations and lines of communication between state managers and certain elements of capital. As Miliband (1969: 50) stressed, those forces that operate within the state apparatus itself, and are ‘formally invested’ with the power to activate the capacities of the state, play a decisive role in the formulation of policies. More specifically, the autonomy of the state to act is in part relativised by those individuals themselves that at particular points in time occupy specific positions within the state apparatus (Jessop 2012: 8). In this sense, some role must also be attributed to the incumbency of Coalition ministers. This is not to suggest a linear translation of the ideas or theoretical frameworks of ministers to political practice. Rather, it is to suggest that austerity is the product of the way in which different forms of social power come to find their expression in state activities. While we cannot ignore the actions of politicians and policymakers, it must also be recognised that these actors too are the products of social struggles and structures. As Konings (2010: 178) writes:

[State] actors are themselves the product of the mode of socialisation of a capitalist society, even if their position demands that they respond to the problems generated by
social life as if they were external to that process … [T]heir historical constitution as actors in a capitalist society makes it likely that their epistemic framework will be biased in favour of capitalist interests.

It is in this way that we might begin to develop a deeper understanding, so neglected in idealist accounts, of the way in which the idea of austerity gains traction in discourse and policy when it does. While the agency of strategically placed actors is important, explanations of political economic change and the exercise of state power cannot be reduced to such action. Members of the current Coalition government have frequently expressed their particular political dispositions within broader intellectual, economic frameworks. Tony Abbott, for instance, has aligned himself with orthodox economic notions, such as ‘[t]he challenge, everywhere, is to promote sustainable, private sector-led growth and employment – and to avoid government-knows-best action for action’s sake’ (Abbott 2014). Joe Hockey, as already noted above, has frequently expressed similar views (Hockey 2012, 2014a). Of course, the LNP more broadly is known to, in terms of Australia’s two major parties, declare the strongest commitment to the development of neoliberal economic policies that enhance ‘the interests of the capitalist marketplace’ (Stilwell 2000: 14; see also Hancock 2008). However, all this is not merely to suggest that the confluence of the stated ideology of politicians and capitalist interests is purely serendipitous. The ideological frameworks of politicians are both enabled and constrained by changing historical circumstances.

Indeed, as this chapter has highlighted, the political project of austerity advanced by Abbott government was, in a sense, generated by the actions of forces operating on the terrain of the Australian state. Though such a project has been significantly critiqued, the specific context in which these forces were operating represented a particular moment in which austere economic ideas were able to gain some traction. In the wake of the GFC, states across the globe have sought to preserve the structures of modern neoliberal capitalism. Whether achieved through direct cuts in public expenditure, placing hopes of recovery in private enterprise (Blyth 2013a), or through providing liquidity to the operation of financial markets (Panitch 2014/15: 9), such state action has been in response to the various imperatives created by definite forces, structures, and processes of struggle. In the Australian case, given the
long-standing philosophical base of the Coalition, then, the favouring of austere solutions is hardly surprising. But the interests of capitalists as well as the concerns of Coalition ministers are forged in the same process of historical development, and cannot thus be merely understood only with reference to such a philosophical base. The election of the Coalition in 2013 was, in an important sense, similarly conditioned by and predicated on the processes of struggle described in this chapter.

Conclusion

This chapter has argued that the Abbott government’s austerity is the result of a political project fostered and promoted by a variety of social forces and interests interacting on the terrain of the Australian state. This historical account contrasts especially with ideational explanations of contemporary neoliberalism that stress the impact of ideas and economic theories, neglecting the forms of intervention undertaken by various forces and coalitions of interests within national and transnational political economies. The turn to austerity by the Abbott government in 2014 had its immediate origins in particular moments of political action and intervention by representatives of the Australian capitalist class. The strategies advanced by these forces necessarily constrained the capacity of Labor’s state managers to activate the powers of the state. These events thus helped to construct the crises of the Labor government, and fuelled a growing civil unease over the role and purview of the state. While it is important not to overstate the degree to which there was a widely held public ‘consensus’, these movements within the balance of forces served as the base for which the Abbott government could claim a mandate, on the basis of a ‘fiscal crisis’, to implement ambitious austerity policies. These crises and shifts figured as a rationale for future austerity under a Coalition government. Indeed, following the 2013 elections, a more coherent austere project was developed through the actions and internalisation of particular fractions and representatives of Australian capital within the state apparatus. However, such a focus on political forces does not preclude a role for a study of ideology. As discussed in the next chapter, ideas and ideologies are similarly crucial to understanding austerity’s nature as a political project.
Chapter Three

Selling Austerity: Economics, Ideology, and Interests

Introduction

It has thus far been argued that austerity measures in Australia form part of a political project, driven not solely by ideas but by certain material forces and interests. Yet this does not preclude the importance of ideas in such a project. As noted earlier, a common criticism of the Abbott government is its preoccupation with neoliberal ideology. Such characterisations, while suggestive, define ideology somewhat vaguely. This chapter argues that in conceiving of austerity as a political project shaped and advanced through social struggle, the way in which the Abbott government attempted (however unsuccessfully) to ‘sell’ austerity was indeed ideological. It is argued, however, that ideology must be understood as internally related to material structures and forces. In particular, this chapter argues that particular views advanced by the Abbott government contributed to the production of an over-arching narrative that austerity promotes the ‘common interest’. It is argued that this notion of a common interest, or ‘general will’ is ideological in virtue of the way it reifies particular experiences of reality and thus naturalises certain social relations of power and interest. It is this that highlights the nature of austerity as a political project, as, through ideological struggle, these narratives connect with, and advance the interests of those social forces involved in the broader struggle for austerity (Hall 1986: 42). The chapter first addresses the conflation of government and household debt, arguing that this narrative creates an illusory understanding of the state as merely another atomistic social actor, thereby masking its unique role within social and material relations more broadly. Next, nationalist narratives will be considered. The creation of nationalist sentiment in relation to austerity contributes to the production of an understanding that acting on state expenditure is integral to the preservation of the nation’s common wealth, and that this is in the interests of all. The third narrative considered here positions austerity as a matter of economic necessity, reinforcing the claim of the unquestionable imperative to act.
State and Household

A narrative often referenced in contemporary debates over public debt compares the financial capacities of states with those of households. Prior to the election of the Abbott-led Coalition to office, Joe Hockey (2012) summed up this argument: ‘like a household, a nation needs to balance its budget over time and needs to make sure it can cover its future commitments’. Informed commentators, however, have argued that this amounts to an equivocation, as the capacities of states to manage their debts far exceed those of individual households (Jericho 2013; Smith 2014; Stiglitz 2000: 47). Yet the comparison is misleading on a further account. Indeed, it conflates the capacities and role of states more broadly – that is, not just financially – with those of households. Jessop (2008: 7) alludes to the dangers of this kind of conflation:

For the state involves a paradox. On the one hand, it is just one institutional ensemble among others within a social formation; on the other, it is peculiarly charged with overall responsibility for maintaining the cohesion of the social formation of which it is merely a part.

The assertion made by the Abbott government that public debt financing and government expenditure in Australian society is akin to household budget management invokes this paradox. As argued in Chapter One, the (Australian) state – of which the federal government is but a part – is charged with the management of a range of competing social forces and interests amongst which individual households fall. To equate the two confuses the vastly different responsibilities that each set of institutions is required to perform, particularly with regard to the state’s maintenance of the social relations of production.

However, this is not necessarily just a case of poor rhetorical framing. Indeed, political elites elsewhere have made the same conflation on the basis of particular understandings of economics (see Kurtzleben 2013). Indeed, to assert the comparability of both a state’s and a household’s finances evokes a conceptualisation that can be found within neoclassical reviews of the role of the state, and that is further present within some neoliberal theory. Within neoclassical modelling,
expenses that accrue to individual households are managed *vis-à-vis* the circulation of money and commodities (more frequently termed ‘the circulation of income’), produced through the sale of labour-power – treated as a commodity – and other goods and services (Weeks 2012: 12-3). A similar understanding has been articulated within neoliberal theoretical tracts, in which households are conceptualised as producers and sellers of particular goods and services (Friedman 2002 [1962]: 13-4). The implication of this kind of analysis is that when expenses exceed the income circulated through and distributed between households, those in deficit must adjust their expenses accordingly. This incomplete, yet reasonably ‘common sense’ representation of debt often finds replication within academic analysis on state expenditure. During a time of recession there will be an increased strain on state spending, which may precipitate or exacerbate a shortfall in revenue. The implied responsibility of states during this time, as with households, is to find ways of cutting expenditure without recourse to the ‘easy’ political option of increasing debt levels, as this will lead, supposedly, to protracted recession (Hannesson 2015: 7). Equating state and household debt thus certainly has theoretical supports.

However, equating the financial capacities and constraints of households and state has a role in naturalising certain social relationships. As discussed in Chapter One, austerity can, in this sense, be understood as ideological. On one hand, welfare payments made by contemporary capitalist states are designed to alleviate the inequalities generated by capitalist social relations (O’Connor 2009: 8). The cutting of state expenditures during a time of crisis is hardly akin to that of a household if only in virtue of the major networks of social groups that, during economic crises, rely on the largesse of public programmes. On the other hand, the argument that the state has the same financial responsibilities as a household belies the inscribed class selectivities of the state, as examined in Chapter Two of this thesis. Thus, portraying state responsibilities as akin to those of households reifies the state’s appearance as that which promotes the ‘general interest’ (see Jessop 2008: 9). This masks the unevenly felt benefits and pitfalls of austerity measures, which exist by virtue of austerity’s nature as a political project that advances the interests of some social forces over others. Analyses of the impact of the 2014-15 Budget, for instance, have illustrated that cuts to family tax benefits and healthcare subsidies would come at
significant expense to low-income households, particularly those with families. Indeed, by 2017–18 households containing a couple and children in the lowest income quintile would see their disposable income reduced as a result of these measures by 6.6 per cent, or, in dollar terms, $2,780, while the disposable income of those in the top income quintile would increase by 0.3 per cent, or $478 (Phillips 2014: 13). These figures speak to the ideological nature of the comparison of household and government finances inherent in Coalition discourse, through its masking of the social character of the state.

Though the Australian state advanced a political project that had the potential to produce unevenly felt economic consequences, state-household rhetoric effectively portrays the state’s role in Australian society as one characterised by the promotion of the ‘common interest’. That is, this narrative portrays the state as akin to individual households, no matter their social position, when the actual relation of the state to society is structured to selectively manage the inherently contested social relationships within which households are embedded. For the government to equate a state’s budget to that of a household is thus an expression of ideological legitimation. In portraying austerity, which serves some interests more than others, as that which is universally beneficial to all members of society, state managers employ ideology as a tool in the struggle to implement austerity – not on its merits, or lack thereof, as an economic idea, but through its basis as a political project that supports particular social interests over others.

**Austerity and Nationalism**

Not only has the Abbott government’s austerity been ideological in virtue of its portrayal of the state as neutral via the management of capitalism’s social relations, but also through the way in which the sale of austerity has been based on appeals to a ‘national interest’. As an emerging field of scholarship details, neoliberal forms of political practice have never been strictly contained within a well-defined set of theoretical and ideational parameters. Instead, ‘[neoliberalism] feeds off, and draws energy and form from, its ideological foes and forebears’ (Peck 2008: 4). It was with such an elective mix of ideas, most notably those associated with appeals to the
nation, that Abbott and his ministers also attempted to legitimise austerity. Indeed, the Australian state has frequently attempted to manufacture consent for particular political economic projects through the construction of an Australian nationalism (Kuhn 2005: 10-3). In particular, the discourses employed to this effect have drawn upon a lineage of nationalist sentiment, which broadly finds its expression as a form of Australian exceptionalism. That is, Australia’s nationalism has frequently been structured around the notion that Australians possess fundamentally different qualities to the people of other nations, and that this apparent uniqueness is key to the country’s successes (Kuhn 2005: 10-1). For instance, former Liberal Prime Minister John Howard stated in 2001 that ‘[t]here is something special about being an Australian… That Australian spirit, that capacity, that mateship that allows us to pull together in times of challenge and times of adversity that is something very special’ (Howard cited in Kuhn 2005: 10).

It is a similar narrative that LNP politicians constructed to sell austerity measures. In his 2014-15 Budget night speech, former Treasurer Joe Hockey argued that inaction on curbing the growth of public expenditure would soon see the government’s debt become unmanageable. In the coda to this well-rehearsed narrative, rather than substantiating this economic argument, Hockey sought to derive legitimacy by invoking a nationalist sentiment. The former Treasurer stated that ‘As Australians, we must not leave our children worse off. That’s not fair. That is not our way. We are a nation of lifters, not leaners’ (Hockey 2014b, emphasis added). Similar sentiments, attempting to intertwine the need for economic action with an Australian uniqueness, are to be found echoed by class actors as well as state managers. Rinehart’s essay attacking Australia’s growing ‘culture of entitlement’, for instance, pointed to Australia’s unique position in the world as evidence of why the state should not continue to squander the country’s future through the accumulation of debt (Rinehart 2014: 5). At this point it is clear that the construction of Australian nationalist sentiments has an ideological quality. As Kuhn (2005: 9) writes:

Capitalists and their favourite thinkers, publicists and spokespeople are not shy about identifying their own interests with those of the entire society or about inventing and promoting ideas that dispute or obscure the significance of class … Some such ideologies and the activities that go along with them create ‘imagined communities’
and illusory social contradictions, between people understood to be members of such a community and those deemed to be outside it.

It is in this way that, through appeals to nationalism, austerity is presented as a political project. Tasked with the role of mediating the inherently conflicting interests of a diverse range of social forces, state managers must try to build some degree of unity around their actions if they are to be perceived as legitimate (Jessop 2008: 37). To this end, nationalism is offered as a cohesive force. However, selling austerity through appeals to a uniquely Australian character reifies the social relations that are assumed to exist between citizens in virtue of these shared characteristics. The result of this reification is the conflation of the interests and character of each citizen with that of the nation in general. In this sense, austerity is ideological through its creation of an ‘imagined community’; a group that is held to share certain transhistorical characteristics that ultimately unite more than those that divide (Kuhn 2005: 10-3; see Anderson 1991 [1983]). Austerity’s justification through nationalism connects with the narratives advanced by particular social forces, who similarly purport that their interests represent the interests of the Australian ‘nation’ (see Rinehart 2014). In this way, the Abbott government contributed to the struggle to advance a political project underpinned by austerity, which, through the exercise of state power, advances the interests of the Australian capitalist class, or representatives thereof.

‘Magic Pudding’ Economics

The Abbott government also offered a third, economistic narrative to sell their austere programme. One notable way in which this has been conveyed has been through the invocation of the classic Australian story of the Magic Pudding by Norman Lindsay. The reference within recent Australian political debate has referred predominantly to the titular character of the tale, a pudding that, upon being consumed, magically replenishes itself; a potent, if politically charged metaphor for the national welfare state (Eipper 1999: 194-5). What this allegorical reference has entailed is a particular representation of the economy that reconfigures its relationship to its politico-ideological features. The magic pudding analogy has been employed as a means by which Coalition ministers have criticised the transferral of welfare ‘entitlements’ and government largesse to the Australian population, at the expense of
private, profit-oriented solutions (Hockey 2009). As Finance Minister Mathias Cormann (2015) stated: ‘there is no magic pudding … [I]f we spend more on one area in our Budget, we’ve got to spend less on another area … because otherwise we would be adding to the deficit’. While references to the pudding may be a mere rhetorical device, arguments of this kind effectively frame the Coalition’s austerity measures as unquestionable economic ‘common sense’, rather than that which is politically driven. This, of course, belies the way in which austerity in Australia, as a political project, was actively supported through the actions of particular social forces, including fractions and representatives of capital operating through the state apparatus.

Yet, by virtue of its rejection of political alternatives, the Coalition’s ‘magic pudding’ argument is a form of (neoliberal) ‘politics that expressly denies its political character’ (Peck & Tickell 2002: 400). The framing of austerity in Australia in this sense has evoked the Thatcherian dictum that ‘there is no alternative’ (see Massey 2015: 105). It was perhaps in part due to the creation of this pervading sense of necessity that argumentation for austerity, or the addressing of its historical failures could be substantially avoided. Indeed, neither the Budget document itself, nor Hockey’s speech following its release put forward a clearly articulated argument for austerity on economic grounds – save for its insurmountable necessity – that addressed criticisms levelled at the neoclassical conceptualisation of public spending underpinning it (Blyth 2013a: 8-10). Hockey’s (2012) speech at the Institute of Economic Affairs in London briefly raised the neoclassical ‘crowding out’ thesis; the argument that government spending reduces private investment, weakening economic growth (Bougrine 2000b: 1). He argued that ‘a lower level of entitlement means countries are free to allow business and individuals to be successful’ (Hockey 2012). In rejecting such an assumption, analysts have pointed to the ways that government financing can actually contribute to, rather than detract from private sector investment (Bougrine 2000a: 16-7). Nonetheless, Hockey’s statement hardly stands on its own as a rigorous and empirically defended argument for fiscal consolidation. Thus, the claim of necessity has an altogether more curious quality. As Massey (2015: 105) argues, a striking development over the past few decades has been the removal of ‘the economic’ from ‘the sphere of politico-ideological contestation’. Yet this
development is paradoxical, at least in the present case. At the same time that ‘the economic’ has become pre-eminent, the rigorous defence of economic policy by those who are responsible for its implementation has been scarce. Without providing a nuanced and elaborated argument, state managers shield themselves from critiques that directly interrogate the logic and substance of the policies they are advocating.

However, it is in this sense, perhaps above all, that the selling of austerity has been ideological. The seemingly common sense notion that we cannot spend more than we have is certainly, as Blyth (2013a: 10) puts it, ‘seductive in its simplicity’. Furthermore, this notion is embedded within neoliberal discourses about the alleged ‘neutrality’ of money. Put simply, from the perspective of austerity’s proponents, ‘it is precisely because money is nothing in and of itself that there is a tremendous danger in attributing inherent powers to it’ (Konings 2013: 130). This particular argument, however, entails an ideological manoeuvre. This is not a novel critique. Scholars have noted the ideological nature of austerity in precisely these terms, as austere programmes have reared their heads across the globe since the GFC. Yet austerity in this form appears as a political project that is designed to embed institutional practices and logics that serve the interests of particular social forces.

The precise character of this ideological formation has not often been fully appreciated. Massey (2015: 105), for instance, sees the way in which austerity is ideological as somewhat distinct from material structure. As examined in Chapter One, this type of perspective fails to acknowledge the way in which ideological formations are themselves mechanisms through which particular social relationships are reproduced (or challenged); that is, it fails to note the ‘material structure of ideas’ (Bieler 2006: 78-9). The rise of austerity in Australia, as argued in the previous chapter, was closely tied to the various activities of invested social forces. Its sale by the Abbott government has thus been ideological because of the way that it presents economic imperatives as though they were eternal laws, abstracted from the material context in which such imperatives emerge. The reification of these ideas, which emerge and gain traction through the process of struggle, advance austerity as a political project through upholding and reproducing the dominance of those forces.
that were active in its making, and, at the same time, obscures their role and interest in this process.

Conclusion

This chapter has extended the argument that the Abbott government’s austerity programme can be accurately conceived of as a political project, by highlighting the ways in which its formulation is founded upon masking austerity’s inherent class nature. In particular, this chapter considered three ‘selling points’ that have been advanced in attempts to secure the passage of austerity measures through Parliament. These did not reflect just a commitment to the prescriptive logics of neoliberalism, but rather served as legitimising narratives that obfuscated the involvement and implication of those social forces and interests integral to the development of the Budget itself. It is in this sense, above all, that we might characterise the Abbott government’s agenda as ideological. The comparison established between state debt and household debt has cast the former as an independent, atomistic actor in broader society. However, this obscures the ‘sui generis reality’ (Isaac 1987: 155) of the state as that which is engaged in the management and reproduction of existing social relations of power. At the same time, the invocation of a nationalist sentiment attempts to unify those disparate interests that are so unevenly served by the implementation of austerity policies. Finally, the third narrative considered here – that which evokes the notion of the economic imperative – arguably plays the most significant ideological role, if only in virtue of the fact that it obscures the role played those specific forces discussed in the previous chapter that were so integral to the formulation of austerity under the Abbott government. In light of this investigation it is evident that the Australian state, and state managers in particular, have been integral, through the construction of ideological narratives, to the advance of austerity as a political project. Yet their actions have been more encompassing than that of merely masking the power asymmetries that are reproduced through the implementation of austerity. It is to a study of the broader actions of the Australian state in advancing austerity as a political project, that this thesis now turns.
Chapter Four

Austerity and State Power: Waxing or Waning?

Introduction

In developing the argument that the austerity programme introduced by the Abbott government is primarily a project designed to enhance the power of capital interests at the expense of other social forces, previous chapters have focused on the central role that the state has played in the construction and advance of this project. Extending the discussion of this point, this chapter demonstrates the misleading nature of claims that austerity produces a waning or attenuation of state power. In this light, many accounts are thus blind to the way in which exercises of state power—due to the state’s (contested and variable) constitution as a ‘factor of cohesion’ (Jessop 1982: 16-20) and object of conflict within capitalist society—remain central to the maintenance and promotion of capitalist socio-economic arrangements, strategies, and projects.

This chapter therefore argues that austerity in Australia, insofar as it is a political project advanced by particular social forces, requires particular forms and patterns of state action. First, the chapter briefly chronicles the forms of opposition that the Abbott government faced in implementing austerity. It discusses two prominent campaigns that emerged to oppose the Abbott government, and points to the role of the state in managing these social forces. Second, it is argued that the deployment of particular policy tools in line with the narrative of ‘fiscal sustainability’ demonstrates the way in which the state has remained integral to the promotion of the austerity project. Finally, the chapter concludes with a discussion of the Abbott government’s second Federal Budget. It is argued that, in contrast to characterisations of this Budget as an expression of a politically pragmatic turn in fiscal policy (Coorey 2015; Smyth 2015), an austere logic persists. This does not merely suggest a stubborn commitment to an austere fiscal strategy. Rather, it is argued that austerity persists in light of the state’s role in promoting and securing conditions conducive to capitalist development.
Resisting Austerity

As has been noted, the Abbott government faced a significant degree of opposition from a wide array of forces to the implementation of austerity measures. Arguably this opposition began to crystallise in the nation-wide ‘March in March’ protests that occurred prior to the delivery of the first Budget. While at this stage the specifics of the Budget were unclear, the concerns of participants were directed towards suspected cuts to federal funding arrangements to areas such as health, education, and welfare (Lillebuen 2014; Maley 2014). While similar protests continued to occur throughout the government’s incumbency they provoked little reaction, aside from Abbott’s claimed ignorance of their existence (Laughland 2014). Ignorance could not so readily be expressed, feigned or otherwise, for those other forms of opposition that emerged after the release of the 2014-15 Budget.

The AMA and Medicare

Where the ‘March in March’ rallies may have been lacking a clearly defined social base, the forms of protest that emerged upon the release of the Coalition’s first Budget had very specific constituencies. Indeed, the government faced a number of targeted campaigns that aimed to tackle the evident biases contained in the 2014-15 Budget. One such campaign was that undertaken by health organisations, most notably the Australian Medical Association (AMA), which announced public opposition to the government’s original proposals for Medicare reform, as well as subsequent policy iterations (Gardner 2015; Rollins 2014). Once the government’s health reforms had been subject to sufficient scrutiny, revealing their devastating distributional impact on the working class and unemployed (Harrison et al. 2015), members of the Senate became the targets of lobbying efforts to block passage of the government’s plans. Polling figures further indicate that the proposals found little support within the broader Australian population, with only 27 per cent of respondents supporting the government’s measures (Essential Media Communications 2014a). The AMA played a role in organising such opposition. In attempts to curb the levels of federal funding for Australia’s Medicare system, the government introduced changes to the bulk-billing system, based on the duration of visits to general
practitioners. Under the proposed new arrangements, consultations that previously attracted a rebate of $37.05 were to see this payment reduced to $16.95. The AMA was involved in the framing of this new measure as an effective cut of $20.00, far more devastating than the original proposal for a $7.00 rebate cut. Through its actions the AMA eventually secured a position at the negotiating table with the government’s health minister, Sussan Ley, and so consolidated its potential to shape the future direction of Australia’s Medicare system (Russell 2015).

However, the incorporation of the AMA into a consultation process with the Coalition should not been interpreted as signalling an overturning of the Australian state’s austere approach to healthcare. Instead, it stands as an instructive example of the way in which the government drew on state powers to manage opposition to its agenda of reconfiguring the character of accumulation in Australia. As Bundey (2014) argues, changes to Medicare, if the reform packages were implemented, would contribute to an increasingly financialised Australian health system. That is, they would serve to further integrate households into a system of exposure to the risks inherent in financial markets, while entrenching a broader movement towards the accumulation of capital through such markets (Bundey 2014: 69-70; see also Bryan, Martin & Rafferty 2009: 462). Yet the decision to include the AMA in talks for health ‘reform’ has been lauded as a crucial and progressive step in softening the shape new reforms would eventually take (Owler 2015). More especially, though the government had initiated a consultation process, health measures that were opposed by the AMA were still in place to be implemented. Though the more prominent reforms such as the $7.00, and then $5.00 co-payments were scrapped, the freeze on indexation rates for Medicare payments remain, at the time of writing, as part of government policy (Harrison et al. 2015: 313). This measure, according to Parliamentary Budget Office (2015: 2) projections, would save around $1.2 billion just between the years 2015-16 and 2018-19. These savings would come at the expense of general practitioners who in turn could opt to pass these costs on to their patients, which Harrison et al. (2015: 315) suggest could be as much as a $8.43 per non-concessional patient (or 7.1 per cent of rebate income) by 2017-18.

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5 The time of writing is October 2015.
Furthermore, whilst the AMA is the peak representative body of the Australian medical profession, only around 40 per cent of general practitioners are members. As Russell (2015) notes, the organisation’s capacity to bargain for better conditions for all doctors and patients is thus limited. Nonetheless, the way in which the government was able to integrate the AMA into a negotiation process has appeared to partially mollify some of the dissenting voices amongst the medical fraternity. What this suggests is that, rather than wholly retreating from an austere project, opposition forced the Abbott government to manage and configure this social resistance in such a way that permitted it to continue its austere policy track. This has been far from an easy accord between the state and the AMA, with subsequent changes in government policy – such as the introduction of a Medicare services review (Hyland 2015) – again triggering a new bout of resistance. Nonetheless, what this case demonstrates is that the state has thus sought to manage and accommodate the opposition that has arisen in regards to healthcare, but that this has not entailed a substantial retreat from austere policy in healthcare.

**Student Protests and Tertiary Reform**

The government has also faced a significant degree of resistance from student-based organisations and tertiary-education unions reacting to proposed changes to higher education. Of all movements opposing the Abbott government, student protests have been the most public and publicised. Students flooded the streets on numerous occasions, blockaded events involving Coalition MPs, and staged a televised protest on a prominent current affairs programme (Ireland 2014; Lusted 2015; National Union of Students 2015). Student opposition was aligned with broader public sentiment, with polls indicating that the 20 per cent cut to university course funding, amounting to around $1.9 billion (Griffiths 2015), coupled with the deregulation of course fees, were amongst the most unpopular of the Coalition’s policies (see Essential Media Communications 2014a, 2014b). The widespread unpopularity and an obstinate Senate crossbench have meant that education reforms, since Abbott’s demise from the prime ministership in September 2015 and the subsequent Cabinet reshuffle, the new Education Minister Simon Birmingham has temporarily ‘shelved’ proposals for reform of tertiary education (Anderson 2015).
Such a retreat is hardly surprising; yet there is not likely to be any substantial or overall change to a Turnbull government’s programme. Such an understanding is prompted by the nature of Birmingham’s claims that ‘higher education funding arrangements for 2016 will not be changed from currently legislated arrangements while the government consults further on reforms for the future’ (Birmingham cited in Anderson 2015, emphasis added). Indeed, calls from the vice-chancellors of Australia’s leading universities, which lauded the Abbott government’s initial reforms (Group of Eight 2014), remained that, despite the failure of initial proposals, significant structural adjustment of tertiary education is required (Knott 2015; Macdonald 2015). However, if such new reforms are to take, more or less, the shape that failed proposals have, this would not reveal a continued commitment to the withdrawal of the state from involvement in markets. On the contrary, it would provide a clear example of state action to secure new spaces for the accumulation of capital. While previously existing deregulation proposals were an example of the state’s active marketisation of the tertiary education sector (Ryan forthcoming), cuts to course funding would have worked alongside this reform by forcing universities to recover their costs through increasing fees. It was projected that the (now shelved) cuts would have forced at least a 30 per cent increase in course fees to cover lost funding (Pash 2014). Considering the desire expressed by the Turnbull government is to ensure Australian universities remain internationally (and domestically) ‘competitive’ (Anderson 2015), it is unlikely any future reforms will be radically different from those already rejected. Though the capacities of the Australian state may change with these reforms, rather than seeing such reforms as a ‘small state’, ‘free market’ policy, cuts to funding, coupled with university deregulation ought to be understood as representing a deepening commitment to the exercise of state power in extending and cementing the values and relations of markets into the organisation of, in this case, the sphere of higher education.

**Generational Accounting as Political Project**

A continued commitment to an austere project is also evident in the nature of the particular policy tools employed by the federal government. The use of generational accounting – in the form of Commonwealth Intergenerational Reports
Intergenerational reports are produced by the Australian government every five years, and offer forty year projections into the state of the nation’s demographic and economic development (Commonwealth of Australia 2015a: vii; Gruen & Spender 2012: 328). Though they are reports rather than policy documents, they are nonetheless crafted with political intent. Since their first use in Australia in 2002, these reports have been used to frame particular state projects (Gruen & Spender 2012: 328-9). In particular, the nature of these reports lends themselves well to the construction of a particular narrative around fiscal sustainability, and the ‘myth of a looming fiscal crisis’ (Watts 2012). Yet, as Watts (2012: 91-2) illustrates, the conclusions drawn from this kind of intergenerational accounting invariably point to the inevitable unsustainability of the current fiscal track and the need for measures to curb the growth of government expenditure. However, this is far from a forgone conclusion. As Richard Denniss (2012: 2) of The Australia Institute writes:

> Anyone interested in understanding the likely consequences of a 2 per cent spike in GDP growth on government tax revenue should consult an economic modeller, but anyone interested in knowing what will happen to the Australian economy in 20 [or more] year’s time should probably ask an astrologer.

Despite its jocular tone, this claim nonetheless echoes important concerns that have been raised by scholars. In particular, crucial problems arise in the kinds of modelling contained in the IGR. The very nature of these reports assumes a certain constraint to levels of government debts and deficits, relative to GDP, and a negative ascription of growth in government expenditure over time, if only, in this case, because it places greater burdens on future generations (Watts 2012: 95). Others have, however, pointed out that ‘there is no magic deficit-to-GDP ratio or debt-to-GDP ratio that ought to be maintained or avoided’ (Wray cited in Watts 2012: 93). A second problem lies in the econometric methods employed to calculate the trajectory of demographic and economic change, in that they are largely unable to account for the existence of an ontologically ‘open’ system (Lawson 1997: 67), in which future uncertainties –changes in government policy, or the onset of crises – fundamentally render dubious at best any long-term predictions and modelling (Bessant, Emslie &
Watts 2011: 145; Galbraith, Wray & Mosler 2009: 19-21). Thus, what is calculated is akin to that which Beckert (2013) has termed ‘imagined futures’.

It is not difficult to recognise the way in which these forms of modelling so readily contribute to the promotion of a narrative of fiscal sustainability, and thus the advance of an austere political project. If debts and deficits are held to cause economic problems and inefficiencies, and the methods for estimation are made with a static view of budgetary accounting, austerity now, rather than later, seems the only viable solution (Watts 2012: 88). The use of these accounting tools thus speaks to the role of the state in advancing austerity as a particular political project. That these assumptions are fairly commonplace features of orthodox economic analysis means that it is hardly surprising when the underlying elements of state budgetary decisions, such as class relations, are ignored. As O’Connor (2009: 8) argues, capitalist state expenditures are constituted by contradictory imperatives, where expenditures that promote the accumulation of capital generate the need for ‘social expenses’, such as welfare, to address the problems generated by such accumulation. All budgetary measures like austerity thus differentially impact particular groups, as such measures develop, at least in part, as a result of the state’s role in promoting capitalist development and managing its social contradictions (O’Connor 2009: 6).

Such a statement should hardly be controversial for political economists and other critical scholars. Yet, as argued in Chapter One, a central problem that arises in ideas-centred accounts is explaining the concrete links between the choice of particular policies and the social interests they serve. It is thus not a sufficient critique – though it is necessary – that particular policy tools, like Australia’s IGRs, which foster the narrative of fiscal crisis, offer misleading representations of the nature and trajectories of public expenditure. Rather, the narrative of fiscal sustainability that is developed through such reports fundamentally sustains class interests as it promotes austerity for those social expenses that, as O’Connor details, develop out of the very process of state-supported capitalist development. The state thus operates in a contradictory way, but one that is nonetheless structured by capitalist imperatives.
This principle of state action can be seen in relation to the federal government’s 2015 IGR, in which health expenditure figures prominently in terms of narratives of fiscal sustainability. Indeed, the implicit analysis within the IGR indicates the way in which the Australian state has attempted to impose austerity to shape the conditions that are suited to particular strategies of accumulation. In this respect, it is important to note the way in which the very structure of the 2015 IGR contains projections solely based on federal-level, or Commonwealth fiscal sustainability, as opposed to a comprehensive review inclusive of state- and territory-government accounts (Gruen & Spender 2012: 329). In this way, policies that entail the devolution and dispersion of responsibility or expenses to different, typically lower levels of governance within the ensemble of state institutions (see Jessop 2002: 454), are not included in the report’s projections into the sustainability of fiscal expenditure.

The case of health funding provides an instructive example. In 2014-15 the Commonwealth was budgeted, in accordance with existing Commonwealth-state agreements, to transfer $46.3 billion to the states as specific purpose payments, of which health costs accounted for $16.4 billion (Duckett 2015). However, the 2014-15 Federal Budget put measures in place that would cease these arrangements, thereby substantially reducing Commonwealth contributions to state health provision (Duckett 2014). Government figures estimated that the cessation of these agreements, coupled with curbing the growth of payments through changed indexation arrangements, would save $1.8 billion over four years, beyond which (likely) substantial further savings are not projected (Commonwealth of Australia 2014a: 126). The impact of these changes to the Commonwealth’s fiscal expenditure is reflected within IGR projections, where, as Duckett (2015) notes, the savings are incorporated into the current trajectory of legislation. However, the IGR paints a distorted picture of these budgetary savings. As those payments that have been curbed form part of state government budgets for health, these governments must increasingly find a solution to their sudden shortfall in funding (Duckett 2015). Overall expenses have not necessarily been reduced, merely rearranged.
The new health funding arrangements not only illustrate the way in which the state remains central in economic arrangements, but the way in which its patterns of action are determined by the influence of capitalist imperatives and processes. While the implications that will flow from the transfer of fiscal responsibility are not clear, in general terms these policies will shape future conditions of service provision. Considering the fiscal gap, for instance, to be borne by state governments, the increased costs of healthcare may be transferred to individual users (Duckett 2014). Furthermore, the dispersion of responsibility amongst state institutions within the ensemble merely alters and rescales the modes and patterns of state intervention. Indeed, devolving and rescaling state capacities impacts the strategic position of those state institutions now responsible for service management in their relationship to competing forces and interests (Jessop 2002: 454). That is, the increased strain on state and territory government finances as a result of the transfer of costs will potentially influence the nature and selectivity of the terrain upon which strategies can be advanced by capitalist forces in the interests of accumulation. What form these forces and strategies may take, and when and whether they will arise remains to be seen. Regardless, rather than seeing the state retreating in any real sense, austerity has entailed the advancement of state action oriented to the promotion of conditions that sustain continued capitalist development.

A State of Continuity: The 2015-16 Federal Budget

Through a politics of austerity the state is not ‘reduced’ in terms of its enduring role in creating and configuring the extra-economic conditions necessary for the accumulation of capital. This role should always be viewed, however, in the context of prevailing state strategies for the promotion of capitalist development. These insights make especially problematic those revised characterisations of the Abbott government that emerged following the release of the 2015-16 Budget in May 2015, which saw the introduction of new spending measures designed to incentivise business growth and workforce participation. Claims that the policy measures introduced in this document reflected a pragmatic turn in the face of resistance sorely misrepresented the nature of new government arrangements as ‘stimulatory’ and even ‘Keynesian’ (Coorey 2015; Fensom 2015; Smyth 2015). Austerity measures
continued to underpin the new Budget, but within a broader host of policy measures, which advanced a political project aimed to promote the interests of capital.

A centrepiece of the 2015-16 Budget was the ‘Jobs and Small Business Package’. Though yet to be legislated, it would reduce the rates of taxation levied against small businesses, and also grant these businesses an asset tax ‘write off’ of up to $20,000 on new purchases, which, taken together, would come at an approximate cost of $5.5 billion the Federal Budget (Commonwealth of Australia 2015b: section 1-10). However, new, extended, and yet-to-be legislated cuts to services and programmes would more than recover the amount this package was projected to cost, as the 2015-16 Budget does nothing to reverse the already existing proposals for changes to the Australian public sector. For instance, in addition to the cuts of $7.6 billion to foreign aid that were proposed and implemented in the 2014-15 Budget, the 2015-16 Budget confirmed a further cut to the sector of $3.7 billion over three years that was originally proposed in the 2014-15 Mid-Year Economic and Fiscal Outlook (MYEFO) (Medhora 2014, 2015). Changes during 2014 to the government’s original plan for a Paid Parental Leave Scheme, which saved the Commonwealth coffers $1.6 billion over the forward estimates (Commonwealth of Australia 2015b: section 1-8), have been supplemented by 2015-16 Budget savings measures that withdraw government-funded parental leave benefits from those whose employer offers a more generous scheme; the so-called removal of ‘double-dipping’, expected to save approximately $1 billion (Commonwealth of Australia 2015b: section 1-15; Mather 2015). Further significant savings are to stem from stricter conditions for welfare recipients, and changes to the assets test threshold for pensioners. These are expected to save $1.5 billion and $2.4 billion respectively (Commonwealth of Australia 2015b: sections 1-15, 3-21). There were thus significant savings that underpinned those new forms of spending in the 2015-16 Budget.

However, though this points to the fact that the government had not totally abandoned an austere fiscal strategy, it tells us little how austerity served the interests of its supporters. Moreover, austerity should not be understood, particularly with regard to the state’s role in promoting accumulation, but in relation to the particular political strategy of which it forms but a part. Another prominent feature of the 2015-
16 Budget – family and childcare policy – provides an instructive example. New arrangements in childcare payments are intended to provide greater support to low to middle-income families (Commonwealth of Australia 2015b: section 1-12). While these payments have largely been considered to be core to the government’s new spending arrangements, this characterisation paints a distorted picture. Certainly, these measures, expected to cost $4.4 billion, appear to increase childcare assistance to families (Whiteford & Nethery 2015). Yet the government expect this package to be paid for through those changes to family welfare proposed in the 2014-15 Budget. Reforms such as the proposal to freeze payment rates of family tax benefits (FTB) for two years, reductions in the value of FTB supplementary payments, a freeze on FTB eligibility thresholds, as well as a withdrawal of FTB part B payments from families once their youngest child turns six are expected to save $9.4 billion between 2015-16 and 2018-19, more than recovering the cost of the new package (Whiteford & Nethery 2015; Parliamentary Budget Office 2015). But one effect of these austerity measures, if they are to secure passage through Parliament, will create an increased need for families to find work in an insecure labour market, hinting at the way in which they support capitalist interests.

Indeed, it is in the context of the labour market that we ought to understand the real impact of the new childcare package. Under the proposed arrangements, to qualify for 36 hours of subsidised, professionally-provided childcare, parents must work at least 8 hours per fortnight. If they wish to access 72, or the full 100 hours of subsidised care, parents must meet the requirements of 17 and 49 hours paid work respectively (Phillips 2015: 32; Whiteford & Nethery 2015). While such activity tests may appear progressive, one must view them within current conditions in the Australian labour market. While it is not possible here to provide a comprehensive survey, recent figures detail the labour market’s current weakness. From August 2013 to August 2015 unemployment grew from 5.5 to 6.2 per cent (Australian Bureau of Statistics [ABS] 2015b). Overall employment levels, expressed as a proportion of the population aged 15 and over, fell from 61.5 per cent in 2013 to 60.8 per cent in

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6 These labour force figures detail conditions for those aged 15 and over. Unemployment, employment levels, participation rate, and labour underutilisation figures are averages of trend data for the 12 months to August of each year. This is consistent with Healy’s (2015: 350) methodology, except the use of trend estimates, which offer a more accurate picture of month-to-month changes than original estimates (see ABS 2012).
In this context, labour underutilisation – defined as the sum of unemployed and underemployed workers, expressed as a proportion of the labour force (ABS 2015a) – has risen from 13.0 per cent in 2013 to around 14.5 per cent in 2015 (ABS 2015c). Taken together, such figures suggest ‘continuing and widespread weakness in labour demand’ (Healy 2015: 350). This is despite the fact that overall labour market participation has increased from 64.6 per cent in 2014 to 64.8 in 2015 (ABS 2015b). Whether a result of the government’s policies or not, supply has not produced its own demand.

As Healy (2015: 351) notes, the gendered patterns that underlie these figures point to significant inequality. This is especially pertinent when considering family policy. Though the employment to population ratio fell more sharply from 2013 to 2015 for men than it did for women – from 67.6 to 66.7 per cent, compared to 55.5 to 55.0 per cent – women only made up around 35.5 per cent of full-time employees, with men dominating full-time positions at 64.5 (ABS 2015b). These bleak prospects for female employment are especially concerning in the context of childcare, considering the dominant share of labour performed by women in family care structures (Hill 2014: 185). That there appear to be fewer prospects for female employment – full-time or otherwise – suggests a problematic shift for unemployed mothers to paid employment, especially those in low-income families.

The government’s new spending on childcare will operate alongside pending cuts to the public sector. Those cuts that specifically target family benefits will, if implemented, reduce the amount of government assistance received by families, particularly those in receipt of lower incomes. Analysis of these measures detail that of those families who receive currently jeopardised family payments and utilise childcare subsidies, 62 per cent will be worse off overall due to the cuts to benefits (Phillips 2015: 34). Moreover, like the new childcare arrangements, those changes (mentioned above) made to family payments in the 2014-15 Budget were designed to ‘encourage increased workforce participation by primary carers’ (Commonwealth of Australia 2014a: 198). This strategy is similarly present in policies directed at increasing youth workforce participation. Cuts to welfare payments that were developed in the 2014-15 Budget, which would force jobseekers under the age of 30
to undergo a six-month waiting period before receiving government benefits, were similarly directed towards inducing greater workforce participation (Healy 2015: 354). This has since been amended to a four-week waiting period, and, despite being rejected by the Senate in September 2015, then Social Services Minister (now Treasurer) Scott Morrison expressed plans for its reintroduction (Conifer 2015). While the behavioural shifts that these labour-market activation policies may instigate are not possible to predict here, they are ‘unlikely to assist in job creation at a time of weak aggregate labour demand’ (Healy 2015: 354). Yet the fact that such policies encourage the integration of workers – particularly women – into the labour market, no matter its dynamic instabilities, emphasises the way in which austerity in welfare, alongside other measures, manifests as a political project that advances the interests of capital.

Developments in the Australian economy highlight the reasons for continued state action, through austerity and other measures, to promote capitalist interests. Recent economic growth in Australia has been lacklustre. Gross domestic product grew by 2.6 per cent over 2012-13, as opposed to 3.7 per cent in 2011-12 (Lim, Nguyen & Chau 2014: 5). Government projections in early 2015 indicated that growth was remain sluggish, rising to around 2.75 per cent (Commonwealth of Australia 2015b: section 1-6). Yet these projections proved even to be too optimistic, with GDP growth weaker than predicted, rising just 0.2 per cent in the 2015 June quarter (Brinsden 2015). Amidst these conditions, an increase to the supply of labour during a time of weak demand is likely to increase the reserve army of labour, placing downward pressure on wage rates – ultimately serving the interests of capital through a decline in relative costs of production (Dunn 2014: 421). This is not to suggest that such policies are devised with the intent of eroding already weak labour market conditions. However, even government documents acknowledge the relationship between an oversupply of labour and wages growth. Indeed, this relationship is conceived as potentially beneficial to the process of boosting capitalist development: ‘Subdued wage growth will help keep unit labour costs down and contribute to lower inflationary pressure’ (Commonwealth of Australia 2014b: section 2-18). In this way, austerity measures that force labour participation can be seen as a political project that favours the interests of capital over those of labour.
This would seem especially relevant considering current trends in domestic wage levels, where poor labour market conditions have produced weak wage growth. In 2014, despite a 3 per cent increase to the nominal value of the National Minimum Wage, the real value of Australian award wages failed to rise as these changes merely drew parallel with the rate of inflation, as measured by the consumer price index (Healy 2015: 360-1). This suggests that while the government’s political strategy of encouraging labour market participation through austerity and incentives may not promote actual job growth, it will likely continue to place downward pressures on wage growth. Far from signalling a withdrawal of the state from economic management, these policies illustrate the way in which the state has acted in light of deteriorating economic conditions. The combination of policies that incentivise labour-market participation with those that cut back welfare provision make clear the fact that the state has not taken a so-called pragmatic turn. Instead, it highlights the Australian state’s enduring commitment to a political project underpinned by austerity. Particularly, in virtue of the interests it serves, it suggests that such a project can only be understood in light of particular forces and processes that create demands on state managers to foster conditions conducive to capitalist accumulation.

**Conclusion**

This thesis has argued that the turn to austerity under the former Abbott government does not represent an idealistic and voluntary disentanglement of state from market relations. Rather the Australian state and the exercise of state power have been integral in the process of shaping austerity in the interests of certain social forces. This chapter has developed the notion of austerity as a political project that aimed to promote conditions conducive to the accumulation of capital. While strident resistance emerged to the fiscal strategy advanced by the Abbott government, the state played a crucial role in the management and integration of these opposing forces, in ways that ensured their demands were subordinated to particular interests. Moreover, the failure of change to materialise despite resistance suggests the continuing dominance of those forces discussed in Chapter Two that were involved in the struggle for austerity. Policies of fiscal austerity remained an integral part of the
Abbott government’s overall political strategy. More especially, however, austerity policies have not reflected an increasing separation of the state from the economy, but rather the reconfiguration of its relationship to economic management. Through the mechanism of generational accounting, the Abbott government may have given the impression that long-term spending patterns have been ‘reigned in’, but this ignores the dispersion of state capacities amongst institutions that austerity has entailed, and the way in which these shape conditions conducive to capitalist class action. The continuation of austerity in the 2015-16 Budget was also considered. This section detailed the political project advanced by the Abbott government, in which austerity plays an integral part. The Abbott government was not motivated by an abstract and vague political pragmatism, or by a commitment to a particular ideational framework. Rather social and economic pressures and processes have driven the forms and patterns of state action to shape conditions conducive to continued capitalist development, relations, and accumulation.
Conclusion

This thesis has argued that austerity in Australia is a political project that is actively constructed and managed on the basis of imperatives created by social forces and interests. This line of analysis has been especially contrasted with an impoverished idealist, or ideational understanding of political economic change. These understandings, which have been widespread in commentaries on global political developments in general, as well as the Abbott government in Australia, problematically frame the state in abstraction from society and economy. Exercises of state power are thus often seen to emanate purely from the voluntary decisions of state managers themselves, as opposed to the actual origins of state power in a diverse range of forces embedded within a social formation, who respond to imperatives that arise as a consequence of their location in the structure of that formation (Panitch 1999). In ideational accounts, austerity is thus reduced to a mere ‘dangerous idea’ (Blyth 2013a); its implementation is hardly one of contingency and struggle. Though the dominance austerity as an economic idea is acknowledged, there is little offered in the way of how and why such dominance is actually achieved and maintained. It is this understanding which this thesis has argued against, by drawing attention to the importance of understanding the interrelation between state, class, and austerity in Australia.

Ideational explanations of austerity, which locate the principle within a framework of neoliberal ideas, conceive of these ideas as engineering a process of ‘disembedding’. This is a process whereby a particularistic reform of market structures and institutions results in their ‘autonomisation’ from their social foundations. This narrative mistakenly leads one to the view that state and economy become necessarily separated through neoliberal processes and policies. However, as Marxist scholars emphasise, if the capitalist state and economy operate autonomously, this autonomy is only ever relative, given the mutual constitution of these structures by a complex of social relations and interests (Panitch 1999: 23). This does not negate the importance of a study of the ideological, but this should be tempered through a more specified consideration of the material forces and structures with which ideology is constituted and driven. It was in light of these considerations that this
thesis adopted an approach to understanding the state and politics that is grounded in recognition of the importance of social relational context (Jessop 2008). Policy outcomes are the product of the exercise of state power, which needs to be understood with reference to prevailing hierarchies of broader relations of power and interest, and the conflicts and struggles associated with establishing, maintaining, and (possibly) transforming these relationships.

These theoretical insights have important implications for explaining the Australian state’s turn to austerity in 2014. The origins and sources of the austerity programme first significantly advanced by the Abbott government in their 2014-15 Federal Budget must be located as part of a particular historical conjuncture, characterised by a certain constellation of forces and interests. The ground for the turn to austerity was secured through the political construction of crises. The manufacture of the former Labor government’s problems as political crises cleared the way for the Coalition’s construction of a fiscal crisis, or so-called ‘budget emergency’. The subsequent rise of an austerity politics in Australia from the actions and struggle of definite social forces figured as the basis for the construction of a political project, pursued by particular fractions and representatives of capital operating on the terrain of the state, employing the rationale that cutbacks to government expenditure serve the ‘common interest’.

Importantly, in emphasising the role of these material forces, this thesis has not suggested that ideas do not matter. Rather, ideas are tied, and ‘internally related’ to the structures of the social world, and those conflicts that take place within these structures (Bieler & Morton 2008). Claims that austerity promotes the general, or common interest are not necessarily the product of overt fabrication. They are, however, misleading, as they assume that certain social relations are not founded on inherently conflictual interests. Ideas come to the fore in the time and place they do through the process of struggle, as argued in Chapter Two. In this way, the particular ideas advanced by one set of forces become, through the process of struggle and contingency, those that are actualised through the state apparatus. The real nature of the Australian state’s austerity measures as part of a political project that has its origins in the actions of a particular constellation of forces is emphasised when
considered in relation to austerity’s ideological nature. The way in which austerity was ‘sold’ by the Abbott government points to this fact. That is, this ‘sale’ can be understood as a particular manifestation of this process of struggle to advance an austere political project. This is evident in the way in which amongst the core narratives drawn upon by the Abbott government and other forces there was a unifying effect: the reification of certain social relationships, resulting in the obfuscation of the way in which austerity serves particular sectional interests.

The Australian state has been integral at each stage of this struggle over austerity. In particular, this highlights the way in which those claims that have sought to cast the state as in retreat in the face of ‘free’ market forces are empirically and theoretically misleading. The Australian state has indeed remained pivotal through its management of the social contradictions and forms of resistance that arose as a result of conflict over austerity. Moreover, the state has advanced the interests at the heart of austerity considerably further, whether through the use of particular policy tools, or through changes to the nature and scales of state activity. Such actions certainly highlight the importance of the state to the reproduction of contemporary Australian capitalism. The Abbott government’s austerity project was reformulated and reframed in relation to a resistant political terrain, and fluctuating economic conditions. In effect, austerity thus remains a political project constructed through the imperatives created by social forces and interests, advanced through the exercise of state power.

While the implications that follow from the conclusions of this thesis are not necessarily novel, they serve to restate Marxist arguments about the way in which the actions of the capitalist state ought to be studied. On an empirical level, that the Abbott government was wrongly considered to have retreated in light of political conflict does not preclude the actual possibility of policy backpedalling. However, the preceding analysis suggests that there are likely to be significant structural impediments to the development of adequate and effective resistance to austerity. More broadly, given that such resistance detailed in Chapter Four failed to elicit unequivocal change in policy, this suggests a continuity of neoliberal practice in Australia, as political developments are likely to extend (further) the subordination of labour, and other subaltern social groups to the continued reproduction of Australian
capitalism. On this point, scholars advancing ideational explanations are certainly right (Lloyd & Ramsay 2014/15: 41-2). Furthermore, this certainly has, even at such an early stage, some basis in the stated orientation of a Turnbull government, where Treasurer Scott Morrison (cited in Clarke 2015) has argued that Australia has a ‘spending problem, not a revenue problem’. This thesis cannot project what will happen; continued austerity may fail dramatically to promote accumulation in Australia. Nothing within this thesis suggests that a political project must necessarily succeed.

What the thesis has highlighted, on a theoretical level, is the centrality of the capitalist state as a determinant and object of conflict, despite – indeed, because of – a politics of neoliberalism and austerity. In contrast to those idealist or ideational accounts that would cast the state as ‘withering away’, this thesis has demonstrated that, as a political project rather than simply an idea, austerity demands particular forms of state action. The way in which the state acts in any given period or conjuncture – whether more or less ‘active’ in provision or management of market services – must be viewed in relation to the way in which these actions are configured on the basis of a balance of social forces. An apparent paradox of austerity in recent developments – its durability in the face of failure – dissolves if we begin to see market and state forces and structures as ontologically constituted by class and other social relations (Bruff 2011). The implications of this are not just that austerity, as a political project, has a class, as well as gendered, and racial bias, as commentators have certainly demonstrated (Blyth 2013a, 14; Elson 2013; Jensen 2013). It is instead, fundamentally, a form of class politics. Austerity, in whatever manifestation, requires active construction, is embedded in capitalist social relations, and is the product of struggle over the distribution of resources, wealth, and power.


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