

Australia: Big business and mining companies issue diktats to new prime minister

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Australian Prime Minister Julia Gillard—installed yesterday through a series of unprecedented manoeuvres by a cabal of right-wing factional apparatchiks and trade union bureaucrats—has been issued with a clear set of instructions by the corporate and media interests that orchestrated her predecessor Kevin Rudd’s ousting. She is preparing to carry them out by substantially revising, if not shelving, the Labor government’s proposed 40 percent Resource Super Profits Tax (RSPT) on the mining industry, returning the budget to surplus by slashing public spending, and quickly moving to implement a series of far reaching “free market” economic reforms.

Press coverage of the Gillard coup abounds with mafia-like metaphors describing Rudd’s downfall. They are entirely apt. The conspiracy in Canberra over the last 24-hours amounted to a political contract killing. Labor’s factional chiefs—acting without the knowledge, let alone input, of the majority of caucus members, who are nominally responsible for electing the party leader—switched prime ministers at the direct behest of specific business and media interests.

Chief among these was the mining industry. A *Sydney Morning Herald* article today, headlined “Tycoons claim credit for a burial”, noted: “Mining tycoons have claimed much of the credit for Kevin Rudd’s downfall, saying the industry-led opposition to the resources tax was the main reason for the leadership coup.”

The mining companies’ two-month long campaign against the tax—which included expensive television, radio, newspaper, and billboard advertising—exploited fears among ordinary people over the prospect of severe economic downturn and higher unemployment. Moreover, Rudd’s decision to use the RSPT revenue to lower the corporate tax rate and bolster other sections of business, rather than spend a cent on social services, meant that his attempt at populist posturing fell flat. The mining giants’ successful campaign against Rudd comes after they helped instigate the removal of Malcolm Turnbull as opposition leader in December, because of his support for an Emissions Trading Scheme, underscoring the resource sector’s considerable weight within the Australian ruling elite.

Mining shares gained value on the news of Rudd’s exit, with early trade in London registering gains for Rio Tinto, BHP

Billiton, and Xstrata. Those mining companies registered in Australia similarly closed higher yesterday evening with iron ore giant Fortescue Metals Group among the biggest winners, gaining 2.5 percent. Gillard is yet to announce any details on the status of the mining tax, but has declared that the government’s “doors are open” to negotiations with resource sector CEOs. She has also cancelled the government’s publicly-funded advertising campaign promoting the tax. The Minerals Council of Australia, BHP Billiton and Rio Tinto have likewise scrapped their ads as part of the “truce”.

Placating the mining companies may be Gillard’s immediate priority, but she faces the more complex task of orchestrating a u-turn in government fiscal policy, from stimulus to austerity. Rudd’s \$42 billion stimulus package helped the Australian economy avoid official recession after the 2008 financial crash, and garnered him plaudits from ruling circles and unanimous media support, which found reflection in carefully manipulated opinion polls. This situation continued until late 2009, when Rudd’s position began to unravel. From early 2010 demands began to be raised, most forcefully by the Murdoch press, for the early winding up the government’s stimulus programs and for an alternative focus on cutting welfare and social infrastructure spending. The campaign intensified as Rudd delayed implementing promised austerity measures, even as the global sovereign debt crisis worsened, with Greece and other European economies threatened with national bankruptcy.

Predictably, today’s *Australian*’s editorial backed Rudd’s ousting and urged the government to veer even further to the right. The newspaper welcomed the fact that Gillard “signalled a return to the reforming tradition of Bob Hawke and Paul Keating, continued by John Howard and Peter Costello”, and criticised the former prime minister’s farewell speech, which catalogued his supposed achievements in office, including a few minor health initiatives. “The projects [Rudd] pointed to were not the achievements of the reforming prime minister he promised he would be when he won office in 2007,” the editorial declared. “He accomplished little that came anywhere near Hawke, Keating and Howard’s capacity for complex policy planning or their ability to convince the country to accept hard decisions.”

The *Australian* added that in response to the global financial

crisis, Rudd merely “threw money at the problem” and demonstrated a “Whitlamesque assumption that spending money can replace policy planning”.

The *Australian Financial Review* put aside the fears it expressed yesterday, that a knifing of Rudd could damage the country’s reputation for stability, and instead urged Gillard to adopt a “a bold vision”. The organ of finance capital expressed considerable concern, however, in the Labor government’s “thin economic expertise”, exacerbated by Finance Minister Lindsay Tanner’s decision yesterday to resign from the parliament at the next election. The *Financial Review* described Gillard’s pledge to balance the budget in three years as “encouraging”, but questioned how it would be done given that concessions on the mining tax would likely blow a multi-billion dollar hole in fiscal projections.

Business Spectator columnist Alan Kohler demanded that “Gillard must mop up Swan’s mess”, referring to treasurer (and now deputy prime minister) Wayne Swan’s “total stinker” of a budget delivered last May. Kohler insisted that the resource tax would have to be put aside until after the election, due to be held later this year, noting that this would leave a \$12 billion revenue shortfall that would have to be covered in other areas. There is little chance that the Gillard government will simply rescind the various pro-business measures that the mining tax was due to fund—including a 2 percent lower company tax rate, higher superannuation contributions to boost the finance sector, and more infrastructure investment benefitting exporters—leaving spending cuts the only alternative.

“Tony Abbott and Joe Hockey announced \$24.7 billion in savings last month to give themselves some room to move,” Kohler concluded. “Julia Gillard and Wayne Swan must now do something similar—in other words, a mini budget is required to clean up her deputy’s mess before the new PM can announce an election.”

Kohler articulated the growing consensus in ruling circles that the Labor government not be permitted to use higher taxes and favourable terms of trade to evade an austerity program that slashes long-term social spending in areas including welfare, health, and education, and drives down the living conditions of the working class.

Gillard, however, confronts the same dilemma as her predecessors—how to implement an economic and social program that is diametrically opposed to the most fundamental interests of the majority of the population. That is why the media has placed such heavy emphasis on the fact that she is the country’s first female prime minister, presenting her gender as inherent evidence of her “progressive” bone fides.

The Fairfax press has been especially effusive. Under a huge front-page photo of Gillard with Australian Governor-General Quentin Bryce, the *Sydney Morning Herald* gushed in large type: “What a day. Who would have thought they would live to see a

female prime minister sworn into office by a female governor-general?” Inside, the newspaper made clear the real reason for its enthusiasm: “Gillard the former campus radical has made the transition to the safe mainstream consensus without a ripple,” it noted. “In her address after the leadership change yesterday, the only foreign subject touched upon was Afghanistan, in the form of a tribute to the soldiers serving there. She has been a participant in the second-track diplomacy effort known as the Australian-American Leadership Dialogue, and in the newer Australia-Israel forum set up last year. In these two sensitive areas, where politicians are carefully watched for deviation by powerful lobbies, she has flagged her adherence to the norm.”

Nevertheless, concerns are being raised about Gillard’s legitimacy as prime minister, within broad layers of the population, given the manner of her elevation to the job. The *Australian Financial Review*’s political editor Laura Tingle wrote an uncharacteristically vitriolic comment, denouncing Labor’s “new generation of ‘powerbrokers’ behind this coup who seem to have no respect for the traditions of one of the oldest democratic political parties in the world, nor any apparent commitment to its values”. She concluded that while Rudd’s removal could well boost Labor’s poll ratings, “the way in which it was achieved leaves open the question of whether it is a party that actually deserves to win [the next election]”.

Gillard has pledged not to move into the official prime minister’s residence in Canberra unless and until she is voted in as PM at the next election. This decision reflects a definite nervousness within the government that Rudd’s political guillotining has openly revealed, before broad layers of the working class, the real physiognomy of the Labor Party—a sordid parliamentary clique that has become nothing but a vehicle for implementing the diktats of corporate Australia, divorced from any connection to the interests and sentiments of ordinary people.



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