

# Australia: Rudd Labor government commits to “economic conservatism”

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The new Australian Prime Minister Kevin Rudd and his Labor cabinet were formally sworn in yesterday. Barely a week after winning office, their agenda is already evident: to carry through a new wave of savage cost cutting and “micro-economic reform”.

With the election campaign out of the way, business leaders, economic commentators and research institutes have been quick to warn of a global economic slowdown, financial instability and rising inflation. The ANZ bank’s chief economist, Saul Eslake, told the *Sydney Morning Herald* on Saturday that he put the chances of a recession in Australia in the next three years at 33 percent. The business press yesterday highlighted the announcement of a record trade deficit of nearly \$A3 billion and a TD-Securities-Melbourne Institute survey that put the underlying inflation rate at 3.6 percent—well above the Reserve Bank’s limit.

While Labor and the Coalition both campaigned on “economic management”, the looming global economic crisis and its potential impact on living standards of millions of voters were barely mentioned. Big business, however, was well aware of the economic forecasts. Significant sections of the corporate elite, who had been critical of Howard for squandering the opportunities presented by the resources boom to press ahead with economic reform, swung behind Labor as the best means for implementing their agenda.

The newly installed Labor ministers have made clear their demands will be met. Treasurer Wayne Swan told the Australian Broadcasting Corporation’s “7.30 Report” last night: “We ran as economic conservatives and we will govern as economic conservatives.” Asked about the danger of rising prices and interest rates, he declared that “dealing with inflationary pressures in the economy is our number one priority,” adding, “that’s why we need strict budget discipline.”

In the course of the campaign, Rudd announced that Labor would reinstate the Expenditure Review Committee or “razor gang” of the previous Hawke and Keating Labor governments and would slash \$10 billion from government spending over four years. While refusing to name a figure, Swan indicated on the “7.30 Report” that the government would be “looking for further savings in the budgetary process”.

Commenting in Saturday’s *Sydney Morning Herald*, senior Labor figures have already let it be known that the budget due in May will be “a tough one”. According to “informed officials”, the Labor government was seeking at least another \$10 billion in cutbacks, bringing the total to over \$20 billion. “Any program we

find that’s not working, that will be a target,” one declared. The newspaper reported that another “Labor eminence” was privately urging incoming ministers to “purge” \$30 billion to \$40 billion from spending.

A “senior figure in the Rudd inner circle” told the *Herald*: “The biggest pole of debate will be internal—in all the areas where government spending has been most repressed, so in all social policy areas of health, disabilities, aged care, indigenous policy, there will be demands for new spending. The attitude will be, ‘Hey, we are now the government. Let’s spend money on things and look after people.’ This will be a real, natural internal tension.” The *Herald* noted: “Why tension? Because the Rudd leadership group will not accommodate these demands.”

Newly installed Deputy Prime Minister Julia Gillard reinforced a similar pro-business message. She went from being sworn in at government house in Canberra in the morning, to address an Australian Industry Group conference later in the day. As the *Australian* put it, she offered “a hand of cooperation to employers” including those who had campaigned against Labor’s industrial relations policies.

Gillard, whose portfolio covers industrial relations, has already emphasized that Labor’s new laws will include the central features of Howard’s hated WorkChoices legislation. Under Labor’s transition legislation to be introduced early next year, existing individual workplace agreements will be allowed to stand, and new special transitional individual employment agreements introduced for the next two years. Gillard has already rejected union calls for the new legislation to be retrospective, giving employers a free hand for several months to pressure employees to accept workplace agreements. Likewise, she has declared that she will take her time in reinstating limited legal protections against unfair dismissal—again giving businesses a window of opportunity to summarily sack employees.

Gillard is also in charge of implementing Labor’s much-hyped “education revolution”. Far from addressing the deterioration of public education, this “revolution” is about lifting labour productivity, addressing immediate shortages of skilled labour and positioning the Australian economy to be more competitive in the hi-tech sectors. In a revealing joke about her ministry, which covers employment and workplace relations, education and social inclusion, she told corporate leaders: “So while my portfolios can be a mouthful, I’ll be happy to be referred to simply as ‘the Minister for Productivity.’”

As Gillard noted, her superministry has brought together some of the key elements of a “new economic reform agenda for the nation.” Every aspect of Labor’s “education revolution”—from providing childcare to encourage women into the workforce to the emphasis on computers and technical training in schools, marketable skills and a uniform national curriculum—is geared to the requirements of corporate Australia. Even the disadvantaged are to be pressed into functioning as a cheap labour force. While declaring her commitment to “a fair go” for all, Gillard urged corporate executives to see disadvantaged Australians not as “an economic dead weight” but rather as “a severely under-utilised human capital resource”.

The comments of Swan and Gillard, however, were overshadowed by Rudd’s first major announcement: to formally ratify the Kyoto Protocol on global warming and greenhouse gas emissions. Under the previous Howard government, Australia and the US were the only major industrialised countries that had refused to sign the decade-old agreement. The decision paves the way for the Labor government to play an active and leading role at the UN Climate Change conference, which has commenced in Bali, to begin to draw up a new agreement. Rudd, along with other ministers, is due to attend the conference next week.

The Australian delegation was greeted with applause at the Bali conference yesterday, partly in recognition that Rudd’s move has left the US further isolated. There were, however, undoubtedly cheers as well in Australian boardrooms keen to cash in on the burgeoning global markets in “carbon trading” and “carbon offsets” opened up by the Kyoto Protocol. With China, India and other Asian economies under pressure to become part of the next agreement, business leaders are seeking to position Australia as a regional centre for carbon trading. Others sense large profits in renewable energy technology.

The emergence of Labor to the national centre stage is paralleled by an unprecedented collapse of the Coalition parties, which find themselves out of office in every state and territory, as well as at the national level, and confronting a Labor government that has, in all essentials, an identical program. Many frontbenchers either lost their seats, like Howard himself, or quickly announced their retirement from the political frontline. Former treasurer Peter Costello started the stampede by declaring he would not contest the Liberal Party leadership, followed by former foreign affairs minister Alexander Downer.

The contest for the Liberal leadership last Thursday turned into a choice between former defence minister Brendan Nelson and environment minister Malcolm Turnbull. Both were keen to distance themselves as quickly as possible from the Howard government and its policies—announcing they would support the signing of the Kyoto Protocol and acknowledging that Labor had a mandate to abolish the WorkChoices legislation. Significantly, Nelson was a Labor Party member before joining the Liberals, and Turnbull, a wealthy investment banker, toyed with the idea of joining Labor before signing up to the Liberals in time for the 2004 elections.

Nelson narrowly won the ballot—45 to 42—after former health minister Tony Abbott withdrew from the race. Abbott, who remains closely associated with Howard, clearly decided that he

did not have the numbers and backed Nelson as the more conservative of the two candidates. Turnbull had alienated the Liberal Party rightwing by calling for the endorsement of Labor’s industrial relations and its plans for a meaningless “apology” to Aborigines. The close vote only underscores the fact that recriminations, bloodletting and factional warfare inside the Liberal Party has only just begun as it struggles to survive, let alone win back office.

Nelson is due to announce his shadow ministry in the next day or so. Turnbull has already been handed the plum job of shadow treasurer—a position from which he can build his own political credentials and prepare to replace Nelson. New faces will almost certainly dominate. Philip Ruddock, notorious as immigration minister for whipping up an anti-refugee witchhunt and then, as attorney-general, for pushing through anti-terror laws, has been the latest to announce that he will retire to the back bench.

The Liberals’ junior coalition partner, the rural-based National Party, confronts an even more acute crisis. With only 10 MPs left in the lower house, party leader Mark Vaile announced his retirement from politics shortly after Costello had announced his. Instead of a battle for the leadership post, the Nationals have struggled to find anyone willing to take on the task. Former trade minister Warren Truss was elected unopposed yesterday. Already a debate has opened up in the party’s ranks over whether to be more critical of the Liberals, or to fold up the National Party completely and amalgamate.

Regardless of what happens to the Coalition, the real continuation of the Howard government is its replacement—the Rudd government. The stage has been set for major confrontations, sooner rather than later, between this new Labor government and the working class.



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