

Australian Labor government pushes pro-business austerity agenda

Patrick O'Connor
28 October 2010

Australian Labor Prime Minister Julia Gillard made clear this week that her Labor government is a determined representative of big business and finance capital, by warning the opposition parties not to undermine the bipartisan consensus on pro-market reform. In a speech to the Australian Industry Group on Monday, Gillard cautioned against “economic populism” and castigated shadow treasurer Joe Hockey for suggesting that the government ought to bar banks from imposing excessive interest rate hikes.

The prime minister told the assembled manufacturers and corporate executives that “if a strain of economic Hansonism takes hold on the conservative side of politics in a parliament which is so finely balanced, our long-term prosperity is at real risk”. The reference to “economic Hansonism”, subsequently repeated in parliament, was to the right-wing ex-politician Pauline Hanson, whose platform included imposing import tariffs, reversing previous privatisations, and re-regulating the finance sector.

Gillard’s central message was that the Labor government is now preparing sweeping public spending cuts and far reaching “free market” measures targeting areas including health and education. There is enormous hostility to such measures among ordinary people—and the eruption of social struggles by workers and youth in France and other European countries has undoubtedly generated fears in Australian ruling circles of comparable developments here. In this context, the prime minister is urging corporate Australia to pressure the Liberal Party to close ranks and back the government’s program rather than engaging in populist criticisms of the banks, no matter how limited.

The prime minister told the Australian Industry Group that her government will pursue with “discipline and rigour” an agenda comprising “financial consolidation; building capacity on the supply side with tax, superannuation, infrastructure and skills; extending market-based reforms to

health and education, carbon and water”. Put in plain language, financial consolidation means major inroads into health, education, welfare, and public sector jobs; “building capacity with tax” means cutting corporate tax rates; and “market-based reforms to health and education” means the further degradation of these key public services and accelerating the shift to a privatised, “user-pays” system.

These measures are driven by the unfolding capitalist breakdown that was triggered by the 2008 financial crash. In every advanced capitalist country, governments have been tasked with slashing public spending as a means of making the working class pay for the various financial bailouts and stimulus measures enacted in 2008-2009. In addition to this austerity program, longer term structural “reforms” are aimed at permanently lowering the living conditions of working people by eliminating key social programs such as pensions and healthcare.

In her speech on Monday, Gillard warned that public opposition to this agenda represented a significant challenge. “In our country we are hearing rising voices against reform,” she declared. “Not just in the community as a whole, but in major party politics as well. And strikingly, in the parliament, in the once reform-advocating Liberal Party... The risk of a return to economic populism is real.”

The prime minister concluded: “Industry has a stake in the reform, so you must have a strong voice in the reform conversation too.”

This invitation was immediately taken up. On Tuesday, Business Council of Australia (BCA) President Graham Bradley complained that “discussion during the federal election was a lamentable display of the lowest common denominator populism”. He insisted that BCA members, representing Australia’s 100 largest corporations, “must speak out, when necessary, more clearly and more forcefully”.

Bradley pledged support to Gillard—"the Business Council of Australia will help you build the common ground needed for the necessary reforms"—while sounding a markedly different note on the Liberal Party. "To other political leaders, including the opposition leader and his team, my message is that we expect you to do your bit in embracing sound policy reform and to contribute constructively to its development," he said. "You, too, can expect the Business Council of Australia to contribute forthrightly to your understanding of policy options."

Late last week the Liberals' shadow treasurer Joe Hockey suggested that legislation should be passed banning the banks from increasing their interest rates faster than those set by the Reserve Bank. Attempting to appeal to widespread hostility to the banks, which are now reaping record multi-billion dollar profits through their gouging of fees and mortgage and credit card interest payments, Hockey urged that a "social compact" be developed with the banks, recognising their "community obligations".

These modest proposals were met with disbelief and fury in financial and media circles. Steven Munchenberg of the Australian Bankers' Association described Hockey's statements as "dangerous". ANZ Bank's chief executive Mike Smith today said they were "very unfortunate" and "pure populism". Smith's intervention came as he announced a 53 percent increase in ANZ's profits, to \$4.5 billion for the year to September.

The Labor government immediately weighed in on behalf of the banks, again demonstrating its role as the servant of financial capital. Treasurer Wayne Swan described the opposition's position as an "attack on prosperity". Assistant Treasurer Bill Shorten added: "What Hockey is doing lately is a pretty good Hugo Chavez impression."

More internecine fighting has erupted within the Liberal Party over Hockey's statements. One of the shadow treasurer's colleagues this week leaked details to the *Australian* of an opposition caucus meeting on Monday, in which deputy leader Julie Bishop purportedly "berated" Hockey and warned him not to "trash" the coalition's economic credentials. When asked about the leak, Hockey replied: "Look, anyone that occupies a position of influence in this place, everyone's out to get you."

Yesterday morning, Tony Abbott three times refused to answer a journalist's question as to whether he supported Hockey's "nine-point plan" on the banking sector. He later

attempted to contain the damage by claiming that he did indeed support his shadow treasurer and his policy proposals.

The media has responded with dismay over the Liberals' disarray. But the focus remains on ensuring that the Gillard government delivers the goods.

The *Australian's* editorial yesterday, "Time the leaders fought for the reformer crown", accused the opposition of "running away from anything resembling economic reform" but stressed that "it is premature for the prime minister to present herself as a reformer". As a first step, the newspaper demanded that Gillard boost economic productivity and establish "labour market flexibility and low government spending".

The *Australian Financial Review*, in an editorial today titled "Labor must sell reform, not carp", argued along the same lines. "'Economic Hansonism' looks more like camouflage for the Gillard government's mounting problems than a serious attempt to raise the tone of political discourse," it stated. "It is all very well to criticise the opposition—Mr Hockey and [finance spokesman] Mr [Andrew] Robb are doing their best to appear an economic B team. But Labor is in government and has to show it can govern in an orderly and efficient way, formulate credible reforms and sell them to the voters over the opposition of noisy vested interests, as Bob Hawke and Paul Keating succeeded in doing."

Gillard knows that her government is on notice—and she has given every indication that it is prepared to carry out the required measures.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact