

## Australian election crisis

# Caretaker PM delivers pitch to independents and financial markets

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Labor leader and caretaker prime minister Julia Gillard had two objectives in her first address to the National Press Club since the August 21 federal election and the return of a hung parliament: to secure the support of independents, by offering various concessions, for the formation of a minority Labor government and to assure the corporate and financial elites that her government would provide a more stable option than either a Liberal-National Party government or a return to the polls.

Gillard has circulated a paper to the three incumbent rural-based independents outlining a series of parliamentary “reforms” that she hopes will win them over. These include improvements to Question Time, ensuring that private members can bring forward bills, and supporting an independent speaker.

Seeking to put the best face on a bad situation, Gillard declared there was now a “great opportunity in Australia’s new political landscape” for “genuine parliamentary and democratic reform” and that these were the issues being discussed with the independents. While “freely accepting” that reform of the House of Representatives had not been a priority in the first term of the Labor government, she insisted it was now a necessity.

Throughout the speech and in the questions that followed, Gillard returned to her central theme: that a Labor government was best able to provide stability and ensure the fiscal discipline demanded by the financial markets and corporate elites.

During the election campaign, Gillard assiduously avoided mentioning the worsening state of the world economy. In her address, however, it occupied a central place. Pointing to recent warnings by US Federal Reserve Board chairman Ben Bernanke that the US economy faced risks and that for much of the world, recovery was far from complete, she told the assembled journalists: “Continued uncertainty in the global economy puts a premium on the stable, experienced and responsible economic management that has been a hallmark

of the Labor government.”

Her government, Gillard continued, had advanced a clear plan to return the budget to surplus and had implemented “tough spending decisions.” It had shown the discipline to deliver \$84 billion in savings, across its first three budgets, to meet the cost of any reforms. “That’s why our commitment to return the budget to surplus in 2013 ... can be trusted—because we have shown the discipline to deliver it.”

To emphasise her pitch to the financial markets that Labor would be a safe pair of hands, Gillard took the opportunity, in answering questions, to cast doubt over the costings of the Liberals’ program. She emphasised that any commitments made to the independents during their negotiations would be offset by savings elsewhere. They would “not be adding a dollar to the budget bottom line.” The economy, she declared, was “at the core of the interests of the nation.”

Questioned about her attitude to calls by North Queensland independent Bob Katter for a return to tariff protection, Gillard offered further reassurances. The Labor Party had been to “hell and back” to modernise the economy and there would not today be a “resilient Australian economy” if Labor had not built it.

Of course the obvious question, which no-one asked, was that if the economy were in such sound shape, why had Labor suffered such large swings against it, especially in working class electorates, where unemployment stood at 14 percent and more. Asked to explain why Labor had lost 16 seats, Gillard replied that, under conditions where the government’s large program was expanding, the “process of explaining our priorities simply broke down.”

In other words, the first failure of a first-term government to secure re-election in almost 80 years was simply the result of a communications problem.

It remains to be seen whether Gillard manages to convince the independents to back her. Over the past 24 hours, the situation has become more complicated, with Hobart-based, Tasmanian independent Andrew Wilkie indicating that he

may not support either of the two major parties. This would mean that the votes of all three of the rural-based independents would be needed to secure the 76 votes needed to form government.

Wilkie, who has presented to both Gillard and opposition leader Tony Abbott a list of some 20 policies he wants implemented, voiced his concerns about both major parties. “I note that in the last few months, the Labor government has been neither stable, competent or ethical, and I’m yet to be persuaded that the opposition can do any better.”

Wilkie was employed as an intelligence analyst in the Office of National Assessments in 2003 when he went public to declare the claims of the Bush administration and the Howard government that Iraq possessed “weapons of mass destruction” to be completely false. He has since described the justification for the Australian troop commitment to Afghanistan offered by both the Labor Party and the Coalition as “one of the greatest lies of this election campaign.”

Powerful media interests continue to express concerns about the viability of any minority government backed by the independents.

Editorials in both the *Australian* and the *Australian Financial Review* (AFR) today gave caretaker treasurer and Labor deputy leader Wayne Swan a lashing over his failure to repudiate calls by North Queensland independent Bob Katter for increased tariffs and a ban on banana imports from the Philippines.

“So clear is the national interest,” the *Australian* declared, “that the government and the opposition should take a joint, principled stand and give Mr Katter a quick lesson in basic economics.”

So enthusiastic was the editorial to defend the “free trade” principle, that it recalled the stand taken by farmers in the deep south of America during the Civil War, when they had fought the pro-protectionist northern industrial states ... forgetting to add that in doing so they were supporting the continuation of slavery. So much for “freedom”.

The AFR editorial warned that Swan was “flirting with a dangerous return to populism in refusing to rule out any increase in tariffs”. As it tried to corral the votes of the independents, Labor risked adopting “economically retrograde positions.”

“Mr Swan and Labor must make a categorical statement that there will be no backsliding on tariff reform. And for that matter, Tony Abbott and the Coalition should make a similar commitment.” Now that Labor had to “cosy up” to the Greens and Katter it “risks bringing protectionism back into the mainstream economic debate,” the editorial declared.

The election outcome is also destabilising the Liberal-

National Party coalition. Gillard sought to capitalise on this development during her press conference by questioning whether the coalition was, indeed, a coalition any more.

Having witnessed the rise to prominence of the three rural-based independents, the National Party is demanding similar treatment, insisting that more attention be paid by a future coalition government to its regional constituency. Following the first post-election meeting of the party’s MPs yesterday, Nationals leader Warren Truss insisted that the Liberals had to respect their demand for a “fair share” for regional areas and warned that sometimes “Nationals would want to go in our own direction to deliver our priorities.”

“It’s self-evident that almost every person sitting in the House of Representatives has the technical balance of power because it only takes one or two people—whether they be Labor or Liberal or National or independent—to vote differently and you have a different result.”

Earlier, National Party Senator John Williams said that if the Coalition made promises to the independents, then the same treatment should be extended to the Nationals, since they also held the balance of power.

The prospect of a minority government—Labor or Liberal-National—doling out concessions to regional areas in order to stay in power is anathema to the ruling elites. They may well start making an even more concerted push for a new election, in order to try and guarantee the “strong” government they require for the implementation of their agenda.

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