

Leadership tensions mount as Australian Treasurer outlines new agenda

Mike Head
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With the Australian government facing possible defeat in elections due later this year, Treasurer Peter Costello is positioning himself to replace Prime Minister John Howard as Liberal Party leader as soon as possible after the poll, regardless of the outcome.

Backed by sections of business and the media, Costello is seeking to demonstrate that, unlike Howard, he will be capable of delivering the requirements of global capital—lower corporate and income taxes, unrestricted access for foreign investment and a renewed drive to lower workers' wages and conditions—while fashioning a new social agenda.

Currently the Liberal Party deputy leader, Costello has long been the favourite of the financial markets and other business sectors that have lost patience with the Howard government's stalling and backtracking on economic policy and its desperate vote-buying concessions to rural and other protected national industries.

Costello gave two clear signals last week of a renewed determination to distance himself from Howard. The first was a Wednesday night speech to the Sydney Institute, a right-wing thinktank, in which he argued the merits of global capitalism and pushed for a further wave of economic "reform," particularly on tax and industrial relations.

Responding to the anti-capitalist demonstrations at the G-8 summit in Genoa, Costello declared that winning foreign investment and trade were the key to making Australia "more prosperous and a better place to live". He flatly denied there was a growing gap between rich and poor and insisted that the living standards of the world's poor could only be lifted through "open markets" and "trade liberalisation".

While claiming to have the interests of the poor at heart, the central axis of his speech was a call for a further shifting of the tax burden from the wealthy to the working people. "To stay competitive the weight must be kept off direct tax—income tax and company tax—and the indirect tax base must carry the burden of funding social services," he emphasised.

Income and business taxes, which—theoretically at least—require the highest-income recipients to pay the most, are being reduced globally as transnational corporations shift their operations from one country to another, demanding higher profit margins. Indirect taxes are designed to extract the most

from those who can least afford to pay: the poorest families who are forced to spend the highest proportion of their incomes on the necessities of life.

The day after his speech, Costello was anxious to deny suggestions that he was foreshadowing an immediate increase in the government's 10 percent Goods and Services Tax, introduced last year. Yet the thrust of his remarks was unmistakable—for Australian-based companies to survive in the world market, governments would have to continue to reduce their taxes while jacking up the consumption tax.

With an election looming, Costello presented his call as a criticism of the Labor Party's vague pledge to "roll back" aspects of the hated GST. But his speech was also an implicit repudiation of the economic policy backflips made by Howard over the past six months.

His remarks were welcomed by leading media outlets. "Costello pushes reform," was the headline in Rupert Murdoch's *Australian*. An editorial in the Melbourne *Age* commented: "Mr Costello was flying the flag for the cause of globalisation with an aplomb and surefootedness that other members of the Federal Government, including occasionally Prime Minister John Howard, have been unwilling to display in the cause in recent years."

Costello's second swipe at Howard was indirect. It came in the form of excerpts from a soon-to-be-published biography of Costello, revealing his scorn for Howard. The *Age* and its sister newspaper, the *Sydney Morning Herald*, reported on their front pages last Friday that Costello has been making disparaging comments about Howard since at least 1997.

According to *Peter Costello: The New Liberal*, written by *Age* journalist Shaun Carney, in mid-1999 Costello "despaired of Mr Howard in private. He told a friend he believed Mr Howard was no longer pushing himself and had unofficially retired. Howard had run out of puff, Costello told one associate."

A year earlier, an angry Costello had opposed a suggestion by Howard that the proposed GST rate be reduced from 10 percent to 8 percent and that planned income tax cuts be ditched in order to appease charity and welfare organisations. Costello was "outraged," describing the idea as "dumb" and "half-baked reform" that voters would not support because they

expected income tax cuts in return for the GST.

Through Carney's book, Costello claims credit for the GST, prevailing upon Howard to place it back on the agenda in 1997. "To Costello, Howard seemed lost in the prime ministership, Costello's view was that only by keeping the reform agenda thumping along at a rollicking pace could the government grasp and keep hold of the political ascendancy."

Both Howard and Costello have played down the damaging revelations, but Costello confirmed that he has had disagreements with his leader. Moreover, while describing the biography as unauthorised, he did not deny that he had spent 50 hours with Carney as the author prepared the book. The resulting message is deliberate: Costello, not Howard, is the man to keep pro-business reform "thumping along".

Other extracts from the book are designed to show that Costello opposed Howard not just on economic matters but social policy as well. In 1997, Costello claimed Howard was "uncomfortable at some level with the prevalence of Asian faces in Australian streets". Three years later, Costello was "angry and appalled" when Howard instructed him not to join an Aboriginal "reconciliation" march over Sydney Harbour Bridge.

Sections of business regard these issues as critical, for both international and domestic reasons. Howard's perceived anti-Asian inclinations and failure to secure a mutually-beneficial settlement with Aboriginal leaders are seen as blights on Australian capitalism's reputation overseas, notably in crucial Asian markets, and as barriers to forging a new sense of national purpose at home.

Last week also saw the first public moves to insert high-profile merchant banker Malcolm Turnbull into the Liberal leadership. Turnbull, a millionaire businessman and former lawyer for media magnate Kerry Packer, headed the Australian Republican Movement throughout the 1990s and was closely associated with Labor Party prime minister Paul Keating.

Having failed to win the republic referendum of 1999, he has now nailed his colours firmly to the Liberal Party mast, and made it clear he is looking for a parliamentary seat to be arranged for him as soon as possible. In the meantime, he has been given the post of the party's deputy federal treasurer, becoming the heir-apparent to a post that carries considerable clout in establishment circles.

One *Australian Financial Review* columnist last Friday commented: "Chief bagman for the Liberal Party has traditionally been a position of significant influence." Under the headline, "Turnbull serves change of course," the writer speculated on the possibility of a Costello/Turnbull leadership, reflecting a new face of "progressive liberalism".

These moves are directed against Howard and his wing of the Liberal Party, which has based itself on traditional conservatives, right-wing and Christian fundamentalist elements and small business layers. Turnbull speaks for those sections of big business most closely integrated into

international capital, which have opposed not just Howard's pandering to economic nationalism but also his social conservatism, including his adherence to the British monarchy.

These layers require a government that can somehow manufacture a new socially-inclusive image for the political establishment in order to better camouflage the further destruction of working class living standards. Howard's cultivation of a backward-looking, xenophobic and protectionist social base, while it has served to shift the official political debate sharply to the right, has become an obstacle to this agenda.

The elevation of Costello and Turnbull expresses mounting exasperation in ruling circles with the current leadership of both major parties—Liberal and Labor. It is now almost 18 months since the *Australian* editor Paul Kelly railed against Howard and Labor Party leader Kim Beazley, labelling their leaderships as a "national disgrace" for backing away from economic restructuring.

The *Australian* last weekend added its own twist to Costello's opinion of Howard, running a banner headline: "They're all out of puff". The article claimed to present the results of the newspaper's survey of voters in 20 marginal electorates, where the federal election may be decided. "Australians are deeply disillusioned with their political leadership and regard both John Howard and Kim Beazley as weaker than their predecessors," it asserted.

The *Australian* appears to be making an attempt to divert the popular hostility toward both parties into support for a "strong" and "visionary" leadership. Regardless of whether the next government is headed by Beazley, Howard or Costello, however, the media agitation is a sure sign that once the election is over, the incoming administration will be under orders to speed up the attack on working people, provoking even deeper discontent.



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