

# Australia: Labor government crisis deepens

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Yesterday's Newspoll opinion survey published in the *Australian* confirmed the mounting hostility of voters towards the Labor government of Prime Minister Kevin Rudd. Labor's primary vote support remains at just 35 percent—the same level polled a fortnight ago. Had the reported figure been even marginally lower, Rudd could well have faced a cabinet revolt and an open challenge to his leadership. The unprecedented collapse in support for the man the media had just months ago absurdly dubbed Australia's "most popular prime minister in history" is but one expression of a wider political crisis afflicting the entire political establishment.

The *crikey.com* web site yesterday headlined its analysis of the latest polls, "Voters hate everyone". Nearly 30 percent of respondents indicated that they would vote neither Labor nor Liberal, with the conservative opposition coalition parties—Liberal and National—being largely unable to capitalise on Rudd's decline. Liberal leader Tony Abbott has gained ground as preferred prime minister (39 percent versus 46 percent for Rudd, compared to 33 to 49 percent a fortnight ago) by avoiding appearing in public wherever possible. One cartoonist has depicted the former seminarian as taking a vow of silence. The opposition is yet to release details of its economic programme, as promised after Labor's third budget, handed down nearly two months ago.

While Rudd may prove able to stave off a leadership challenge for the time being, unease among backbench parliamentarians threatened with the loss of their seats will ensure ongoing instability. The *Australian* today published poll results for several marginal seats, showing that Labor could lose office based on Queensland and western Sydney seats alone. In five of these seats, the government faces a swing of between 6 to 12 percent. The poll indicates that the collapse in Labor's support demonstrated in the New South Wales state by-election in the Penrith electorate last Saturday was not due to state issues alone, as Rudd has maintained. Newspoll revealed that in the federal seat of Lindsay, in Sydney's outer-west, which includes the state seat of Penrith, Labor's primary vote is just 34 per cent, down from 51.4 percent in the 2007 election.

If current polls are replicated in the federal election, due to be held later this year, the Rudd government will be the first to lose power after just one term in office since 1931. This comes after the 2007 election in which the Liberals were swept out of power and John Howard lost his own seat—the first time for a sitting prime minister since 1929.

The historical parallel of the current political turmoil with that of the 1930s is by no means an arbitrary one. The global financial crash of 2008 marked the beginning of an historic breakdown of the global

capitalist economy. After governments internationally moved to bail out their banks and financial systems and implement pro-business fiscal stimulus measures, they have moved, in what is now the second stage of the crisis, to make the working class pay for such measures through reduced public spending, higher regressive taxation, and attacks on public sector employees.

Contrary to the complacent discussion in the Australian media regarding the "miracle" national economy "defying economic gravity" since the 2008 crisis, the reality is that the economic situation is highly precarious. The political crisis of the Labor government is directly bound up with nervousness, within the ruling elite, over Australia being subjected to European-style sovereign debt pressures.

The Australian economy's dependence on continued high growth rates in China is now increasingly recognised as a major potential liability. Former Liberal leader Malcolm Turnbull last week warned that China's residential property market was now estimated at more than 300 percent of the country's gross domestic product, nearly twice the peak reached in the US before the subprime crisis. "Asset bubbles are like a Ponzi scheme—everything is fine until the cash dries up and asset prices stop rising," he explained. "Like it or not we are exposed to the Chinese property bubble. The iron ore China buys from Australia is turned into steel, and most of that goes into building apartments and infrastructure. Our bauxite and alumina exports are turned into aluminium, of which about 40 percent goes into construction in China."

Rudd's crisis is first and foremost a reflection of the fact that important sections of big business and finance capital have lost confidence in him. The Murdoch press in particular has savaged the Labor government for refusing to heed its demands for an end to stimulus spending measures and an immediate shift to austerity, in line with developments in Greece, Spain, and other weak European countries, and as formalised during this month's G-20 finance ministers' summit. There are real concerns that Rudd is simply not up to the job of permanently lowering the living standards of broad sections of the population—and this is the subtext of the media discussion of Rudd's lack of "conviction", his cowardice, and dependence on public relations "spin".

The *Australian's* editorial today spelled out its concerns, presenting them as the concerns of "voters" in general: "Voters no longer understand a prime minister they once trusted as an economic conservative with a light touch but who now governs as a big-spending interventionist," it declared. "They have watched Labor refuse to amend its spending even as unemployment drops and the waste and incompetence in programs run from Canberra become

apparent.”

The Rudd government’s apparent inability to implement the policies it pledged has raised serious doubts about its competency. The *Financial Times* published an editorial on June 17, “Super profit tax needs superpolitics”, noting: “Even if your cause is just, you had better mobilise your forces before going to war. When Kevin Rudd, Australia’s prime minister, triggered mining companies’ ire with a new ‘resource super profit tax’, he seemed unprepared for the industry’s fierce counterattack. What should have been an easy populist sell has turned into a political liability: Mr Rudd’s popularity in the polls is plummeting... In economic terms, the new Australian tax is a good attempt at achieving this goal [levying economic “rents” caused by high commodity prices]. But politically, the government has badly bungled the process.”

Similar points have been raised in relation to Rudd’s backdown on the carbon emissions trading scheme and the apparent derailment of the federal takeover of the hospital system.

Rudd has proved highly vulnerable to such criticisms, because he has no genuine constituency and ever since his “Kevin 07” election campaign, has depended on favourable media coverage for his political standing. The active and loyal support enjoyed by the Labor Party within the working class was permanently destroyed under the 1983-1996 Hawke-Keating governments, when a series of pro-business restructuring measures increased social inequality to record levels, destroyed tens of thousands of full-time manufacturing jobs, and increased economic hardship and uncertainty for broad layers of the population. Rudd does not even have any solid factional support within the Labor apparatus, and is reportedly widely despised among his colleagues.

Deputy Prime Minister Julia Gillard is tipped to succeed Rudd. From the so-called left faction, Gillard has won plaudits from business figures and right-wing columnists for her calculated provocations against teachers when she implemented the reactionary MySchool and NAPLAN regime, and against construction workers when she maintained the former Howard government’s Australian Building and Construction Commission (ABCC).

At the same time, there remain misgivings in ruling circles regarding the viability of an Abbott-led coalition government. Abbott is seen as a somewhat erratic leader, with his off-the-cuff pledge to levy the largest corporations to pay for a relatively generous parental leave scheme pilloried in the press. The Liberal Party is deeply divided internally, with former leader Malcolm Turnbull retaining significant support. And no-one is clear on the stability of the Liberals’ coalition partner, the National Party, which has many policy differences with the Liberals. The economic crisis is making it increasingly difficult for the conservative parties to balance their diverse constituencies—small business, farming interests, and particular sections of big business.

Debate within the ruling elite regarding a possible change in government leadership has opened a fissure through which the long developing unease and opposition among ordinary people to Rudd’s policies are beginning to surface.

Many people voted for Labor in 2007 out of deep hostility to the

right-wing policies of the Howard government—on the Iraq and Afghanistan wars, democratic rights, treatment of refugees and Aborigines, climate change, and punitive industrial relations policies. On every issue Rudd has disappointed those who retained lingering illusions in the Labor Party as a progressive alternative to the Liberals—or even as a “lesser evil”. Draconian legislation drafted as part of the so-called “war on terror” has been extended, the Northern Territory intervention deepened, Australian troops are engaged in ever-heavier fighting in Afghanistan as well as remaining in East Timor and the South Pacific, refugees continue to be incarcerated in violation of international law, and the new Fair Work Australia regime has proven even harsher in its anti-strike provisions than Howard’s WorkChoices legislation.

So far, the Greens have been the beneficiaries, polling a record 15-16 percent. In the next election they may win one or more seats in the House of Representatives for the first time and will likely hold the balance of power in the senate. Leader Bob Brown is positioning himself to deliver on behalf of business, pledging to uphold parliamentary stability and work closely with both Labor and Liberal. In an interview with Sky News last Saturday, Brown pointed to the Greens’ support for the Rudd government’s economic policies after the 2008 financial crisis: “We will act responsibly. Let’s look at the record ... I think a lot of the pundits would have said the Greens are not going to be there supporting banks and so on—but we did.”

Brown’s remarks underscore the enormous political vacuum that has emerged. None of the parliamentary parties represents the interests of the working class, under conditions where economic pressures have mounted on ordinary people, including increased costs of living in housing, transport, utilities, groceries, education, and health. Concerns over the volatile state of the economy have allowed the mining companies to gain a certain traction in their campaign against the so-called super profits tax, with threatened investment withdrawal and job losses exacerbating fears of recession.

Rudd has attempted to make an appeal to these concerns, declaring that “the cost of living pressures out there and the challenges faced by small business on the ground are real and they are hard”. This pitch has fallen flat, however, with the government already junking its grocery and fuel “price watch” schemes, which were abject failures. Just two and a half years after Rudd Labor took office, any illusions that it would address the mounting social and economic crisis affecting millions of ordinary people are being well and truly shattered.



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