

# Australia: Economic crisis provokes turmoil within Liberal Party leadership

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23 March 2009

Nearly 18 months after losing office in the November 2007 federal election, the opposition Liberal Party is once again embroiled in a divisive leadership struggle. Six months ago, Malcolm Turnbull successfully ousted Brendan Nelson as opposition leader in a narrow caucus vote. Now Turnbull himself faces a potential challenge from Peter Costello, the former treasurer under Prime Minister John Howard. While there is no shortage of personal ambition at stake in the clash, the infighting within the Liberal Party is not merely the product of the ego-driven personalities of Turnbull and Costello. Rather, it reflects a wider debate within corporate and media circles on how to respond to the deepening world economic crisis.

It is now clear that Prime Minister Kevin Rudd's stimulus measures have failed to cushion the Australian economy from the impact of the unprecedented contraction in global economic activity. As a result, perplexity and outright panic are gripping sections of the political establishment, with mounting fears that Labor's deficit spending measures may exacerbate the crisis by fuelling debt.

Turnbull is coming under fire for failing to differentiate opposition policy on key pieces of legislation, including Rudd's stimulus spending measures, industrial relations, and carbon trading. Costello, positioning himself as the alternative right-wing leadership within the Liberal Party, is being championed by powerful sections of the media—as a means of pressuring Rudd to deliver on promised economic reform measures, as well as ensuring that the opposition represents a viable alternative for big business interests at the next election.

Divisions within the Liberal Party surfaced on February 4, after Rudd announced the government's second, \$42 billion, stimulus package. The same day, Costello appeared on the ABC's "Lateline" program to denounce the proposed measures, declaring they would fail to boost the economy

and would only push the budget into deficit. Turnbull, having been pre-empted by his most prominent backbencher, responded by announcing that he, too, opposed the package in the interests of "stand[ing] up for fiscal discipline".

On February 16, deputy Liberal leader Julie Bishop resigned as shadow treasurer, making way for Joe Hockey, after weeks of media debate over her competency on economic matters. This sparked renewed discussion over Costello's future. Citing sources close to Turnbull, initial media reports stated that Costello had been offered the shadow treasurer job but turned it down. The former treasurer then denied that any such offer had been made, effectively accusing Turnbull of lying. According to the *Sydney Morning Herald's* Peter Hartcher: "Costello interpreted the spreading of this fiction as an attempt by Turnbull to portray him as a troublemaker who was not prepared to step up and help the team, to discredit him."

Tensions again flared on March 10 in what the Canberra press gallery reported as a "tense, prolonged, and unruly" Liberal caucus meeting held to discuss Labor's industrial relations legislation, which was passed last Friday. Turnbull had previously admitted that Labor had a mandate to revise the former Howard government's WorkChoices legislation, describing it as "dead". But the Liberal right-wing remained determined to oppose any dilution of the laws. Costello reportedly clashed with Turnbull at the March 10 meeting after he demanded that the opposition vote against Labor's alternative "Fair Work Bill".

In recent weeks Costello has made speeches and given media interviews denouncing other aspects of the Labor government's agenda, including its modifications to the Howard government's voluntary student unionism bill (long a hobby horse of the Liberal right wing) and on the proposed national carbon trading scheme due to come into effect next year.

In other circumstances, Costello's provocative and destabilising public appearances would have been widely denounced by the media. This time, however, they have been encouraged and promoted, especially by the Murdoch press.

A March 12 editorial in the *Australian*, titled "First leader to the centre wins", made clear why. After denouncing Rudd for not "embracing the right" and for failing to deliver on his pre-election promise of sweeping economic reform, the editorial stated: "Even more extraordinary than Mr Rudd's lurch to the Left is the way Malcolm Turnbull is imitating his every action when a far simpler strategy could make him prime minister... Like the Government, [Turnbull] wants to bury Work Choices. Like the Government, he supports action on global warming." The *Australian* concluded: "Mr Turnbull must embrace the Howard agenda. If he declines to do it, the party should look for a leader who will."

The crisis gripping the Liberal Party is just one expression of a crisis of the entire political establishment.

For both Liberal and Labor, the dilemma remains: how to ram through the "free market" measures being demanded by the Australian financial and corporate elite in the face of overwhelming opposition among ordinary working people. As far as big business is concerned, the global crisis has made all the more urgent a sweeping assault on the social position of the working class, including making wages and working conditions "competitive" with the cheap labour platforms in Asia, and slashing public spending on health, education, and welfare. Calls are also being made for business and financial regulations to be abolished, corporate tax rates cut, and social infrastructure and services further privatised.

At the same time, however, there is widespread acknowledgement that the primary reason for the routing of the former Howard government in the 2007 federal election was the perception, among wide layers of ordinary people, that its WorkChoices industrial legislation, among other policies, represented the interests of big business against those of the majority of the population.

Turnbull's subsequent repudiation of WorkChoices was driven by his attempt to win back some measure of public support by distancing the Liberal Party from the Howard era. But for the Murdoch press and the interests it articulates, Turnbull's task is to pressure the Rudd government from the right. If he refuses, or fails to do so, then Costello's ambitions will no doubt be further encouraged.

Big business is stepping up its demands that Rudd deliver on his election campaign promise of a new wave of reform, comparable to that engineered by his Labor predecessors, former prime ministers Bob Hawke and Paul Keating. Between 1983 and 1996, major industries were privatised and deregulated, the dollar floated, corporate taxes slashed, and tens of thousands of manufacturing jobs destroyed amid an unprecedented transfer of wealth from the working class to the financial elite. While Rudd pledged to uphold this legacy, he also promised to abolish WorkChoices, introduce a carbon trading scheme that would increase business costs, and maintain government spending on what the Murdoch press calls "middle class welfare".

Rudd's attempt to head off growing popular anger over the impact of the global recession has also drawn the ire of the ruling elite. In his essay in the *Monthly* magazine last month, the prime minister engaged in rhetorical criticisms of "extreme capitalism" and suggested that the "30-year orthodoxy" of "neo-liberal economic fundamentalism" was responsible for the global economic crisis. While this was intended to promote the myth that the capitalist system itself was not in crisis, merely a particular model based on a discredited "ideology" (see "Australian PM's essay: an exercise in ideological damage control"), Rudd's article nevertheless raised fears that any breach of the long-standing bipartisan right-wing orthodoxy could generate an unwanted and dangerous public debate about the legitimacy of the profit system itself.

The *Australian's* economics editor Michael Stutchbury was quick to warn of potential adverse reaction from international investors. "Australia is a capital importer with high household debt amid a global credit squeeze and a flight from risk," he wrote in a column last month titled "PM's leftist manifesto a risky business pitch". He continued: "We are vulnerable to being marked down by foreign investors as a risky bet. The Prime Minister shouldn't go around shouting that Australia has been gripped by some crazy ideology that leaves us poorly prepared for the global crisis."



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