

Divisions erupt within Australian Labor government

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Bitter divisions wracking the Australian Labor government have erupted to the surface, following Foreign Minister Kevin Rudd's appearance on the ABC's "Q&A" program on Monday. Speaking of his decision as prime minister in early 2010 to withdraw the proposed carbon emissions trading scheme (ETS), Rudd openly flouted Labor Party rules against divulging internal cabinet discussions and implied that his successor, Prime Minister Julia Gillard, was among those who had urged him to "kill" the policy.

Rudd's extraordinary performance left no doubt that he hopes to again become prime minister. Asked what he had learned from his experiences, he replied: "I may be in the future a slightly less trusting soul than I've been in the past, but that's a different matter. The key thing [is] politics is a competitive business... It's a tough terrain but hopefully I might have learnt a thing or two for the future."

Rudd feigned contrition for backing down on the ETS, following the collapse of the Copenhagen negotiations for a post-Kyoto climate treaty in December 2009 and the withdrawal of Liberal Party support for the legislation. But his real agenda was to blame his colleagues for what had happened. "You had some folk who wanted to get rid of it altogether," he declared. "That is, kill the ETS as a future proposition for the country. I couldn't abide that. There were others who said we should stick to the existing timetable, apart from the fact that the Senate couldn't deliver it. So I tried to find a way up the middle of all that, preserve the unity of the government. On balance it was the wrong call because we should have simply tried to sail straight ahead."

Asked if the cabinet discussions had been "vitriolic," Rudd replied that the split on the issue was "pretty big," with "strong views" on each side. He insisted that he would not "name names"—but then made no attempt to correct suggestions that Gillard and Treasurer Wayne Swan had demanded the ETS be dropped. These divisions have been

previously reported in the media, but only through unnamed Labor Party sources. Rudd is the first MP to speak openly on the issue.

Gillard pointedly refused to respond to her foreign minister's remarks, declaring: "I do not believe that it's proper to discuss confidential discussions between cabinet colleagues." The prime minister added that what had happened under Rudd's leadership was a matter for historians, and that she was proceeding with the planned carbon tax.

Rudd's remarks have undercut Gillard's posturing on the carbon tax. She has promoted placing a "price" on carbon as both a major pro-business reform—akin to the privatisation and deregulation measures introduced by the previous Hawke-Keating Labor government—and an indication of her commitment to action on climate change. Yet now Rudd has confirmed that just twelve months ago, Gillard favoured scrapping such an approach because of unfavourable opinion polls.

At the same time, Rudd's account is entirely self serving. The goal of his proposed ETS was to boost the international competitiveness of Australian capitalism and position the country as a regional financial hub for a highly lucrative Asian-wide carbon trading market. Like Gillard's carbon tax, the ETS was never designed to significantly reduce carbon emissions. For this reason, and because of the regressive impact of an ETS on the power and fuel bills of ordinary working people, Rudd had hoped to avoid all public discussion. His negotiated agreement with then opposition leader Malcolm Turnbull on the policy was aimed at enacting the legislation before the majority of population had any idea what the ETS would actually entail.

In December 2009, however, the Liberals split on the issue. Tony Abbott took over the party leadership, defeating Turnbull by just one vote in a poll of Liberal MPs, and then

launched a populist campaign against the ETS. Rudd responded by scheduling another Senate vote on the legislation for February 2010, declaring that the “summer provides a great opportunity for calmer, wiser heads of the Liberal Party to prevail” and urging the “sage counsel of business to register their voice”. When this strategy failed, an early, “double dissolution” election over the issue was widely foreshadowed in the media. Rudd refused, fearing he would lose a campaign focussed entirely on the ETS, which would raise at least some of its implications for the working class. This is the real reason he decided to postpone the scheme for a minimum of two years.

Rudd’s current grandstanding has highlighted Gillard’s lack of authority and apparent inability to maintain cabinet discipline. Only a few weeks ago, the prime minister’s staffers were complaining to the media that Rudd was “out of control” with his agitation for a “no fly zone” against Libya. But Gillard is unable to sack Rudd for fear that he will quit parliament, triggering a by-election that could bring down her minority government.

The Labor Party’s crisis is not merely about numbers in parliament. Big business and the media are insisting that the Gillard government press ahead with an economic “reform” agenda, involving massive spending cuts, that is opposed by an overwhelming majority of the population. The upcoming May budget has been posed as a “make or break” event, testing Gillard’s willingness and ability to ram through the policies demanded by the ruling elite, irrespective of the impact on Labor’s electoral fortunes. It is no coincidence that just as the budget is being finalised, Labor’s internal divisions are being laid bare.

Having long boasted that Australia had avoided the global financial crash, Gillard and her ministers are now scrambling to justify the need for austerity measures comparable to those unleashed against the working class in the US, Europe and elsewhere.

Last week Gillard warned of the “tough decisions” required to deliver her promised budget surplus by 2012-13. Without this, she continued, further debt “would mean radical cuts to key social services—like public education funding, public services and entitlements. Taking some pain now will ensure that households avoid a lot more pain in the future.” (See: “Gillard sets out the road to pain”)

The government has foreshadowed savage attacks on welfare recipients. Greens’ leader Bob Brown, who under the Labor-Greens alliance is privy to confidential updates

from the treasurer, warned on Monday of “a budget coming down the line which is going to cut [people’s] interests to ribbons, which is going to cut thousands of jobs out of the public service, I predict, and which is going to at the same time give a massive tax break to the big corporations”.

The *Australian’s* economic correspondent David Uren yesterday claimed that Treasury had told the government that “the river of company tax revenue that has supported the budget for the past eight years is drying up, with payments falling massively short of budget projections”. Company tax revenue is predicted to be 10 percent, or \$6 billion, lower than was forecast in last year’s budget—due to the mining industry’s exploitation of various tax breaks and a downturn in profits in other corporate sectors. Treasury’s advice, Uren concluded, “has serious consequences for the government’s promised return to surplus by 2012-13, and helps explain the need for tough budget cuts”.

The *Australian’s* editorial today, “PM must move on from the leadership fallout,” urged Gillard to respond to Rudd’s challenge by “building a clear policy platform”. The advice follows yesterday’s editorial in the Murdoch newspaper criticising the prime minister’s “occasional ‘vision’ speeches about policy” and failure to boost economic productivity. “Ms Gillard is attempting to adopt the reform image of Mr Hawke and Mr Keating, yet she is a long way from demonstrating capacity to formulate, sell to the electorate and implement the policies needed to ensure Australia captures the full benefit of the boom,” the editorial concluded.

Gillard has clearly been put on notice—if she does not deliver the demanded austerity measures in the May budget, her minority government may be quickly brought down.



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