

# Australian prime minister capitulates to new Labor leader on superannuation policy

**Rick Kelly**  
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In an unprecedented capitulation to the Labor opposition, Australian Prime Minister John Howard announced on Thursday that the government would adopt, virtually intact, a proposal to slash politicians' superannuation payments that was made just two days earlier by the new Labor leader, Mark Latham.

The spectacular policy backflip—which came after Howard and other senior government ministers had vigorously defended the existing scheme—has been met with derision throughout the media and hostility within the government's own ranks.

Latham immediately went on the offensive, claiming a major political victory. "I welcome the fact that the prime minister has adopted Labor's policy to close down the parliamentary superannuation scheme. This is the right decision. I put it forward two days ago to try and rebuild some public trust and confidence in our democracy."

Latham's comment indicates the degree of sensitivity that exists within ruling circles to the contempt felt by masses of ordinary people towards the official political establishment. At the same time, his campaign to radically reduce the superannuation payments made to retired politicians constitutes an attention-grabbing diversion away from the major issues facing ordinary Australians.

The Labor leader has no principled disagreement with the social and economic agenda of the Liberal-National government. In a number of areas, such as welfare reform, he outflanks it on the right. After being elected leader last December on a platform of junking the few remaining vestiges of social reformist policies in Labor's program, Latham is seeking to channel the widespread popular anger felt towards the government away from serious questions of political policy and program, into various populist nostrums.

This opportunist strategy was demonstrated on Tuesday, with the first parliamentary question time of the year. Not a single Labor MP said a word about the catastrophic war in Iraq, or the failure to find any weapons of mass destruction in that country. Rather than challenging the government on its foreign or domestic policy record, Latham concentrated

his fire on politicians' superannuation.

In an accompanying media release, Latham called for the Remuneration Tribunal, which reviews the wages of MPs and senior bureaucrats, to examine the existing superannuation scheme to bring all future politicians in line with what he described as the "community standard". For most permanent workers in Australia, nine percent of one's salary is paid by the employer into a superannuation fund, which is supposed to provide for retirement. The scheme was introduced by the Keating Labor government to obviate the need for government-paid pensions. For federal MPs, public funding effectively contributes an average of 69 percent of politicians salaries towards their superannuation.

The prime minister has committed his government to lowering MPs' superannuation along the lines proposed by Labor. Attempting to cut off any debate, Howard rejected the proposal to have the Remuneration Tribunal decide the issue, and instead agreed to the public standard of nine percent. The government's overhaul of the scheme will mean that future MPs serving three terms will receive a total of less than \$85,000, compared to the current system under which a retired MP who lives for thirty years could expect to receive approximately \$1.5 million.

While the media has for years portrayed Howard as a brilliant politician leading a government with mass popular support, the superannuation episode reveals how vulnerable his government really is.

Latham's populist tactics have exacerbated the sense of crisis within government ranks, largely because they mirror Howard's own political orientation. Like Howard, Latham combines a right-wing social and economic policy agenda with demagogic appeals to the fears and insecurities—created by the government's own policies—of confused and disoriented sections of the population.

During the last federal elections in 2001, Howard only scraped back into office by playing the racist card, launching a vicious campaign aimed at witch hunting and vilifying immigrants and asylum-seekers. The new Labor leader is proving more than capable of matching Howard at his own

game.

In addition, Latham is being promoted by significant sections of the ruling elite who have become frustrated with the failure of the Howard government to successfully push through their pro-business agenda.

Since Latham's election to the top Labor job, Howard has tried unsuccessfully to deflect media attention away from him. In one of the most acrimonious party room meetings ever held by the coalition government, Howard told his MPs on Thursday afternoon that any defence of the existing scheme was no longer tenable, because Latham's successful campaigning on the issue had to be short-circuited. Having already secured cabinet backing for his about-face, Howard's demand for party support met with an angry response from a number of his MPs.

"It was becoming very messy," the *Australian* quoted a source as saying. "It's the worst I've seen. There was strong language—it was open, frank and full on." Several MPs including Chris Pyne, Sophie Panopoulous and Ron Boswell spoke out against the change, arguing that it would damage the government's credibility and give Labor a further boost.

"It was Howard's worst moment," a coalition MP told the *Australian*. "He looked panicky and this has been a clear psychological victory for Latham. The one thing we needed this week was to come out on top, instead we have Howard with 'I am rattled' in neon lights."

Liberal backbencher Bronwyn Bishop expressed her fear of where the government's concession to Latham's anti-politician demagoguery might lead. "We will never satisfy the public," one report quoted her as saying. "They will never thank us for this... the public are insatiable when it comes to politicians. They'll take everything away from us if we give in."

Howard was only able to secure majority support after the treasurer, Peter Costello, moved that any superannuation reform would only apply to new MPs elected in future federal elections, and would not affect any of the current politicians' entitlements.

The government's reversal forced a humiliating back down by Costello and health minister Tony Abbott, the two leading contenders to succeed Howard. Costello had earlier claimed that reducing retirement benefits would result in a lower quality of future MPs, while Abbott attacked Latham for being a populist. Following the policy shift, Abbott changed his line, saying, "I have never admired the prime minister more than I do now. It takes real guts to do the right thing under difficult political circumstances."

In his own announcement, Howard made clear that his sole motivation was to remove the issue as a potential focus of Labor's forthcoming federal election campaign. "Rather than [have] this thing drift on for months, I've decided to

get it off the agenda as a partisan political issue so that we can have a focus on issues that are really important."

Significantly, the only "really important" issue that Howard raised at his press conference was the recently negotiated free trade agreement (FTA) with the United States. Labor's nominal opposition to the FTA has seen Latham rebuked by the Murdoch press, particularly the *Australian*.

Despite the fact that elements within his own coalition government are concerned about the impact of concessions won by the United States, notably on sugar and other agricultural imports, Howard was desperate to shift focus back onto the FTA in the hope of seeing Latham's inconsistent position on trade attract more media criticism.

The prime minister also knows that the FTA is the only significant pro-business measure implemented since the last federal election. In a number of areas such as industrial relations reform, taxation, the privatisation of Telstra and the overhaul of Medicare, the Howard government has disappointed wide sections of business and the media, who are now looking to a future Latham government to prosecute their interests.

Far from neutralising politicians' benefits as a political issue, Labor has stepped up its pressure on the government. Having won the first round, Latham is now challenging Howard to match his commitment to voluntarily cut his own superannuation, rather than restricting the changes to incoming MPs. Latham is also calling for cuts to payouts for retired federal judges, a demand that the government continues to reject.

So bitter has been the reaction within the government that increasing numbers of MPs have begun looking at replacing Howard as leader. "[Howard] has lost a bit of authority and is becoming more autocratic," one MP told the *Sydney Morning Herald*. "I can assure you, this is the beginning of the decline," another commented.

Whatever its impact on Howard's leadership, what the episode demonstrates is that both Howard and Latham will contest the upcoming federal election on the basis of cynical populism and demagoguery. None of the critical issues facing ordinary people—the war in Iraq and the eruption of militarism, the crisis in education and healthcare provision, the lack of job security and the rise in unemployment, escalating social inequality and poverty—will be addressed by either of the major parties.



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