

Australia: The Rudd government and the new stage of the economic crisis

The Socialist Equality Party (Australia)
9 March 2010

In response to the deepening global economic crisis, a shift in political relations in Australia has rapidly emerged since the beginning of 2010 that has far reaching consequences for the working class. The Labor government of Prime Minister Kevin Rudd has begun to wind back the fiscal stimulus measures adopted in response to the 2008 global financial crash and launch an austerity drive that will make deep inroads into the living standards of workers.

The Rudd government enjoyed the rock solid support of big business and finance capital in its response to the 2008 economic meltdown. In line with International Monetary Fund advice, and in coordination with the US, Europe, and other major economies, Labor implemented a huge stimulus spending program. The Australian banking system, which was effectively insolvent in October 2008, was pulled back from the brink of bankruptcy by the government which underwrote all deposits and borrowings to the value of \$2 trillion.

The support of the corporate elite for these extraordinary measures found expression in the media treatment afforded to the Labor government. Rudd was hailed as the most popular prime minister in Australian history, and awarded the “Australian of the Year” honour for 2009 by Murdoch’s *Australian* newspaper. By contrast, the opposition Liberal-National coalition floundered from crisis to crisis, unsure how to demarcate itself from Labor given the decisive support provided to the government by business.

In the space of less than three months a striking turnaround has occurred. The government has come under fire in the media on a number of fronts and is desperate to reassure big business of its ability to implement the new agenda. The opposition Liberal Party, now led by Tony Abbott, has been consciously promoted and has staged a certain rebound in the polls amid declining support for Labor. Sections of the press have even speculated on the possibility that the opposition could win the next election later this year, making Rudd leader of the first single-term federal government since 1931.

Labor’s political vulnerability first became obvious with the collapse of its Emissions Trading Scheme (ETS) when the Liberal Party last year ousted Malcolm Turnbull as leader, installed Abbott and withdrew its support for the legislation. The ETS was aimed at positioning Australia as a hub for the lucrative carbon credit market expected to open up in East Asia with the development of a post-Kyoto climate treaty. But the debacle at the Copenhagen summit encouraged Abbott to go on the offensive, appealing to the mining industry and less competitive sections of industry opposed to the ETS, while publicly denouncing the scheme as “a big new tax”. Labor’s subsequent retreat on the proposed legislation underscored its inability to rally any genuine public support for what was a regressive pro-market plan.

The government’s stimulus package came directly under fire with the eruption of a scandal last month surrounding its \$2.5 billion home insulation program. Having ignored the previous deaths of three insulation workers, the media seized on a fourth to expose the market-driven scheme as a shambles—unsafe, wasteful and looted by business. Rudd was compelled to shut down the program, sideline Environment Minister Peter Garrett and elevate former Australian Council of Trade Unions secretary Greg Combet to try to fix the mess.

For big business, however, the target was not simply the home insulation program, but the entire stimulus package. As the *Australian* editorial explained on February 23: “The [insulation] scheme’s failure affords Mr Rudd another chance to review how to better allocate the second half of the \$42 billion stimulus, due to continue until 2012. Given the potential economic tsunami posed by the global financial crisis in late 2008, the *Australian* supported the full stimulus. Now, with half the money spent and Australia clearly avoiding recession, it’s time to rethink the allocations.”

Rudd signalled that Labor had received the message with a carefully staged media “apology” on February 28. The government deserved its “whacking” in the opinion polls, he said, adding: “I think people are becoming disappointed at the pace of the delivery of the commitments that we have made.” The slump in the polls reflected the evaporation of illusions that Labor would be an improvement over the detested Howard government. However, Rudd’s pledge to “deliver commitments” was not directed towards working people, but to the corporate elite who now expect him to live up to his 2007 promises to be “fiscally conservative” and take up its longstanding demands for a new round of economic restructuring.

Economic crisis enters new stage

For months, there has been an incessant drumbeat in the media that Australia, of all the advanced capitalist countries, has proven immune to the global financial turmoil and has, technically at least, avoided a recession. In reality, as more astute commentators acknowledge, the Australian economy is particularly vulnerable as the international economic crisis enters its second phase.

When the financial turmoil erupted in September 2008, governments around the world collectively spent trillions of dollars to save the financial

oligarchy. While often complex, the bailout essentially involved taking the massive debts of private banks and companies onto government books. Now big business is insisting this public debt is unsustainable and demanding it be offloaded onto the working class.

The new stage of the crisis is most pronounced in Europe where the EU is demanding that “profligate” countries like Portugal, Italy, Greece and Spain, the so-called PIGS, implement savage austerity measures. Greece, for instance, must slash its budget deficit from 12.7 percent of GDP to 3 percent over the next two years. The Greek government has already announced sharp rises in consumption and fuel taxes and huge cuts to public spending. By one estimate, the average public sector worker could face a 25 percent reduction in income.

While PIGS countries are in the spotlight, concerns are also being raised over the levels of sovereign debt in Britain, the US and Japan and its potential to trigger a new round of financial turmoil. While Australia’s sovereign debt is relatively low, the economy is heavily dependent on financial inflows and remains precariously positioned to cope with global instability. Australian economic growth has depended, firstly, on the Rudd government’s \$42 billion stimulus program—the world’s third largest as a proportion of GDP—and, secondly, on China’s massive stimulus spending, which has maintained high demand for Australian mineral exports.

Canberra is watching nervously as China’s huge credit expansion has provoked a speculative frenzy in real estate prices and stock values. The ratio of credit to GDP in China is approaching 200 percent—a similar figure to that reached in the US as the sub-prime mortgage bubble burst. One international hedge fund operator recently labelled the state of China’s real estate market as “Dubai times 1,000—or worse”, referring to financial collapse in the Middle Eastern emirate late last year. Any slowdown in China’s demand for minerals will immediately reverberate in the Australian economy.

The growing rivalry between the US and China also threatens to impact on Australia, which strategically has depended on the ANZUS alliance with the US since the end of World War II. As Washington insists that Canberra takes a tougher line towards Beijing over a range of issues, China may well hit back by sourcing more minerals from other countries. In an unusual step for a first-term US president, Barack Obama will visit Australia later this month—relations with China are sure to be at the top of the agenda.

Political fragility

For big business, the economic uncertainty adds urgency to its demands for debt reduction and the next round of pro-market restructuring. The Labor government, however, is compelled to undertake this task in conditions of growing popular discontent and opposition. Rudd won the 2007 election with a carefully scripted campaign that created the illusion that Labor would end the detested policies of the previous Howard government. He was only able to pull off this confidence trick with the backing of the trade unions, the Greens and various ex-radical organisations, which presented Labor as the “lesser evil.”

That myth has unravelled on every score.

* Labor appealed to anti-war sentiment by promising to end Australian involvement in the occupation of Iraq, only to increase troops to Afghanistan where US President Obama has dramatically escalated the conflict.

* The ALP declared that it would abolish the Howard government’s hated WorkChoices legislation, then introduced Fair Work Australia (FWA) industrial laws that make virtually any form of strike, industrial action or protest illegal.

* Rudd pledged to address widespread concern over global warming, but is committed only to reducing carbon emissions by just 5 percent by 2020, far short of what is required.

* Labor promised a more humane immigration policy, but has maintained all the essential features of the Howard government’s “border protection” policies. Hundreds of refugees are being incarcerated indefinitely with no legal rights on Christmas Island.

* Rudd offered a token apology to Aborigines, but has extended the Howard government’s Northern Territory “intervention”, which includes the seizure of Aboriginal-controlled land and stripping Aborigines of the right to determine how and where they spend their limited welfare payments.

* Labor has kept every piece of “anti-terror” legislation introduced by the Coalition. These police state measures, including detention without trial, will be used more broadly as social unrest grows.

For all the media hype that Australia has avoided a recession, the social reality for working people is already harsh. While the official jobless rate is just 5.3 percent, many workers—one third of the workforce—have been forced into low-paid, part-time, often temporary jobs. Most households are under considerable financial stress, struggling to pay the bills and going further into debt. Personal debt is at record levels—100.4 percent of GDP in December 2009, a figure higher than even the US. Interest rates are again rising.

Now Rudd is pressing ahead with new inroads into essential public services. In recent weeks, the Labor government has unveiled major “reforms” to education and health care. The MySchool system, based on a regime of narrow literacy and numeracy testing, has ushered in competitive school ranking tables setting the stage for the amalgamation and closure of “underperforming” schools and further boosting private education. On March 3, Rudd announced sweeping changes to public health care, which in the name of greater “efficiency”, will slash spending on public hospitals that are already underfunded and stretched to the limit.

A confrontation between the Labor government and the working class is inevitable. Over the past year, a series of relatively small, but significant industrial disputes have erupted—from West Gate building workers in Melbourne, to private bus drivers in western Sydney and construction workers on the Pluto gas project in the north-western Pilbara region. In each case, management has relied on Labor governments, state and federal, and above all, the trade unions, to enforce the legal straitjacket of Fair Work Australia and to impose their demands.

The perspective of the SEP

The crucial question facing workers and youth in every sphere—whether it be living standards, opposition to war and militarism, or the defence of democratic rights—is what road forward. Many people are disgusted and angry with the Labor government, the Coalition and the entire political and media establishment, but feel isolated and powerless to do anything. The starting point of any genuine fight-back is the recognition that workers must take matters into their own hands and begin to mobilise independently based on a political perspective that represents their class interests.

All of the many diverse attacks on the social position of working people, in Australia and around the world, have a common source: the failure of capitalism. The present economic crisis is not a passing phase, but the product of a profound historic breakdown of the present social order. This breakdown is driving the onslaught on living standards in every country and fuelling great power rivalry, the rise of militarism and the danger of new and more terrible wars. The only alternative is socialism: the rational reorganisation of the vast resources of the global economy to meet the pressing needs of working people, rather than the profits of the financial and corporate oligarchy.

The fight for socialism requires a fundamental political break with all of the parties and organisations that keep the working class tied to the profit system. In Australia, that means above all the Labor Party and trade union bureaucracy, as well as the Greens and various ex-radical outfits that oppose the independent political mobilisation of the working class. All those who backed Labor as the “lesser evil” in the 2007 election bear political responsibility for the policies being implemented by the Rudd government.

The founding congress of the Socialist Equality Party (SEP) in January was an anticipation of the class struggles that are starting to emerge in Australia and internationally. The documents adopted include “The Historical and International Foundations of the Socialist Equality Party (Australia)”, which exhaustively reviews the entire 120-year struggle for Marxism against Laborism and all forms of national opportunism. Together with the lessons of the key international strategic experiences of the twentieth century, this document forms the essential foundation for the struggle for socialist internationalism in the Australian working class.

On this basis, the SEP wages an intransigent struggle for the political independence of the working class. We encourage a rebellion against the unions and the formation of independent rank-and-file committees in workplaces to fight all closures, defend jobs, wages and living standards, and for democratic control of production by the working class. Independent organisations are also necessary to defend education, health care, housing, services and democratic rights. Such committees will provide the basis for unifying workers in Australia and internationally against the predatory operations of global corporations, the rise of neo-colonialism and war and for developing the struggle for workers’ power and the socialist reorganisation of society.

The SEP will actively intervene in the upcoming federal election, using the campaign to educate and mobilise working people on the basis of a socialist program. We insist that none of the complex problems facing working people will be resolved in the parliamentary arena. What is necessary is the fight for a workers’ government, based on public ownership and democratic control of the major financial and industrial corporations. The SEP calls on workers and youth who agree with this perspective to apply to join our party and to take up the political fight for it in the working class.



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