

Australia: Gillard hails “resilient democracy”

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8 September 2010

Reinstalled Prime Minister Julia Gillard delivered an extraordinary speech yesterday evening, following the decision of rural independents Tony Windsor and Rob Oakeshott to back a minority Labor government. It comprised a series of lies on the meaning of the election crisis and its outcome, and overtures towards the Liberal-National opposition.

“We live in a lively and a resilient democracy—and it works,” she boasted. “The events of the past fortnight show us unequivocally that our democracy is very, very strong indeed.”

On the contrary, the formation of the Labor government backed by the Greens and three independent parliamentarians marks the culmination of the ruling elite’s attempt to forge a government more in line with its interests, one capable of implementing the deeply unpopular economic restructuring measures required in preparation for the next phase of the global economic crisis.

This process began with the June coup which saw Gillard installed as prime minister, and then continued during the official election campaign, which featured no discussion or debate on a series of critical issues which lay behind Kevin Rudd’s removal—including the state of Australia’s alliance with the US and its commitment to the war in Afghanistan, relations with the rapidly rising regional power China, and preparations for an austerity program comparable to those now underway in Europe and Britain.

The private deliberations of decisive layers of the corporate, media and financial elite subsequently continued in the seventeen days between the August 21 election and yesterday’s finalisation of the minority government arrangement.

The entire process unfolded behind the backs of the

electorate and has resulted in the installation of a government committed to policies that are contrary to the interests and sentiments of the majority of the Australian people.

Gillard yesterday declared that the “message” she had received from the election outcome was that people “want us [Labor and Liberal] to find more common ground in the national interest ... what they are asking us to do is not to become waylaid in partisan bickering but to build for the future”. Addressing opposition leader Tony Abbott, she declared: “I pledge today my best efforts as prime minister to work constructively with you and your colleagues to find common ground where we can.”

The inability of the major parties to secure a parliamentary majority did not reflect any concern over “partisan bickering” but rather was an expression of the enormous hostility towards Labor and Liberal and their shared right-wing agenda. The first hung parliament in seven decades, the very high informal ballot, and the record third party vote for the Greens all reflected this disgust and disaffection. But the political and media establishment cannot acknowledge this, and so Gillard is instead appealing to Abbott to close ranks and work with her government.

The prime minister accepted the congratulations of US President Barack Obama this morning. A White House statement declared that Obama had “conveyed his personal commitment, and the commitment of the United States, to the enduring alliance between our two nations”. Ever since the June coup, Gillard has stressed her wholehearted support for the US alliance. Remarkably, she is yet to even speak with anyone in the Chinese government leadership.

According to the *Australian Financial Review*, Obama may visit in Australia within a few months, after twice cancelling scheduled trips while Rudd was prime

minister. The Afghanistan war will no doubt be high on the agenda, with senior figures in the American military frustrated that Australia has not committed to deploying more troops and taking command over from the departing Dutch forces in Oruzgan province. Despite more than 60 percent of surveyed people reporting their opposition to the criminal war, both major parties remain committed and it remains to be seen whether the Labor government will escalate Australia's involvement.

On economic policy, the theme in every section of the press today is the need for Gillard to press ahead with the required pro-business measures irrespective of difficulties in getting legislation through parliament.

Tax and welfare is high on the agenda, with a "tax summit" to be held in Canberra before next June to discuss the review into Australia's tax system conducted by Treasury Secretary Ken Henry that was released earlier this year.

The Gillard government will utilise the summit to advance the deeply regressive proposals outlined in the Henry Review. These include reducing the corporate tax rate from 30 to 25 percent, and creating a flat income tax, with a 35 percent rate for those earning between \$25,000 and \$180,000 and one other bracket of 45 percent for those earning higher. This would hit many working people with a substantially higher tax rate while lowering the rate paid by the highest income earners. Henry also recommended means testing the aged pension and other welfare payments, including taking into consideration the market value of people's family home.

Such measures may end up forming part of the raft of public spending cuts which the Labor government will move to impose over the next three years. Gillard won the support of critical sections of corporate Australia after pledging to return the budget to surplus in three years and offset any additional spending commitments, made during the election campaign and in post-election negotiations with the independents, with equivalent budget cutbacks in other areas. Amid increasing economic turbulence internationally, this will inevitably involve going far beyond the proposals publicly outlined before the August 21 vote.

No credence ought to be given to the additional spending pledged to rural and regional Australia as a

result of the deal with Windsor and Oakeshott. Of the total \$2.1 billion in new pledges, \$1.3 billion is scheduled to be spent after 2013-2014, that is after the next federal election. Moreover, all the funds are dependent on anticipated revenues from Gillard's watered down mining tax on iron ore and coal—but according to a report released by resources intelligence firm Intierra, the new tax will only bring in \$2.5 billion in its first two years, not the \$10.5 billion forecast by the government.

Concerns within the political and media establishment remain over the viability of the current political setup. The *Australian Financial Review* described the situation in its editorial today as the "worst possible outcome ... it is no recipe for the unpopular reforms that are needed to revive productivity and keep Australia competitive in an increasingly challenging world". The newspaper added: "It is not even a recipe for stability, despite what Ms Gillard and her new best friends say... an early return to the polls to give either Labor or the Coalition a chance to win a clear mandate might be the best option."

The central problem, however, remains that of how to win a mandate in an election for policies which voters oppose. Moreover, the last official election campaign was a deeply discrediting affair for the major parties. The more conscious elements of the ruling elite understand that an attempt to immediately repeat the exercise would be fraught with danger.

This is why Labor, the Greens, and the independents have been so adamant that there be no return to the polls. Tony Windsor even declared yesterday that one factor in his decision to back Gillard was that he believed that Abbott would be "more likely to win" a fresh election and could therefore not be trusted to maintain a minority government for three years. The telling admission pointed to the government's lack of any democratic legitimacy.



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